

February 23, 2024

To,

National Stock Exchange Limited

The Listing Department
Exchange Plaza, C-1, Block-G
Bandra Kurla Complex, Bandra (E)
Mumbai- 400051

BSE Limited

The Corporate Relationship Department
Phiroze Jeejeebhoy Tower,
Dalal Street, Fort,
Mumbai- 400001

Symbol: EMSLIMITED

Scrip Code: 543983

Sub: Earning Conference Call Transcript dated February 17, 2024

Dear Sir/ Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, As earlier informed, a Conference Call, for the investor and analyst held on Saturday, February 17, 2024 at 03:00 PM IST to discuss Q3 FY2024 & 9M FY2024 results of the Company.

Please find attached herewith the transcript of the aforesaid Earning call.

The above information is also available on the website of the Company at www.ems.co.in

We request you to kindly take the above information on your record.

Thanking you,

Yours Sincerely,

For **EMS Limited**

(Formerly EMS Infracon Private Limited)

Ashish Tomar
Managing Director
DIN: 03170943

sustainable growth

EMS Limited
Q3 & 9 Months FY24 Earnings Conference Call
February 17, 2024

Moderator: Ladies and gentlemen, good day and welcome to the Earnings Conference Call of EMS Limited for Q3 and 9 months FY24 for the results. Representing EMS today we have Mr. Ramveer Singh – Founder and Chairman from EMS Limited, Mr. Ashish Tomar – Founder and Managing Director from EMS Limited. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * then 0 on your touchtone phone.

Incorporated in 2010, EMS provides various services ranging from EPC and O&M, in sewerage solutions, water supply systems and waste water schemes for government authorities and local bodies. The company has a demonstrated track record of over 12 years and has executed 68 projects as of December 31st, 2023. EMS has a current order book size of Rs. 2,572.68 crores and now to discuss more, I would now like to hand the conference over to Mr. Ramveer Singh – Founder and Chairman from EMS Limited to give his opening remarks, thank you and over to you, sir.

Ramveer Singh: I would like to tell you a little about the company and about my background also. I am an engineer and I have worked in UP Jal Nigam as an engineer for 22 years to 23 years and after taking VRS in 2006, after 3 years of lock-in period after that in 2009-2010 I started this company. After starting the company in 2009-2010 from the start itself our work was in the water sector. So in water sector we always had works for sewerage, water supply and drainage and according to that we do our work in water sector and 99% of our work is in urban sector only. We only does the government sector work, which would be either ADB funded or central government funded or World Bank or JICA or KWF works. And in today's date we have HAM work and we have bided for 2, 3 more HAM projects and their results are about to come. Rest for 10 to 15 years with O&M work, water supply and sewerage is there all over India.

In today's date maximum of our work is in Rajasthan, Uttarakhand, UP and Bihar. And we have one work in Mumbai in which we are constructing a building for RBI under CPWD. It is a work of Rs. 325.00 crores and our work is going very well.

This was all about the background and in India rest of the sectors work are in starting phase and if this work goes on till 20 years then also work will not be completed and after 20 years

the scheme which we make again comes in reorganization then again work gets started in that scheme. We have a similar work in Jaipur. The work which we are doing have been done 30 years ago and today we are retendering it is a Rs. 275 crores order it is for old Jaipur. Similarly, our projection is that there is a lot of work in this sector and in future I don't see any shortage of work in coming future. Ashish Tomar handles all the routine work of the company. They only discuss the policy matter with me, so I hand over to Ashish. Thank you very much.

Ashish Tomar: Good after everyone. This is Ashish Tomar - Managing Director. I would like to welcome you to this Earnings call of EMS Limited. I would invite questions if any from the participants of the call.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the lines of Darshil Jhaveri from Crown Capital. Please go ahead.

Darshil Jhaveri: Sir I wanted to know one thing that what is our aim for FY25 for revenue? And what can be our revenue margin medium to long term?

Ashish Tomar: If we look at the 9 months cycle then in comparison to the previous year our income has increased about 54% and our EBITDA margin has remained in the same range in previous year for this period was around 31.5% and this year it is around 30%. If we see the PAT margins then this year it is 21.5% which was around 22% last year. So whatever work in hand we have that are of similar margin and we think that we are in a position to maintain similar margins this year and next year also.

Darshil Jhaveri: What about revenue because we have seen growing at a very high rates, so what can be our aim like we are at a run rate of Rs. 200 crores, so be next year can we do Rs. 1,000 crores because we have reached Rs. 200 crores, so can we reach Rs. 1,000 crores next year?

Ashish Tomar: Based on the revenue which has been realized so far in this financial year, I think we can achieve a growth of around 35% till March 2024.

Darshil Jhaveri: So for clarification we have 65% of the total revenue for this year right now and the rest 35% will be in the last quarter?

Ashish Tomar: Yes.

Darshil Jhaveri: What about FY25 because we are growing at a very high rates, so can we maintain that momentum of the growth that we have which were 40% growth, 50% growth?

Ashish Tomar: We expect to maintain similar trajectory. Growth will be in this range of 35%, 40%.

Darshil Jhaveri: Sir how much is our order on hand and how much we have bid in the pipeline?

Ashish Tomar: Value of our unexecuted orders is about Rs. 1,835 crores in which 2 order in which are L1. One order is of Vikas Nagar for water supply and sewage whose value is Rs. 478 crores and one order is of Rs. 35 crores in Meerut and apart from this we have bid works worth Rs. 4,000 whose results are expected within coming month.

Darshil Jhaveri: So what can we expect from this Rs. 4,000 crores? And what is the execution timeline of all these means how much time it takes around 2 years, 3 years to complete all these orders? How is the execution timeline?

Ashish Tomar: Completion timeline of majority part of work that is currently the work in hand is 2 years. We have to complete the majority of the portion within 2 years. As far as the bids which we have done our success rate has been around 10% to 15%, so this time also we are hoping that this time also we can maintain around that only.

Darshil Jhaveri: Is there any impact on the business and cash flow as elections are coming? Currently do you see any risk in your business?

Ashish Tomar: The activity slow down a bit due to code of conduct, but no risk is associated with it. After the elections are over work continues in the similar pace.

Darshil Jhaveri: So after elections can we expect that government releases more mega tenders after June after getting a proper victory, so can we expect a lot of flourishing activities in June?

Ashish Tomar: Yes, sure because currently the tentative outlay for next year in that around Rs. 70,000 crores is earmarked for water sector only.

Darshil Jhaveri: Ok Perfect sir, Thank You so much for answering my questions. Thank You sir.

Moderator: Thank you. The next question is from the line of Dinesh Kulkarni from JSR. Please go ahead.

Dinesh Kulkarni: Sir congratulations on a good set of numbers at least on the revenue front, but my question is can you tell me that the cost of revenue in this quarter has jumped a lot compared to revenue, so can you tell what is the reason for that?

Ashish Tomar: It differs quarter-to-quarter, but our year-on-year margin will be more or less in plus minus 1% range.

Dinesh Kulkarni: Can you tell the composition of this cost of revenue? It changes because your schedule for work is fixed, so in accordance to it you might have predetermined it that how much cost will be there?

Ashish Tomar: No, it differentiates according to what stage the work is in like if the work is starting now, is in the starting stage then in this little more capital has to be infused and as the works keep on

progressing the billing happens for the work which we have executed because the term payment happens in stage wise, so the work which we have finished, so in that some percent is linked with the next milestone so the payment is released after achieving that milestone. Hence it differs a little.

Moderator: Thank you. The next question is from the line of Tej Patel from Niveshaay. Please go ahead.

Tej Patel: Sir I also had a similar question like previous participant that you are saying that your annual margin is more or less up or down by 1%, but quarterly why is such variation? Any particular reason because we have never seen so much variation in EPC space of any other company, so this is my first question?

Ashish Tomar: So what happens is that in this quarter we have about 5 to 6 projects which we have started. So when the work is started then many expenditures are such that we cannot do its billing for mobilization. As the work progresses we get the return as billable in future, so maybe this is also a factor.

Tej Patel: One more question, so if I see the other players in the same sector in listed space, your margins are much better than their which is a good thing. I just wanted to know its reason, so what I am understanding is that one possibility is that you are working in that sewerage network that is why your margins are high and whose margins are 16%, 17% or 18% they are making more plants in more volatility that is why their margins are low, so can you give little clarity on this that why your margins are more than theirs?

Ashish Tomar: I cannot comment on others, but yes we focused more on sewerage sector and due to focusing more on design some improvement comes in working, gets benefits in billing and execution, maybe I think this can be the reason. Rest if we see the rest sewerage sector in comparison to water supply profit is more in the sewage sector.

Tej Patel: When I was reading your tender description I wanted to understand that your works of sewerage network like laying pipelines and designing work, so that as a percentage of total order will be how much?

Ashish Tomar: It will be almost near to 60% to 70%.

Tej Patel: In which you are doing the work of designing and laying Sewerage network, but you are not making treatment plant there only doing the work of networking, right?

Ashish Tomar: Yes.

Tej Patel: More than 60%? And we are talking about the tender bidding you told that mostly you have bided for 60 MLD and you told that as you keep on bidding for big tenders then the competition will also decrease because in my view it is very fragmental market, so currently

what type of tender are you bidding for and how is the competitiveness there? How many players are there, it will be much better if you can provide guidance or clarity on that side?

Ashish Tomar: Like in Uttarakhand we have done the bidding. They were an ADB funded projects whose ticket size was around Rs. 300 crores to Rs. 800 crores, so in that we have put 4 to 5 tenders in which one has been awarded to us and in another one we are declared as L1 rest 3, 4 tenders results are awaited, so almost in all these bids 2 or 3 bidders participated.

Tej Patel: One last question I am understanding that if yours is 60% and your business is in sewerage network, right and now let us say you are working in 30% to 40% construction plus all of your water treatment plant, so I understand that going forward let us say if your work is decreased like your sewerage network work be 30% to 40% and rest let us say you get more work in the treatment plants then will your margin be decreased because what I am understanding that your higher margins are due to sewerage network which is a specific work in which you can charge premium, so I want to understand that going forward if you get less works of sewerage network and more work for treatment plants or STPs, so can it reduce your margins, sir?

Ashish Tomar: Actually there is no shortage of work. Work has not yet been completed in our tier 1 cities itself. In that the coverage will not be more than 30%, 40% rest as the country is growing the work is going in this tier 2, tier 3 cities also, so there is no shortage of work and we would like to keep the mix around this only because our major focus is on sewerage network.

Tej Patel: And you told that in Tier 1 around 30% is the proper network in sewerage network rest 60% to 70% sewerage network work is still remaining?

Ashish Tomar: Yes.

Moderator: Thank you. The next question is from the line of Abhay Jain from Hem Securities. Please go ahead.

Abhay Jain: Congratulations for the great set of number. Just wanted to get some clarity on the guidance, so is it correct that the guidance is for the FY25 is 35% to 40% growth in the revenues?

Ashish Tomar: Yes, we are expecting that.

Abhay Jain: Wanted some clarity that the guidance that you have given for FY24, so the overall revenue which you have done in 9 months means 35% of total revenues can be done more in March? If you can clear the full FY24 guidance once?

Ashish Tomar: Previous year's growth of 35% to 40% will be done.

Abhay Jain: Sir Can you more elaborate on the differentiation parts? How do you differentiate with other companies like VA Tech, Ion Exchange. Your margins have come and you did clarified it that it is more in sewerage sector, but how is the differentiation is done? And will these margins be continued? In last quarter it was 23% then in September then it was 27%, so can we expect this itself? Would you like to give any ballpark number in EBITDA?

Ashish Tomar: From the last 10 to 12 years our similar margins are maintained. There is no shortage of work in this sector and in the project selection was are better than others, I can't say about others rest at the time of project selection time and project execution time we carefully see the designs and estimates may be I think it is due to that only.

Abhay Jain: Any ballpark number that we can expect 27%, 28% margin in FY25 and remaining last quarter?

Ashish Tomar: Yes, this current margin more or less will be maintained I can assure that.

Moderator: We apologize for that, sir. We will get in touch with you regarding the same. Thank you, sir. Our next question is from the line of Rishikesh Khare who is an investor. Please go ahead.

Rishikesh Khare: I would like to know whether the company has any plans to get into biogas generation from sewerage sludge.

Ashish Tomar: If we happen to secure a project that has the component of biogas generation then we will be happy to take up, but till now we have not secured any projects in which biogas generation is an option.

Rishikesh Khare: You will be more into other EPC space only even in that?

Ashish Tomar: Yes.

Moderator: Thank you. Our next question is from the line of Dinesh Kulkarni from **26:08 JSR**. Please go ahead.

Dinesh Kulkarni: First of all one suggestion here can you please release a press release kind of a thing with the quarterly earnings, I understand that we are still newly listed and things are improving, but along with your financials every quarter if you could just put a one or two page press release or IR deck slides of presentation with the key elements for the quarter or what are your expectations or guidance or anything related to the project that would really help us to understand. The only reason for the suggestion is like what kind of stock price movement we have seen in the last few days post earnings and pre-earnings the difference, so at least some part of that can be taken care of. I hope you agree with that.

Ashish Tomar: Yes. I am very sorry for that and from next time I think we will take care of that.

Dinesh Kulkarni: Second can you just put out or give information on what is your capital expenditure CAPEX for the 9 months and what do you expect it for this year or the year going forward the capital expenditure?

Ashish Tomar: We do not have much CAPEX plan.

Dinesh Kulkarni: Yes, but either in terms of percentage of revenue you would have something based on your past experience or what is generally that we can expect we were on 2%, 3%, 4%? Because you need to buy some equipment in materials right to execute these projects because I am sure they are not project specific?

Ashish Tomar: I think CAPEX would not be part of our expenditure because we do not invest in plant and machinery as much and we usually take those up on rental basis for our projects.

Dinesh Kulkarni: So everything is based for the project, right? We don't expect a lot of CAPEX from you going forward.

Ashish Tomar: No.

Dinesh Kulkarni: Another thing I see most of our projects are based are out of Uttar Pradesh and that region North of India which I understand that it is still developing a lot compared to the South may be it is Maharashtra, Karnataka and other states. Can you just give us like what is the trend going on here, like North India versus South India in terms of not the divide but in terms of like is Uttar Pradesh putting in more efforts in this sewerage treatment plants say related to South like Maharashtra how is the trend going on here?

Ashish Tomar: I think maybe it was because the government initially focused on rejuvenation of River Ganga and going forward they have been focusing on various tributaries and distributaries of the Ganga River. Right now we have bid for a project in Indore which is also a part of the Namami Gange Programme, so going forward we will see just going and exploring projects in other states as well.

Dinesh Kulkarni: Are the projects coming up compared to UP?

Ashish Tomar: Yes, many projects are coming. We have bid for many of those. We have also bid for a project in Jharkhand amounting to near about Rs. 787 crores or Rs. 800 odd crores also we have bid for a project in West Bengal, so the projects are coming up all across India.

Dinesh Kulkarni: Just a general update I want to know, sir. We generally see government projects or government-funded projects irrespective of state government or central government at some point in time they end up with having cash payment issues when it comes to actually pay to the vendor or service provider are we experiencing anything of that sort in any state or at the central level?

Ashish Tomar: Not much because majority of our projects involve funding from either from central government or from external lending agencies such as Asian Development Bank, JICA, World Bank etc., so because of that funding is secured and the payment is not a problem.

Dinesh Kulkarni: So the payment happens as in when the project progresses like there they will 90% of the work is done then you will pay the 90% of the amount or something like that?

Ashish Tomar: As the project is getting executed the billing is carried out on base of bill of quantities and it is proportional to the work already executed which gets measured by the department and the balance presented for payment and the payment is released after confirmation.

Dinesh Kulkarni: There are no delays or issues hence so far like any legal issues that you expect or happened in the past like major delays?

Ashish Tomar: No, not much.

Moderator: Thank you. The next question is from the line of Ankur Gulati who is an investor. Please go ahead.

Ankur Gulati: Sir, can you give some details on our existing HAM project?

Ashish Tomar: We had it in 2 towns in Mirzapur, Ghazipur in UP. It was a single project under which in these 2 towns we had to create a sewerage treatment plants and its associated sewerage infrastructure. This project's CAPEX was around Rs. 145 crores and around Rs. 150 crores was the maintenance cost for 15 years operation. So we will complete this project by the end of March.

Ankur Gulati: Its project cost is going as per budget or is little over-run? Your credit rating note that came from ICRA in that some details of cost over-run?

Ashish Tomar: Some work has been done there which was not a part of scope of work and the department considered it as extra item and processed it for approval.

Ankur Gulati: On our behalf there is no problem in funding?

Ashish Tomar: No.

Ankur Gulati: So what is the percentage of your annual O&M on total cost? Like if CAPEX is of Rs. 100 then our annual revenue is Rs. 10 or what?

Ashish Tomar: Approximately it will be around 10% earlier it was less, but as the projects are completed then O&M billing that component is also increasing slowly. Yes, currently it is around 10%.

Ankur Gulati: When the project is completed then the O&M will come then the revenue or the profit that will come will be what percentage of the total cost? Like if we are running this business for 15 years then what percentage of total project cost will be made?

Ashish Tomar: We take both CAPEX and OPEX similarly, so whatever margin is right it will be around the same level.

Ankur Gulati: You were saying 2, 3 more HAM projects are there what will be our expense in that if we get it? And how are we going to raise fund, IPO proceed is enough or debt will come? You are bidding for 2, 3 new HAM projects if that contract is awarded then for its funding the money from IPO is enough or we have to take debt?

Ashish Tomar: Its funding has to be done, sir.

Ankur Gulati: All of that will be funded by taking a loan from bank.

Ashish Tomar: Yes, financial closure has to be done and after then only date of start.

Ankur Gulati: So the current HAM is in a joint venture with some outside company, so will you see the new projects in joint venture also?

Ashish Tomar: Yes, 1 or 2 projects will be there if the technical qualification is developed after then it will not be required.

Ankur Gulati: Sir our EPC is how much we are doing in-house and how much is subcontract?

Ashish Tomar: We don't give subcontract. We only give labour contracts rest we purchase all of the material ourselves. Contract is done for labour only.

Ankur Gulati: Last question our industrial townships of GIDC MIDC are you seeing the wastewater treatment plants for long term maintenance?

Ashish Tomar: Yes, we are seeing it like we have one industrial township in Haridwar in that we have a project build up a finance model we have executed that. Our plant is going there of 9 MLD. All the industrial affluent comes in our plant and we bill from there for its treatment.

Ankur Gulati: So do you make its STP or we are taking it from any other players?

Ashish Tomar: No, we make it ourselves.

Moderator: Thank you. The next question is from the line of Tej Patel from Niveshaay. Please go ahead.

Tej Patel: We work in subcontracting, or we work in tenders which directly comes to us?

Ashish Tomar: Direct government tenders only.

Tej Patel: Because I have seen that in your client WABAG is also there so basically it will be subcontract only?

Ashish Tomar: No, it is not a subcontract. They needed a qualification in one project, so more payment was not there. The payment would be around Rs. 3 crores, Rs. 4 crores, so it was its JV partner fees.

Tej Patel: When I am seeing job charges in your P&L then in that almost 50% above are our related party transactions and in that also if I see one entity NeerCare is there which is not our subsidiary also and there is a lot of related party transaction, so is that one reason our margin is more because we are getting services in cheaper rate from NeerCare, sir is it something like that?

Ashish Tomar: No, now they are not related party also, I think it is just after IPO they have relieved their interest and now they are not a related party we provide work at the best rates available in market.

Tej Patel: How is the billing in our contract in O&M? Of course, I guess it depends on project-to-project, but generally how is it quarterly or?

Ashish Tomar: Mostly it is quarterly.

Tej Patel: Mostly billing cycle is quarterly and approximately what are the margins in that?

Ashish Tomar: We bid the project in similar margins either CAPEX or OPEX.

Tej Patel: Whether it is EPC work or O&M your margins are similar?

Ashish Tomar: Yes.

Moderator: Thank you. As there are no further questions I would now like to hand the conference over to Mr. Ashish Tomar – Founder and Managing Director from EMS Limited for closing comments.

Ashish Tomar: Thank you on behalf of EMS Limited and thank you everyone for being a part of this Earnings Call and I would like to conclude this conference. Thank you for joining us and you may now disconnect your lines. Thank you.

Moderator: Thank you. On behalf of EMS Limited that concludes this conference. Ladies and gentlemen thank you for joining us. You may now disconnect your lines.