SKIPPER Limited

Dated: 23rd May, 2023

The Manager
National Stock Exchange of India Limited
Exchange Plaza, 5th Floor,
Plot No. C-1, Block-G
Bandra Kurla Complex, Bandra (E)
Mumbai- 400 051
Scrip Name- SKIPPER

The Manager
BSE Limited
Phiroze Jeejeebhoy Towers, Dalal Street
Mumbai- 400 001
Scrip Code- 538562

Subject: Transcript of the conference call on Q4FY23 & FY23 results and future outlook

Dear Sir,

In accordance with Regulation 30 read with Schedule III of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, we are forwarding herewith the transcript of the conference call with Investors and analysts held on 16th May, 2023 on Audited Financial Results of the Company for quarter and year ended 31st March, 2023.

We request you to kindly take the same on record.

Thanking you,

Yours faithfully,
For Skipper Limited

Anu Singh
Digitally signed by Anu Singh
Date: 2023.05.23 11:16:18 +05'30'

Anu Singh
Company Secretary & Compliance Officer

Encl: As above

"Skipper Limited

Q4 FY '23 Earnings Conference Call"

May 16, 2023

MANAGEMENT: **MR. SHARAN BANSAL – DIRECTOR – SKIPPER LIMITED**
MR. DEVESH BANSAL – DIRECTOR – SKIPPER LIMITED
MR. SHIV SHANKAR GUPTA – CHIEF FINANCIAL OFFICER – SKIPPER LIMITED
MR. ADITYA DUJARI – DEPUTY GENERAL MANAGER FINANCE AND INVESTOR RELATIONS – SKIPPER LIMITED

MODERATOR: **MR. RAHUL MISHRA – CENTRUM BROKING LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Skipper Limited Q4 FY '23 Results Conference Call hosted by Centrum Broking Limited. As a reminder, all participant lines will be in the listen-only mode and there will be no opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star and zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rahul Mishra from Centrum Broking Limited. Thank you, and over to you, sir.

Rahul Mishra: Thank you, Lizann. Hello, and good afternoon to everyone, and thank you for joining the Skipper Limited Q4 FY '23 Earnings Call. From the management side today, we have Mr. Sharan Bansal, Director; Mr. Devesh Bansal, Director; Mr. Shiv Shankar Gupta, Chief Financial Officer; and Mr. Aditya Dujari, Deputy General Manager of Finance and Investor Relations. Without any further ado, I will hand over the call to Mr. Sharan Bansal for his opening remarks, post which we can open the floor for Q&A. Over to you, sir.

Sharan Bansal: Thank you, Rahul. Good afternoon to you all and thank you for your continued interest in Skipper. Please take note any forward-looking statement made during this call must be reviewed in conjunction with the risk that the industry and the company face. The year was filled with many achievements and milestones for the company. We are glad to share some of those market achievements with you.

The company registered its best-ever revenue quarter of INR657 crores, showcasing strong momentum across all major business segments. We achieved our highest ever quarterly revenue of INR149 crores and annual revenue of INR406 crores in the polymer segment. On back of strong volume growth, the growth has been achieved purely on account of volume, which shows the rising market acceptance and tool for our polymer products. We expect this trend to continue in the coming years.

We've also achieved the highest ever engineering export sales and volume. The export revenue for the year stood at INR723 crores, registering an 80% year-on-year growth. We've achieved the highest ever annual order inflow in the company's history, securing new orders in excess of INR4,137 crores during the year. We secured our largest single order win valuing at INR2,570 crores from BSNL during the year. The year-end closing order book stands at INR4,551 crores which is the highest ever in company's history and is well diversified across sectors and segments.

We also have the highest year-end bidding pipeline. We're actively pursuing project work INR6,600 crores in international funds and INR3,520 crores on the domestic front. We've also ventured into water EPC work for the first time and secured an order of INR100 crores for JJM, Jal Jeevan Mission projects. We've become the first Indian pole manufacturer to successfully design and supply Transmission Monopoles structures to North America. And we successfully executed 2 transmission pole supply contract with one of the biggest transmission utilities in Canada.

We've successfully supplied large quantities of towers to largest-ever transmission line projects ever being made in Australia. This project is called Project EnergyConnect, and it's located in New South Wales, Australia. We received first time orders from countries of Dominican Republic, U.S.A., Canada, Iraq and Kuwait during the year, taking the total export reach to 55 countries worldwide. We've tested and supplied guide tower for the first time, 12 towers are tested in our in-house classification in the R&D centre in a single month, which is a record. The sector continues to witness uptick in both ordering and execution, and the company expects growth to gain further face with increased participation opportunities across the globe.

Some of the key operational and financial highlights in comparison to previous year-end quarter were as follows. There has been strong revenue performance across our major business segments in spite of inflationary cost push and geopolitical-related challenges, while maintaining healthy operating margins of 10%-plus. The net revenue for the quarter stood at INR657 crores against INR553 crores previous year quarter 4, which is up by almost 19%. The segmented revenue breakup are as follows: engineering INR497 crores, which is up by 20.7%; polymer, INR149 crores, which is up by 26.4%; and infra segment, INR11 crores.

The full year consolidated revenue stood at -- increased by 16% over previous year to INR1,980 crores. The segmented revenue breakup for full year were as follows: engineering INR1,524 crores, up 15.3%; polymer, INR406 crores, which is up by 27%; and intra-segment, INR50 crores. The company achieved highest ever engineering export sales of INR723 crores against INR400 crores previous year, registering a growth of 80%. Our export share in overall engineering revenue stood at 47% in 12 months FY '23, when compared to 30% last year.

Forex derivative M2M losses arising on account of sharp depreciation of rupee has resulted mainly in decrease of profitability of the current year by INR24.3 crores. And there was a simultaneous increase in the previous year corresponding period by INR19 crores. The nature of this Forex loss is largely notional, that is, all competitive growth numbers are required to be calculated excluding this effect of Forex adjustment for better operational performance understanding and analysis on like-to-like basis.

Our yearly operating performance, excluding the impact of Forex gain loss were as follows: Operating EBITDA rose by 46%, EBITDA increased to INR217 crores instead of INR149 crores; stand-alone operating EBITDA margins improved to 11% in comparison to 8.7% in FY '22; the Q4 '23 operating EBITDA percentage was at 10% against 11% last year quarter.

Engineering segment operating EBITDA margin for the year improved to 12.8% in comparison to 10.7% in previous year. Now we are clocking the desired margin range of 12% to 13% for many quarters. The consolidated operating PBT for full year increased to INR71.3 crores against INR11.3 crores last year, which is a major increase of 531%, while operating PBT margins improved to 3.6% instead of 0.6% last year. The operating PBT for the quarter was INR24.7 crores, comparison to INR23.9 crores previous year quarter.

Our JV Skipper Metzer India LLP engaged in the business of manufacturing or grip and micro irrigation systems has turned profitable and reported a PAT of 57 million during the year, INR55.7 crores. The consolidated financial results include our portion of the same. The consolidated reported tax increased to INR35.6 crores, again, to be 25.2% last year, registering a 41%. Some of the notable improvements on the balance sheet and cash flow front are as follows: the total gross debt as on March 31, '23, stood at INR484 crores against INR567 crores last year; company has been able to achieve this reduction in debt by INR483 crores in spite of higher sales during this year, on account of efficient working capital utilization and better collection and payment terms from debt.

Achieved significant reduction in overall debtors by INR85 crores in comparison to last year in spite of higher sales. Gross debtor days improved to 70 days against 100 days. The focus and steps undertaken towards balance sheet consolidation resulted in significant improvement in cash flows of the company. Our net operating cash flow for the year increased to INR284 crores from INR17 crores in FY '22 on back of strong underlying earnings and efficient working capital management. The debt equity ratio has improved to 0.63 against 0.77.

Further, the notable developments on the government policy front, which will have a positive bearing on the company's growth and performance are the restoration of RoDTEP scheme in our engineering product business, which will boost our export competitiveness and potentially improve our operational performance. The company will also get benefited from the India-Australia pre-trade agreement. Our engineering products are now eligible to enjoy preferential market access and duty structure in Australia. This will boost our export competitiveness and future growth.

The recent government announcement for transmission system plan for integration of 500 gigawatts of renewable capacity with an investment outlay of INR2.4 lakh crores in domestic transmission projects is also a big positive for us. Further, I'm glad to share that Skipper hikes has onboarded MS Dhoni and Chris Gayle as brand investors to help raise awareness about safe water supply.

For Indian, MS Dhoni is not just a cricketing icon item, but also an embodiment of value, such as trust, reliability and resilience with perfectly aligned with the values of Skipper ventures. It's a well thought out brand strategy to position ourselves as a leading player in the industry by associating with the Skipper or captain of Indian cricket himself, MS Dhoni.

Skipper pipes has been certified with higher standard of NSF coating. The campaign aims to creating awareness about 100% lead-free and NSF coating certified5 PVC pipe for Indian households and the importance of using best-in-class lead-free pipes for potable water solutions. Thank you. I'm happy to take your questions.

Moderator: The first question is from the line of Rahul Mishra from Centrum Broking.

Rahul Mishra: First of all, congratulations to the management on a very good set of numbers during the quarter. So, I have a couple of questions. But start with the bidding pipeline, as we see from the presentation, it looks very healthy at 66 billion for international orders and 35 million for domestic market. So, if you could help me understand what other sectors these offers are likely to come from? And if you can put any timeline on when the tenders would be awarded?

Sharan Bansal: Yes. So effectively, our bidding is largely through the EPC players who are either in turn bidding for the transmission tenders or, in many cases, they have already won those projects. And we, as a supplier, are bidding to them. So, we have active relations with a number of global EPC players. And many of these bids, which we have submitted with them, we are in advanced stages of finalization with a number of them.

So, every quarter, we are expecting an inflow of about INR400 crores to INR500 crores of order inflow, which is what we have been maintaining for last several quarters. It is -- and yes, looking at the demand prospects, we feel that this bid pipeline will continue to grow. As we have mentioned, it's 66 billion in international front and about INR35 billion on the domestic front right now. We are also expecting more bids to come up in the domestic side this year.

Rahul Mishra: Sure, sure. Sir, my next question is pertaining to the same order pipeline. Sir, if you can help me understand what could be the net margin profile for these tenders? I know like the tenders would be a mix of international, domestic EPC contracts. So, if you can just put any number, any regard to that for the margin?

Sharan Bansal: Yes. So, on a consolidated basis, we are confident of delivering 12% to 13% margins in our Engineering segment. We have, in this year, also our operating margin has improved across the company significantly to 11%. And I think for Engineering segment, do we have to see your full year margin. Engineering segment also, we have seen a good margin for the full year. So, you can expect 12% to 13% margin for the Engineering segment. Yes, for the full year, this year, Engineering segment, we have delivered 12.8%. So, 12% to 13% is what you should be expecting for the incoming orders as well.

Rahul Mishra: Sure. Sure, sir. Sure. Sir, my next question is pertaining to 1 of the slides in the PPT, we first mentioned that there is a pent-up demand in the domestic T&D space as most of the tenders that got postponed will now be conducted in coming months. So, if you can just throw some light on what are states in the domestic market, we are seeing this pent-up demand?

Sharan Bansal: Yes. The majority of the tenders are catering to renewable tower integration. So, we expect majority of the tenders to come in Rajasthan and Gujarat sites.

Rahul Mishra: Okay. Okay. And like considering most of the tenders will be awarded from government entities. So how would you see the working capital position like in terms of receivables what will the average receivable days while you are working with the existing government take orders?

Sharan Bansal: We are seeing -- we are not seeing any challenge in terms of receivables. As I mentioned in my remarks, we have brought down our debtor number of days to 70 instead of 100-plus debtor days in the previous year. So we are, as such, not seeing any, I think, in realization from whether it is domestic side or international side.

Rahul Mishra: Sir, my next question is for the telecom towers, considering that we are the largest manufacturers and suppliers of telecom towers. So, given the government's trust on adding new 8 lakh towers over the next 2 years, how are we placed in the industry in terms of market share? And what is the revenue as plus margin potential from this order pipeline of 8 lakh towers?

Sharan Bansal: We have recently won this large BSNL contract also for setting up an installation for 4G towers in rural areas. We are seeing more such opportunity as the 5G expansion and investment takes some momentum. So, I believe that Skipper is the largest player in this segment. We will continue to see better and better opportunities in the telecom space, also just the way we are seeing in the power transmission then and the margins should be in line with our overall company margin.

Rahul Mishra: Okay. My next question, again, pertains to the telecom segment. So, for telecom segment, sir, what is the current share of revenue coming from telecom sector? Or given that you have recently won a big order from BSNL, and going ahead, if you could secure some orders, similar to orders like this, can it become a significant contributor to our Engineering Products segment after exports?

Sharan Bansal: Yes. Possibly, you are right. Currently, if I look at the year that just ended, telecom would be maybe less than 15% of our overall revenue. But yes, with the BSNL contract as well as other opportunities in the telecom sector, we may see some increase in that, in our overall revenue mix.

Moderator: We'll move on to the next question that is from the line of Sachin Kasera from Svan Investments.

Sachin Kasera: Congrats for a good set of numbers. First on this big contract that we received from BSNL. So, if you could give us some clarity in terms of how do we see the execution and the ramp up and the working capital cycle for this specific order in financial year '24?

Sharan Bansal: Yes, sure. So, the contract is a mix of capex and O&M. So, the 60% to 65% of the contract value will be realized in the next 2 financial years. That means this FY '24 and FY '25, which is the capex part of it. And the O&M part, which is about 35% to 40%, that will be realized over the next 5 years after the 5-tower installed. So that is how we are expecting the revenue to be realized. And in terms of working capital, it should be in line with our company overall working capital, currently whatever we have.

Sachin Kasera: I was asking if you could be a little more specific, like in financial year '23 execution of 60%, how should we look in terms of how much exchange should happen in '24 and '25 executed that breakup roughly? Will it be like equal 50-50? Or it will be more like much less this year and major that will happen in '25 basis, whatever interest you have.

Sharan Bansal: It will only depend on site conditions as the project has just kicked off. So, it is too early to say what will be the exact revenue. Of course, the government does want more revenue to take place in this FY '24 itself, maybe because of the elections. But it remains to be seen once, how the speed on the ground picks up. So, we definitely expect that the 100% of the capex part of the revenue will be realized in FY '24 and '25, but the split between the two years, it is too early to say.

Sachin Kasera: And any sense on -- as the execution started full-fledged, or when would it start in terms of comp execution? Any sense what that you could give us?

Sharan Bansal: Yes. The execution has started in a number of the clusters in the area that we have.

Sachin Kasera: Okay. Sure. Second question was on the margin in the Engineering business. So, this year, we have seen almost 200 basis point improvement at 12.8%. And in one of the previous quarters, you mentioned that you expected to get 12% to 13%. But in one of the slides in the presentation, that we mentioned that you are expecting the share of exports to rise to almost 75% over the next 2 years in the engineering business. And this is from whatever year we have interacted and you have mentioned in the past conference call that the margins in exports are much better. So, if the share of export is going to increase from 50 to 75, should we not expire to have better EBITDA margins in the next 2 years?

Sharan Bansal: Well, we would certainly like to do better than 12% to 13% margin. But as and when the export grows, hopefully, we will do better margins also. As of now, we are guiding for 12% to 13% margins only.

Sachin Kasera: Sure, sure. Secondly, on this bidding pipeline in the engineering business in the domestic market, does this include some of this? You mentioned that almost 8 towers are to be installed. So, this domestic pipeline, it is mainly on the T&D side or this to teen again includes some other circle orders like the order that you have recently won?

Sharan Bansal: In the domestic pipeline, the share of telecom is lower. But yes, there are some telecom opportunities also included in the domestic pipeline.

Sachin Kasera: So, this a few other circles that you mentioned, if you could give us some sense what is the overall size of this 5G rollout opportunity costing. I think what we have is just a few circles, right? And you mentioned the total installation is 8 lakhs. So, if you could give us some ballpark picture, what is going to the size of the market, what is a tentative timeline in which you can expect the bidding to happen? And who are the key players? How are we positioned? That would be very helpful.

Sharan Bansal: See, the overall 8 lakh towers will be a combination of towers put up by all the Moderators and the third-party tower companies in India. So, it is difficult to comment on individual plan. This is the estimate put up by various sources that 8 lakh towers will be required in the overall 5G expansion and the network expansion. So as definitely opportunities are increasing, we are seeing more and more bid opportunities in the telecom segment. But given a circle-wide breakout would probably not be possible at our time.

Sachin Kasera: Sure. But at least on the BSNL side, if you could give us some indication because I'm sure that's more of a dormant tender-based business. So how many more bids are expected at tentatively in the financial year '24 if you have some insights on that?

Sharan Bansal: No. BSNL, currently, what we are doing is the maturation project. As of now, we haven't announced any other project, which they are going to undertake. But it's expected that as they also move to deeper, penetrate their 4G and 5G expansion, they definitely will be coming now with more projects. But so far there are no confirmed plans in hand for us.

Sachin Kasera: Sure. Just last question on the export side of the business. So now that we have got significant approvals, and when you are seeing some of the other companies which are in the listed space, I mean, there are just in categories like supplying conductors, which is more or less addressing the same industry. They are seeing very strong order book from North America. In fact, some of them have also seen very strong execution in the financial year '23. So, if you could share us some thoughts in terms of how are you seeing the ramp up and the order in fund and visibility for the North American market?

Sharan Bansal: Yes, North America is an interesting opportunity. The conductor manufacturers have an advantage because their conductors is going to re-conducting projects also. However, towers and poles are typically used when only new lines are built. So, I say that we have entered the North American market last year with some small orders. We are expecting some significant size orders in that in the coming years.

But in terms of revenue, as of now because we don't have large orders from the North American market, so we don't expect much revenue from there to come this year also. Only when we receive some significant orders from that market, then -- the following year, we can expect some significant revenues coming in.

Sachin Kasera: But over the next say two years to three years, can we see significant order inflows from this North American market?

Sharan Bansal: Yes, yes. There are a number of projects which we are pursuing right now. So yes, we are quite hopeful that we should see good order inflows from North America as well as other developed markets like Europe and Australia as well.

Sachin Kasera: Sure. And just one question on the balance sheet. If you could share what is the capital expenditure plan for financial year '24? And are we advertising any net debt reduction planning for FY '24?

Sharan Bansal: We are planning a total capex of approximately INR75 crores in the coming -- in this current financial year FY '24. And in terms of debt reduction, we have been consistently controlling the overall debt, including working capital. As I mentioned in my remarks, we have been able to bring down overall borrowing by approximately INR70 crores to INR80 crores even in this financial year despite the growth of sales.

Moderator: The next question is from the line of Deepak Poddar from Sapphire Capital.

Deepak Poddar: So first, I just wanted to understand in terms of revenue mix, between the polymer engineering product and infra. How do you see the revenue mix currently, which is at maybe about 75%, 25%?

Sharan Bansal: Yes. The current revenue for us, 79 percentage of E&D and engineering and EPC and 21% is polymer Correct.

Deepak Poddar: And 5% is infra.

Sharan Bansal: Yes, so your question is?

Deepak Poddar: How do we see the revenue mix going forward?

Sharan Bansal: Going forward we expect growth in both the businesses on -- so definitely, we expect that polymer segment should grow in overall revenue mix of the company because it is growing at a much faster pace than the engineering business. So, we do expect, in the coming years, polymer to take a greater share in the overall revenue.

Deepak Poddar: Correct. Understood. So ideally, I mean -- we have been, I mean, vocal about, what, 25% CAGR over the next 3 years. So ideally, the polymers should grow at what, 30%, 40%, and engineering product would grow lesser than 25%, right, to have that consolidated level, 25% CAGR.

Sharan Bansal: Yes, yes. That's about right.

Deepak Poddar: So -- and in terms of potential for margins in your polymer division, how do we see that? I mean, currently, it is only at about, what, 5% odd, right? So how do we see the potential in polymer, I mean, as we scale up, because ideally then it's EBITDA margin dilutive, right, at a consol level.

Sharan Bansal: But then obviously, you would have noticed that the industry average EBITDA margins are very healthy in this business. We are positioned as a premium brand in the markets that we operate in. Our EBITDA margins are low right now because we are a young brand, and we are still investing in our distribution and our channel sales. We could see a consistent improvement every year in the EBITDA margin going forward.

Deepak Poddar: Okay. So, what's the sort of margins that we would aspire for in this business? Is it 10%, 12% is what the aspiration would be for us on the medium term?

Sharan Bansal: I -- in the longer term, we definitely would aspire to be close to the industry average, which is in the range of 13% to 14%.

Deepak Poddar: 13% to 14%?

Sharan Bansal: Yes, in the long term.

Moderator: The next question is from the line of Vignesh Iyer from Sequent Investments.

Vignesh Iyer: Congratulations, sir on good set of number. I just want to understand if I take this closing order book and exclude the BSNL orders, from that total order book. So, what would be a normal execution period for this non-BSNL order book?

Sharan Bansal: For the non-sorted you can assume an execution period of approximately 12 to 18 months.

Vignesh Iyer: Okay. Okay. Fine. And a second question, if you could just -- so I do understand there is other nature of interest payment that I mean ex-ex long-term debt that you hold in books of accounts. I just wanted to know what would be the breakup of this INR32 crores that we paid in quarter 4 and INR104 crores odd interim that we paid in entire year. What is the nature of the interest that is being paid? If you could just give me a breakup on that entire amount.

Sharan Bansal: INR104 crores is overall finance charges. So that includes term loan interest, working capital interest as well as interest paid on all LC discounted for our sales wins. So, we increase the financial as well as charges made on account of bank guarantees, etcetera. So, all of that included is contributing to finance charges of INR104 crores.

Vignesh Iyer: I understood, too. But if you could not give me the number, if you could just tell me what is the cost of funds of term loan and working capital loan separately, as those to I got interested, I get an idea at what is the cost of flow that we hold in our books.

Devesh Bansal: So the average cost of loans would be somewhere ranging from 8% to 9%. And if we talk on the interest cost, purchase was 5.6% in last year's financial year. And just concluded here, we have done 5.3%.

Sharan Bansal: As a percentage of revenue.

Devesh Bansal: As a percentage of revenue. And -- yes,

Moderator: The next question is from the line of Sachin Kasera from Svan Investments.

Sachin Kasera: Right. A couple of questions on the polymer business. One, if you could share with us the volume that we have done in this current financial year versus the last financial year.

Sharan Bansal: Company doesn't report volume data. We are working with the value data only.

Sachin Kasera: Sure. But most of the players in the industry do here, but yes, it's fine for the company policy. Second question was my with retrospect, if you see the last 3, 4 years because we were implementing this DOC concept, we did not see much growth in terms of revenue and profitability. And a lot of these players who are much more than us have become much larger and even some of the larger players have grown to a very big size because of which our market share has become much lower.

So now that we are through with this, what is the type of aspiration we have? Because today, it's like a INR30,000 crores industry, we are like 1% market share. So, for us to be relevant here in the industry, we at least have to reach some significant amount of market share. So, either on a regional basis, do we intend to be a dominant player who want to become a national player all India, but just at in for 3 to 5 at of expirations in this business? And how do you think are we positioned to be able to meet the expirations?

Sharan Bansal: Yes, sure. Devesh will take the question.

Devesh Bansal: Sure. So, you're right, the headroom available for us in this industry is quite large. Have we mentioned we are only about 1% market share -- so there is enough room to grow for there like us. The POC working that we have done over the last 3 to 4 years has built up a great distribution network for us. So, the presence that we have across the area that we operate in is quite strong, and we are now reaching out to almost 30,000 retail touch points on a regular basis. But now the launch of our branding activities as well, we hope to be able to capture a substantial part of this market.

The market, you're right, has grown significantly in the last few years. And it is going to continue to grow, especially with all the investment that is happening in the water sector by the government as well, this market will continue growing for the next many, many years. And we hope to play a big part of it going forward.

Sachin Kasera: But somewhat from my sense, memory was that you are close to 2% market year, 1.5% market share for 4, 5 years back, today we are closer to 1%. Should we assume that at least in the next 3, 4 years, we expect to go back to that 1.5% to 2% market share, at least?

Sharan Bansal: The aspiration is to obviously be much higher than that. We'll see how it works out.

Sachin Kasera: Sure. And secondly, do we want to be more focused on Eastern region where we right now have a major presence and look at a much more dominant there? Or eventually, we want to be a much larger and a pan-India player, but that would also mean significant investments, both in terms of distribution, marketing as well as capex, if you could give your thoughts on that.

Sharan Bansal: So currently, East and Northeast are a very strong market for us, and we enjoy a great brand presence as well as decent market share in these markets. This will continue to grow. But we are also very well present in North India now as well as parts of South India. So, the idea is to continue expanding geographically as well as consolidate our position in East and Northeast further. So, I see both of these 2 reasons are happening going forward.

Sachin Kasera: And currently, your manufacturing is mainly in Eastern India?

Sharan Bansal: Yes. Currently, the manufacturing is in 2 plants, 1 in Kolkata and one in Guwahati.

Sachin Kasera: And what would be the capacity of these plants?

Sharan Bansal: Consolidated capacity currently for polymer business is around INR60,000 crores, correct.

Sachin Kasera: 6-0, 60?

Sharan Bansal: Yes.

Sachin Kasera: And what would be the average utilization currently, we would be looking at?

Sharan Bansal: Current utilization, while we don't readily disclose the volume number. But currently, the utilization for the pipes business is approximately 50%.

Sachin Kasera: And do we intend to set up any plant in North India because you mentioned that North India is also a big focus area for us.

Sharan Bansal: It's not in the current year plan, but we'll see as we go around that.

Moderator: The next question is from the line of Vignesh Iyer from Sequent Investments.

Vignesh Iyer: Just to understand that what would be our guidance for probably the next 2 years in terms of revenue. I mean, if you could tell me, except for the BSNL orders because it has its own execution cycle, right? So, if you could just let us know what could be...

Sharan Bansal: Your question is the execution period of the non-BSNL order?

Vignesh Iyer: No, no, no. I want to know what is the guidance in terms of the revenue that we would generate from the EPC segment, excluding the BSNL order, because the BSNL order has its own execution cycle, right? So, what -- do we have any guidance for -- I mean, our regular orders that you're getting based on that?

Sharan Bansal: You're specifically asking about the EPC segment only, right?

Vignesh Iyer: Right, EPC segment. Correct.

Sharan Bansal: Okay. So, our EPC segment is not very large. We do have certain projects for transmission line and railway electrification projects. So, we do expect to do maybe INR40 crores to INR50 crores of revenue in those areas. We have taken -- we have entered into the stage of water EPC as per project. So, we do expect revenues from that division to now come in. So overall, you can say the non-BSNL infra revenue, which should be in the range of INR100 crores to INR150 crores only.

Vignesh Iyer: Okay. And the new, sorry. Just to understand this notary activity project that we have got, does it have a different EBITDA margin profile or it is similar to what it is right now?

Sharan Bansal: The water EPC business will be having a similar margin profile from our existing businesses.

Moderator: The next question is from the line of Sachin Kasera from Svan Investments.

Sachin Kasera: Just two small questions. One is on the interest cost. So, this year, it is close to around 5% of revenues. Going ahead, while obviously, there may be increase in working capital has met that may not come down. But over the next couple of years, do you think that we can run a far more efficient operations and try to reduce this to like 3.5%, 4% of revenues? Or this is the optimum at which we would be working next two years?

Sharan Bansal: Yes. I think finance cost is a function of, obviously, the working capital you're working, as well as the interest rate. And we all know that during the year, interest rates have increased substantially. So probably the effect of the improvement that we have achieved in the overall working capital management has not been so easily visible in the finance costs, because of the rising interest rate.

However, now I believe that with further improvement in the working capital management, there definitely is an opportunity for this number to go close to 4%. But whether that will happen in this year or next year, it's hard to say. But yes, we do believe there's an opportunity to go below the current level of 5% that we are at.

Sachin Kasera: Sure. Secondly, 2015 to 2018 when we were doing very well in the company. Our ROCs used to be in the range of 24%, 25%. Now they have recurred to like 12%, 13%. With this type of improvement in terms of mix towards exports and now the also positive outlook on performance volumes and this strong outlook on the basin order. Next 2, 3 years, do you think we can once again as part with 18%, 20% ROC, or that are like one-off time and hence, like 14%, 15% ROC is what we should look at a far more stable and a ROC for our business model?

Sharan Bansal: I think 20% plus should be definitely the long-term operation of the company.

Moderator: The next question is from the line of Rahul Mishra from Centrum Broking.

Rahul Mishra: My question pertains to the polymer segment. So, as we say that we are targeting to increase our touch points from 30,000, so it means we are targeting to double our touch points from 30,000 currently to 60,000 in the next 2 years. Could you elaborate how are we concentrated region-wise, I'm sorry, I may have missed it during the conf call. if you can just like give a brief understanding like, how are we concentrated across India?

Sharan Bansal: Yes. Devesh will get that one.

Devesh Bansal: I'm not sure about figure of 60,000 if we reach that figure. The idea is to continue exploiting the current distribution network that we already have, which is itself very large. So, for us to grow even from the existing distribution network being is very well possible. And of course, we'll continue expanding the retail base as well. So, both these things will happen.

And the concentration region-wise, as I mentioned earlier as well, Eastern Northeast are our strongest market, obviously, where we have very good levels. But North India has also come up very well and part of South India as well.

Rahul Mishra: Sir, if you can help me understand the Mexico or whether we sell it through exclusive brown outlets or we select to multi-brand outlets. What is the proportion between the 2 of among the 30,000 touch points?

Devesh Bansal: So, the -- all the retailers in the market across the industry in the PVC business, very few retailers, if at all, would be a single brand or the entire retail base is multi-brand. So, we operate through EPC alone. The distributors that we have are excluded. So, the distribution is exclusive, but the retailers are all multi-brand. And that is a common phenomenon across the industry.

Rahul Mishra: Sure, sure, sir. Sir, can you give us a break on it with your organized versus unorganized market share for the PBC industry? And are we seeing any industry consolidation going head with the share of organized increasing?

Devesh Bansal: Yes, for sure. So, I don't have the exact figures. Obviously. But then our assumption is that the organized to unorganized share in the PVC industry is 60-40, and it is increasing further. So, as we go along, we'll see the exit of a lot of unorganized players and organized players will continue to grow.

Rahul Mishra: Sure, sure. Sir, my next question is like I was going through the PPT. And it was mentioned that the non-T&D product share in the total order book -- the total outstanding order book is 62%. And we are currently following the strategy of increasing our non-T&D proportion from railways and telecom. So, if you can just elaborate a bit on like which particular sector among these 2 would be fastest growing? And in case if it is railways, then what would be the scope of work that we could get?

Sharan Bansal: So, we definitely see a lot of opportunities from telecom. And on the back of the present order as well as other orders to come up in this -- in the coming years, we definitely see tremendous opportunities in the telecom segment. Railways also is a decent size segment for us. There are although railway electrification opportunities are probably lesser compared to last year. but we are on the lookout of other opportunities in the railway sector also.

Rahul Mishra: Okay. And with respect to railway orders, what would be the proportion of projects or orders which are fixed price contracts?

Sharan Bansal: Mostly, the contracts do come with pass-through margin, pass-through clauses in terms of raw materials.

Rahul Mishra: Okay. Okay. So, my last question will be on the international business. If you can just throw some colour on like how many countries, we are currently present in and how many we plan to enter in the future. And since we also mentioned that international business would constitute 75% of total order book in the next 2 years, so are we saying that we will be extracting more and more revenue from our existing reach in the international market, or we will be tapping more export opportunities?

And with this scale up in the exports market, in the Engineering segment, how significantly it will add to our margins and profitability? Like we have already highlighted that we would be maintaining our margins at 11% to 13%. So, can we see like an additional 100 or 200 bps, maybe take it on a higher side, with this scale up in export segment?

Sharan Bansal: Yes, it's perfectly possible as and when exports keep growing. So, the growth in exports will come by 2 ways. One is that by the addition of more and more new markets as every year, we are adding 7 to 8 countries in our overall export reach. And of course, greater engagement with the existing buyers and stakeholders, where we are gathering a bigger share of their wallet every year.

So that's how the export growth will continue, and that's how we are targeting to take it up to 75% of our revenue, which is also, by the way, expected to grow at 25% CAGR every year. Yes, definitely, with the improvement in export order book and execution, we can target better margins higher than 12% to 13% in the future.

Rahul Mishra: Okay. Sure, sure, sir. Sir, my last question, again, pertaining to international business, that is exports market. So, which all countries or funds are we seeing that they are participating and give a good competition in the export industry? And how are they faring currently?

Sharan Bansal: Could you repeat your question, please?

Rahul Mishra: So, saying that what other countries for like from which countries are we seeing competition in the international business, like either from Turkish firms or Chinese firms?

Sharan Bansal: Yes. currently, we are seeing major competition from -- historically, we've seen commitment in Chinese and Turkish companies. And from the Middle East also, there are a few companies, although smaller in size, where we do see some competition.

Moderator: The next question is from the line of Rahul Mishra.

Rahul Mishra: I have just one last question. So, since we entered into the water if you work with the first-time order of 1 billion. And given the government's thrust on like providing tap water connections to all rural households. So, there is likely to be a surge in demand for PVC pipe, so can we see incremental orders into this segment.

Sharan Bansal: Yes. So, you're right, that with almost 80% of the Indian households now getting connected with 5 quarters, which was not there earlier, there is definitely going to be an increased demand for plumbing pipes, which is going to be the PVC, CPVC. So, over the next few years, we expect there to be very healthy demand for plumbing pipes and plumbing products from across the country.

And we hope that with our retail presence that we have in the entity, we'll be in a very good position to take advantage of that. So, it's a very exciting time going forward.

Moderator: The next question is from the line of Chirag Jain, an individual investor.

Chirag Jain: Sir, just wanted to understand your thought process with regards to debt currently. So, I know you're at a low debt to equity, but what would be your purposes with regards to repayment of the sale? Because if I go back and look about 5 years back, at that time or similar level of debt, we were paying interest of about INR50-odd crores. Currently, we are having a high interest burden, which is what is leading into profitability. So just wanted to have an understanding. Because you communicated in the current concall that your average cost of borrowing is about 8% to 9%. So, in future, what would be the interest payment?

Sharan Bansal: So I think, as I mentioned that the overall interest costs, actually finance cost, which is inclusive of launches, the interest outflow and the debt, it is inclusive of all the other charges, which is the accounting charges, which we pay on our sale bills, as well as the bank guarantee charges, which we make in order to obtain banalities etcetera, for our business. So, I believe that the finance charges are in line with our overall business, but there also mentioned, there is an opportunity to reduce this with better working capital management in the years to come.

Chirag Jain: So, sir, in the current -- in the year, which is coming back, would we see the overall finance cost going down as compared to -- because you're talking about increasing your top line also. So, finance costs will increase and commensurate with your top line or the because of your prudent measures with regards to working capital, it will come down?

Sharan Bansal: Yes. The efforts will definitely be on a percentage basis, we should see improvement in the finance cost as a percentage of revenue.

Moderator: Thank you. Ladies and gentlemen, that is the last question. I now hand the conference over to the management for the closing comments.

Sharan Bansal: Thank you, everyone. We are confident of profitable revenue growth of high double digits with a consistent margin in the current year and expect to clock revenue growth in excess of 25% CAGR for the next 3 financial years on the back of pending engineering contracts and strong polymer segment performance. Our diversification into international markets and sectors will help us pick and choose higher-margin orders which are coming our way and provide us with an opportunity to be spoiled for choices across the sector. This will aid in better margin performance and improved bottom line profitability and capital return ratios in the coming quarters.

We appreciate your continued support and look forward to interacting with you again in the next quarter. Thank you very much.

Moderator: Thank you, members of the management team. Ladies and gentlemen, on behalf of Centrum Broking Limited, that concludes this conference call. We thank you for joining us, and you may now disconnect your lines. Thank you.