



“Power Mech Projects Limited Q1 FY2021 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to Power Mech Projects Limited Q1 FY2021 Earnings Conference Call, hosted by Nirmal Bang Institutional Equities. 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. Please note that this conference is being recorded. I now hand the conference over to Mr. Chirag Muchhala from Nirmal Bang Institutional Equities. Thank you and over to you Sir!

Chirag Muchhala: Thanks to you. Nirmal Bang Equities welcomes all to the Q1 FY 2021 Earnings Conference call of Power Mech Projects Limited. The management is represented by Mr. S. K. Ramaiah, Director Business Development and Mr. J Satish, Chief Financial Officer. I now hand over the call to the management for their opening remarks, post which we can take questions from participants. Over to you Sir!

J Satish: Thanks Chirag. Dear all, good afternoon. This is Satish. It is our pleasure hosting call for Q1 FY 20-21. I hope and wish all of you and your family members are safe.

The year 2020 is going to be an exceptional one in the history of Power Mech journey because of unprecedented pandemic COVID. The Symptom and effect of the corona virus fell through the last quarter of FY 2019-20 onwards. Power Mech being manpower-oriented, there was less escape from physical presence of manpower at all places of execution. In addition, the migration of manpower back to their native places made things more difficult for us. It was a disappointing year for Power Mech with restricted movements of men and material.

We were struggling in keeping the project work moving, experimenting all possible ways to keep the momentum of these projects. The recent few months for FY 19-20 and FY 20-21 were regrettably showing under performance. Since most of our projects are manpower oriented demanding close proximity with each other which has resulted lot of planning for execution. However, things are slowly but steadily improving and the migrant workers have started reversing to sites. Now, the productivity slowly getting back to normal track. We have reported total income of Rs. 276.85 Crores during Q1 of FY 20-21 and the revenue mix is as follows; erection business has contributed close to Rs. 59.79 Crores which is Rs. 21.81% of the total income. Civil has contributed close to Rs. 73.99 Crores which is almost 27% of our total income. O&M has contributed close to Rs. 120 Crores which is almost 44% and electrical business has contributed Rs. 20 Crores which is close to 7% and if you see Q1 of last year, FY 2020 the mix was erection business contributed Rs. 177 Crores which was 36% and civil business has contributed Rs. 135 Crores which is close to 28% and O&M was Rs. 141 Crores which was close to 29% and electrical business the contribution was Rs. 37 Crores which was close to 8%.

There is significant dip of around 44% in reported total income during the quarter as compared to last year and the revenue dip largely attributable to lockdown at various projects except for operation and maintenance sites, projects like railways, irrigation and the project which is at Nigeria Dangote. More or less operation and maintenance sites were operating except few certain areas, which were not allowed to carry due to COVID restrictions. For projects like railways, irrigation and Nigeria, work was going on for the entire period with limited resources in terms of manpower and materials. The percentage of execution level of all sites during the quarter as compared to last year is around 56% only due to lockdown and if we exclude revenue from operation and maintenance, railway, irrigation and Nigeria project, the overall execution was hardly at 30% as compared to the last year and if you see the the average revenue traction per month was close to 92 Crores including operation and maintenance revenue as against normal average revenue generation of Rs. 165 Crores to Rs. 185 Crores per month.

Now, the execution cycle is improving a lot. If you see the reported EBITDA is Rs. 12 Crores negative during the last quarter, whereas during the last year Q1 the reported EBITDA was Rs. 66.17 Crores. Similarly, the reported PAT is Rs. 32.59 Crores negative during the quarter whereas during the last year Q1, the reported PAT was Rs. 28.4 Crores. The company has put all the efforts to minimize the cost across sites. In case of bill-to-bill contractors, there was no cost to Power Mech. We have around 8700 employees working across the globe, on rolls, and being power manpower oriented with service model business in spite of best efforts in reduction of cost had less flexibility for controlling the complete manpower cost.

Majority of our subcontractors cost include manpower component, which is high, this to some extent attributed additional cost. There is substantial reduction in operational cost with dip in revenue generation in terms of absolute numbers like staff cost which was Rs. 86 Crores if you see the immediately preceding quarter and that has come down to Rs. 69 Crores, similarly admin expenses from Rs. 7.9 Crores to Rs. 7.2 Crores as compared to the immediately preceding quarter Q4 FY19-20.

There is decrease in depreciation cost with reduction of capex, however the finance cost continued to be higher comparatively with the increase of borrowings to fill the working capital gap. The reason being delay of some of the receivables and final bills, in addition to the additional cost which we incurred because of the COVID. Reported loss of Rs. 2.69 Crores towards the share of loss from JVs mainly on account of additional cost at Saudi Projects. The company has spent almost Rs. 5 Crores towards air ticket, travelling, remobilization e, safety, food etc., due to COVID which is a non-recurring and exceptional one-time item.

Due to lower productivity of fixed set of cost resulted in dip of both EBITDA as well as PAT margins. The lower productivity could not absorb the minimum set of expenses that has resulted into lower EBITDA as well as PAT.

Further moving to the balance sheet items, the receivables stands at Rs. 450 Crores as against Rs. 542 Crores during Q4 of FY2020 and the inventory level continues to be at Rs. 120 Crores and RM continue to be around Rs. 300 Crores and the peak borrowing of the company went up to Rs. 590 Crores because we had to bridge the gaps between our collections to payment and there were some delays in the collections because of the COVID. Hence working capital loan went up to Rs. 590 Crores and the net borrowing went up to Rs. 460 Crores. As on today the gross debt level has come down to Rs.560 Crores as against Rs. 590 Crores and the net borrowings has come down to Rs. 430 Crores. The same was around Rs. 385 Corers as on March 31, 2020 now it has gone up to Rs. 430 Crores. The same is expected to further come down during the year.

The company is expecting Rs. 140 Crores of finance bills where we need not spend a single rupee, projects like Unchahar, Suratghar, Raichur and Andhra Pradesh. Took some time, we have been expecting this payment last four months to five months, fortunately final bills got cleared and now it has moved to the finance and treasury. These are expected at any time so these four projects itself will contribute close to Rs. 130 Crores and the spending are nothing so this amount will help a lot in terms of execution of our projects as well as reduction of loans by at least by Rs. 100 Crores.

Despite many challenges, the interesting part is Power Mech secured order close to Rs. 2836 Crores during FY 20-21 till date and if you see during the last year for the entire twelve months the order book addition was Rs. 1952 Crores so we have done a commendable job and we have still six months to go, we are expecting another Rs. 1500 Crores of orders during the next six months especially both from O&M, Mechanical and international. So, with the present order backlog of Rs.7137 Crores the company can comfortably execute the turnover in the range of Rs. 200 Crores to Rs. 220 Crores per month so the revenue generation traction to improve from Rs. 130 Crores to Rs. 140 Crores per month to Rs. 200 Crores to Rs. 220 Crores so there is a comfortable order backlog and there is very strong visibility and what is important is the environment to execute the projects. We are seeing the traction of per month turnover improving which was there Rs. 90 Crores now it has moved to almost Rs. 140 Crores to Rs. 150 Crores and this we are expecting to gradually move up to Rs. 220 Crores per month. I request Mr. Kodandaramaiah Ji to add few more developments on.

S.K. Kodandaramaiah: Thanks Satish and thanks to Chirag and the team. What Satish has explained in detail about the present position on the sales, turnover and the order book position and the issues involved, obviously we have to carry forward in the second quarter end and then next two quarters. The positive thing should be the backlog has increased substantially very important and good projects have come in the pipeline that is a very positive thing and, in this regard, the new unit installation business it has picked up because of the new orders we picked up from BHEL in Yadadri, Rs. 155 Crores for 2x660mw Boilers and then in Buxar from LMB that is L&T subsidiary of two units of 660mw of about Rs. 176 Crores. Then apart from this there were couple of orders in the ETC sector also and that added about Rs. 556 Crores for this current quarter and the back log has gone up from Rs. 2054 Crores at the end

of the last year to Rs. 2550.50 Crores and that the backlog improvement is almost 25% compared to the last year.

Now, on the O&M side also one of the key features in spite of the down trends in this COVID period is that nearly about 15 O&M contracts customers extended the existing contract by six months, one year, one and half years, two years like that, that has given a substantial adding up the backlog of the orders in the O&M side and then that is Rs. 262 Crores for O&M jobs. Also about eight repair and maintenance jobs orders have been received as part of of Rs. 262 Crores has come for the present quarter across all the sectors of business in the O&M side and the total backlog most stands at Rs. 1136.4 Crores that is the jump of 14% compared to last year's back log of Rs. 995.9 Crores.

So, that is a positive thing. Electrical lot of efforts are being there and the latest information is that of course we have not added any new addition into the order book in the first quarter perhaps the second quarter end now we have to see that for Chapra Distribution circle in Bihar for Rs. 74 Crores we are placed L1, this information came yesterday therefore we should look at the future in the electrical business.

Then, on the civil side there has been major development, what I can look at it is that the opportunities what was offered at Yadadri 5x800 MW substantial orders of Rs. 426 Crores of civil work in the main plant, Balance of plant were received and then there was a add on jobs in the Rail Vikas Nigam Limited in the Vijayawada division for certain jobs for three packages we got at about Rs. 113 Crores, this was a major addition and there was a new effort on the roads which we selected in Hassan and in Mizoram, these two added about Rs. 1100 Crores that is with the arrangement of another agency we are having arrangement for the project execution through them. The total back log of Rs. 7136 Crores at present and there is an improvement compared to the last year of Rs. 4574 Crores with the power sector business coming at 60% and the non power is at about 40% and there can be developments as Satish said further, we are looking because the opportunities what we are tracking across various sectors in spite of the present conditions is around Rs. 20,000, and Rs. 1500 Crores addition of orders are expected by the end of the year.. There are opportunities in JSW for the expansion jobs in Bellary for their steel plant and they have revived their expansion plans, we are already doing about Rs. 325 Crores of work in JSW in Bellary and Dolvi plants. We are expecting another Rs. 65 Crores jobs shortly there and they are going to put up a new blast furnace there and then the other auxillary systems and that should provide opportunities of about Rs. 1000 Crores since we are established there, and , the payments are not an issue and we will pursue some more opportunity because we are there.

Then, as far as the international business is concerned obviously opportunities have come down in the middle east because of the present condition of the oil business and we are making efforts with the

ongoing projects around nearly Rs. 750 Crores of jobs and looking at the outcome has to be seen down the line.

In the case of O&M, there is a further development, Bara project has been taken over by TATAs that project is coming for extension in the case of O&M side estimated at Rs. 100 Crores, the deal has been firmed up and then NTPC Solapur for a main plant operation maintenance about 30 Crores there also we have done the bidding that should be in the pipeline and other jobs in non-power sector with Vedanta, we are expecting for another 150 Crores of O&M jobs expected to be in the pipeline. For both the O&M and the new initiatives have taken in the steel and the electrical side perhaps about Rs. 300 Crores of orders should be in the pipeline in the next one month. Therefore, the focus will ultimately shift to how to convert this order as Satish has rightly said. We may not have much of issues further, we will build up good order back log but the challenge will be the execution. The present challenge is obviously manpower planning and in the second quarter end perhaps we have reached a level of about 60% of manpower planning compared to what it was to pre COVID level of 15000 of the total manpower strength of the various sites of course O&M it has not affected much, but on the construction side both installation jobs and then electrical jobs, civil jobs it has affected. For once we hope to bring up the levels to 80% to 90% perhaps the turnover should improve and then the new projects which we are going to start, at Buxar Rs. 176 Crores that is awarded, that we have to start in a month, and the new jobs awarded by BHEL for Yadadri 5x800mw.

Then for Yadadri 5 x 800 MW is a single set up where we are going to execute Rs. 810 Crores of civil, structural and mechanical installation jobs. For that should give us substantial revenue of Rs. 30 Crores to Rs. 40 Crores per month and then the ongoing jobs in Bangladesh that is Rs. 860 Crores with Rs. 600 Crores of civil works and balance of mechanical, where we have completed about Rs. 180 Crores that should come on the stream for a full stream and then Nigeria 76 million Dollars for the Dangote that there is no impact of the COVID the work is going on.

We are obviously looking at many of the other projects also which were to complete for example, Bhusawal we are executing Rs. 280 Crores of civil and structural, then Ramayampet canal work Rs. 350 Crores, 30% work is completed balance we have to complete it, then Gudivada-Machilipatnam railway line almost 95% work is completed. The ongoing completion of work in Barh of 3x660 MW about Rs. 240 Crores. Then, JSW both at Dolvi and Bellary were Rs. 325 Crores and then the pipeline jobs of about Rs. 346 Crores.

These are the main focus areas, to increase the revenue in the current quarter and balance quarters of this year, and we have to depend a lot on how fast the manpower augmentation takes place, we do not have any issue on the other resource like construction equipment and that company is self-sufficient. This is the constraint that we have to overcome as fast as possible then perhaps things should look up. Thank you very much.

Moderator: Can we open for Q&A.

S.K. Kodandaramaiah: Yes please.

Moderator: Thank you very much. The first question is from the line of Sanjay Dam from Old Bridge Capitals. Please go ahead.

Sanjay Dam: Mr. Ramaiah, hope doing well. Hi, Satish.

S.K. Kodandaramaiah: Good afternoon Sanjay.

Sanjay Dam: Sir, at the end of September 15, 2020 the order backlog that you have so the O&M is okay at 16%, rest of it is like very large portion out of civil and then erections where I guess the ramp up will be very gradual so when you talk about, so on the one hand you give us two sense, one was that Rs. 90 Crores of monthly execution note kind of ramp up to Rs. 140 Crore a month and then by the end of the fiscal maybe you will see it going up to Rs. 230 odd Crores of monthly execution, that is one and on the other hand you gave us several projects where you know the execution is on and O&M part obviously is there but the other projects sites you gave so when I come back to the vertical wise order back log so how do you see the mix for FY 2021, by the end of the year out of this order backlog when you execute so what is the mix that you envisage?

S.K. Kodandaramaiah: I think the O&M is part of the power business and the new orders we have secured in the power sector both in civil and mechanical from BHEL and Yadadri and the ongoing jobs in the power sector in Bhusawal and other places perhaps there will be some improvement in the power sector ratio of the business compared to nonpower of course it depends on how much the ramp up can be done in the civil manpower side mainly the railways about 113 Crores new jobs that we have taken and the road project that may perhaps come in the later of the Q3 therefore I see an upsurge in the revenue turnover in the case of power sector because of the projects what I have mentioned and the issue will be obviously to ramp up the man power because all these projects are established. What I said was Yadadri the total order booking is about Rs.800 Crores plus, that Bangladesh Rs.860 Crores and then the Bhusawal Rs.280 Crores, the new job we have to start at Buxar Rs.176 Crores and then rest I told you. Therefore, there will be more focus on the power sector jobs then that should improve the position, subject to manpower how fast we can augment it.

J. Satish: Sanjay Ji, the O&M pie we are expecting to go up by at least by Rs.200 Crores-Rs.500 Crores of backlog by year end and the international we could not do much due to COVID. T Both in O&M and international we are expecting to add another Rs.700 Crores, so yearend closing order book will be like 18% to 19% O&M and close to 38% to 40% will be Civil, Mechanical may be 36%-38% and Electrical may be 5% to 6% that is how the mix that we are expecting.

- Sanjay Dam:** Yes, thanks Satish thanks for that and you always at around 8500 work force at the sites did I get right?
- S.K. Kodandaramaiah:** No, 15000. There are only 8700 people now and after all we have may have to add another 7500-8000.
- Sanjay Dam:** So, currently you are at about to what extent of your normalized levels?
- S.K. Kodandaramaiah:** 60%.
- Sanjay Dam:** 60% by number of employees, is it?
- S.K. Kodandaramaiah:** No, one is the indirect labor another is a direct labor. I am talking about the indirect labor there is not issue, direct labor on site what we are manning that site over in that there is much of impact we are managing it but on the construction side of both the Civil, Mechanical jobs and the Electrical jobs the present manpower is what present days of 8500 that we have to ramp up to 15000 and may be another 1000 or odd for the new jobs, that is what is the requirement.
- Sanjay Dam:** So, the on roll may go up to another 1000 to 1200 not more than that?
- S.K. Kodandaramaiah:** Correct.
- Sanjay Dam:** So, directs have to go up actually?
- S.K. Kodandaramaiah:** The people who have gone back, they have gone to the native place they have to come back, that is the main thing.
- Sanjay Dam:** Sure, and the working days how do see it by the end of the year. How do you in terms of number days of net working capital, how do you see that?
- Satish Jami:** Sir, may be but we are at more or less it will remain in line with 30 plus not more than 25 because we have seen little bit of realization delayed from most of the customers because of COVID. Now, last one and half month things are improving so, the net current days may come down to close to 160 days or 165 days from 180-day time and if the final bill what we have targeted for 150 day-160 days if that comes may come down to 130 day or 145 days.
- Sanjay Dam:** Okay, and in terms of the collection so far, it is now about mid-September has gone by if I look at the collections that you have done as a proportion of what was outstanding. How would it compare versus last year?

- Satish Jami:** Sir, if you see the average collection used to be at close to 175 days to 180 days, but if you see Q4 normally is the peak, that has gone up to Rs.200 Crores to Rs.220 Crores. But if you see the entire year for normalized last year was close to 165 days to 170 days and that has come down to Rs.120 Crores to Rs.130 Crores, now it is picking up to Rs.160 Crores-Rs.165 Crores and this should go up to Rs.220 Crores may be next one month or two months. Few months we have experienced even Rs.90 Crores to Rs.100 Crores that has gone up to Rs.130 Crores to Rs.135 Crores. Now slowly we are seeing it is improving to Rs.150 Crores-Rs.165 Crores it should go up to Rs.200 Crores-Rs.220 Crores.
- Sanjay Dam:** Thanks, I have few more questions. I will come back in the queue.
- Moderator:** Thank you. The next question is from the line of Dhruv from HDFC Asset Management. Please go ahead.
- Dhruv:** does it exclude the O&M or that is included?
- S.K. Kodandaramaiah:** The collection Sir?
- Dhruv:** The 8500 number that you mentioned the indirect and direct?
- S.K. Kodandaramaiah:** Excluding O&M side 8500 people
- Dhruv:** Okay, and Sir if you have to exclude O&M because I believe O&M is quite steady and that will continue for you if you have to exclude O&M just to understand where the level is currently. Can you share that number is it possible?
- Satish Jami:** Sir, close to 3800 employees are working in O&M.
- Dhruv:** Okay. So that number remains broadly similar to last year, so the remaining I can calculate based on. Sir, you have on recent orders in the period given the situation it is quite commendable. Sir, anything if you can share on how kind of the margin profile and the working capital profile in these bases should be. Can it be similar or better versus what we are generally doing, anything else we should think of?
- Satish Jami:** Yes, normally we are not quoting any projects which are below 14% to 14.5% margins, O&M or international that is going to be slightly higher, except these two orders which we have quoted recently we have been trying to get some entry last two years because we wanted to keep a small presence in this sector and that is to in EPC not as HAM model. Now, these two projects we have done complete ring fencing with one of identified associate who will be executing the project and we will be over seeing so, there is no investment in terms of working capital or assets from Power Mech.



It will be completely back to back model and we have done arrangements where we need to work with the single digit number for these two projects except these two projects rest all are like more or less 12% to 13% plus in Civil and with Mechanical it is 14%-14.5%..

- Dhruv:** Okay, so the back to back model orders that you mentioned, how much is that total worth?
- Satish Jami:** These two projects itself close to Rs.1000 Crores. We will not even deploy the assets for executing these two projects. It will be a complete back to back ring fenced projects. We have done multiple road works in multiple power projects that may add to 1000 kilometers but as a standalone contract this being the first project, we went through a JV partner. There we had to take such small lead which may be single digit number in terms of EBITDA margins.
- Dhruv:** Okay, and Sir you will not be investing working capital it will just be employee source that you will deploying that would be our activity?
- Satish Jami:** We have identified the profile where we will deploy some of these senior employees who will be representing the customer as well as overseeing the progress of the project. But the cost will be charged to JV partners as per the pre agreed arrangement. So, the EBITDA what we get from these projects that is going to be straight PBT for us.
- Dhruv:** Got it. Sir, you mentioned that borrowings are increased to about Rs.560 Crores if I am not wrong. The closing borrowings are Rs.560 Crores, right?
- Satish Jami:** Yes.
- Dhruv:** The Rs.100 Crores release that you are expecting from AP, if that happens then your gross borrowings should reduce to about Rs.400 Crores odd by the end of the year?
- Satish Jami:** The peak borrowings went up to Rs.590 Crores and that has come down close to now Rs.540 Crores-Rs.550 Crores and we have close to Rs.140 Crores of deposits net is around Rs.400 Crores plus. Projects like Bangladesh or the recent Project Yadadri of Rs.800 Crores, Bhusawal and the Buxar Project, it is more like our regular nature of activity we are not expecting any sort of capex. So, it is going to be a self-generating project we do not need much of working capital. So, what we need may be Rs.20 Crores-Rs.25 Crores towards ramping of all these projects, now we have done almost Rs.10 Crores-Rs.15 Crores we may need another Rs.10 Crores to come to the normal level.
- Dhruv:** Okay, got it. Sir, probably last two questions. Sir the Yadadri project being a big portion for you we are looking at Electricity at demand decline and the state health is also a bit of worry. Do you think are you seeing probably hearing anything that we are probably going slow on the project, should we back the worry for us?

S.K. Kodandaramaiah: No, they are quite aggressive there because BHEL has fully ramped up in fact the structural part 50000 tons BHEL are going to place orders for the entire needs. While they have placed orders for two boilers and then Civil they have placed additional orders for about Rs.426Croresrecently on us. As far as the Telangana government is concerned they are committed to this project as on today I do not think there is any issue on that because after all this project takes another two year-two and half years to start the first unit commissioning. By that time things should improve that is how the calculation is there we do not anticipate any sort of hindrance as in implementing this project, it is an important project for us.

Dhruv: Okay, fine Sir. Sir just last thing, the order book if I remove Rs.7100 Crores, if I remove the O&M that the balance order book is about Rs.6000 Crores. So, is it possible to share over what period this has to be executed, a broad number will also be fine saying over two-year period or three-year period?

S.K. Kodandaramaiah: If you take out that two and half years, because the O&M has taken the next figure. If you take this gross it is going to be Rs.1600 Crores. Okay, so the net if you take at Rs.700 Crores the balance is executable over a period of two and half years.

Dhruv: Perfect. Thank you so much. All the best.

Moderator: Thank you. The next question is from the line of Swaminathan an individual Investor. Please go ahead.

Swaminathan: Hello Sir, hope you are all fine. Sir, I have a question on inflation outlay. So, in the presentation I was able to see that we are trying to move from mainly Thermal and Gas into renewables like Polar, Hydro and then also into Steel, Captive power etc., What all the steps we taken in this respect?

S.K. Kodandaramaiah: Pardon I could not catch up the last point.

Swaminathan: As in from the core of Thermal and Gas and everything towards renewable what are the steps we have taken to move on to those sectors?

S.K. Kodandaramaiah: On the renewable we have not taken any steps, we are frank with you, because as a construction company, renewals where more of the investment comes from the product side not on the services side. Therefore, that we are not focusing it and water side yes, on the advanced sewage system we are executing two-three projects and as on today we are also in the course of getting some projects as per the urban renewal program, so many urban renewal projects for the sewage treatment and we already got a division on this business , and that we will continue to focus. So, apart these two even in solar we are trying to work out the O&M space we did a small entry in solar but wind and renewal it is like

still need to work out. Some projects in terms of O&M because in terms of the value addition what we have Thermal or like Petro or Steel or Cement, much bigger but that is in case wind and solar the value addition in terms of O&M is small still we are exploring our presence in terms of operational major.

Swaminathan: Sir, this water how much will be the amount in the order book?

S.K. Kodandaramaiah: That is like Rs.150 Crores.

Swaminathan: Okay sir, the second question is we have done a very commendable job in order booking getting the new orders during this difficult time. But in news we are able to see that the private capex, the PSU capex everything is coming down, the steel prices are increasing and everything. So, how do we see the long-term deal pipeline which is currently available with the company?

S.K. Kodandaramaiah: The steel impact will be related to the two areas of work I will tell you; one is on the Civil side where the reinforcement is part of the supply from our side, that is in a few projects it can be there. But there are projects protecting the steel impact prices with the price escalation clause. Then we are doing an ongoing job JSW about Rs.325Crores in that about Rs.200 Crores is with material and almost completed 70% of that work and many of the raw material have already been procured I do not think we will have much of impact in completing the JSW balance jobs. Otherwise the new jobs whatever we have to look at it, suppose some EPC jobs perhaps in these projects it will be linked with the price variation clause or alternatively the prices have to be firmed up for the contract period to cover up the raise in steel prices. That is how we have to protect the variation in the material cost.

Swaminathan: Okay, and on this reduced capex the deal pipeline still looks good from a long-term perspective?

S.K. Kodandaramaiah: Can you repeat Sorry?

Swaminathan: As in because of COVID since the capex is coming down for all private enterprises even the PSU's, the long-term deal pipeline still looks very positive for us and how do you think?

Satish Jami: Yes, it is obviously , if you see most of spending and in terms of bidding there has been postponement but nothing has been cancelled as of now. Honestly speaking we do not need much order book to hunt for because we have already added quality of orders, what we need to add another Rs.1500 Crores and it is time to be selective because multiple options coming, so we have to spread into domestic, international again O&M and Civil and Mechanical. The number what we are looking is hardly Rs.800 Crores to Rs.900 Crores if we exclude O&M pie which we can source in either Electrical or Mechanical or Civil both domestic and international, I do not think should be a problem even though there will be a slowdown in the spending.

- Swaminathan:** Okay Sir, my last question, is actually about our recent slowdown and may be because of this whole oil prices issues. How does the demand look up the overseas opportunities which is going to come up?
- S.K. Kodandaramaiah:** No, I told you there is a down ward trend in the new opportunities coming up in the Middle East as on today we are executing about ten projects in Oman, Saudi Arabia, Kuwait, UAE and Bahrain. We have to enter that downward investments which is expected but, on the O&M side we are focusing in the Middle East, last year we have booked about Rs.60 Crores of business and this year our focus is to ramp it up to nearly more than Rs.100 Crores. Therefore, the shift will be little bit more on the O&M side even as it comes, we will look for that but obviously there is going to be a downward investment in the project business.
- Satish Jami** As u rightly pointed Sir, there is slowdown in terms of taking up these projects in Saudi. But the focus is more on O&M and some of the countries like Nigeria, if all goes well probably in international market, we may crack close to Rs.450 Crores to Rs.500 Crores of contract in O&M, as we are in the last leg of finalization of contracts.
- Swaminathan:** Okay, Sir. Thank you. All the best.
- Moderator:** Thank you. The next question is from the line of Chirag Muchala from Nirmal Bang. Please go ahead.
- Chirag Muchala:** Sir, few questions from me, mostly on the FGD side, what is our total order book of the FJD space right and how is the tender pipeline is looking?
- S.K. Kodandaramaiah:** Chirag I tell you, FGD there are huge opportunity and I accept that, today about 60000 plus megawatts of ordering has been done on the FGD out of 166000 megawatts, NTPC has almost ordered 41000 megawatts and then some of the utilities also have ordered in other projects. But what we have seen is that the EPC players who have taken these FGD jobs they have taken at very low prices. BHEL they are the number one then comes the General Electric, then L&T, then MHTS, Mitsubishi for all these players in the first lot of tender first three-four lot of tenders quoted by NTPC they have quoted on highly competitive basis and they not able to match that pricing and supply chain with the players like us. What they are doing is they are going down from our line and may be our sub-contractors, our PRW's or they are trying to develop new contractors or looking for small contractors and that is where the challenge is there and more than that the total value and the scope of work involved for an FGD system in a Project it cannot be more than Rs.75 Crores to Rs.125 Crores of Civil, Mechanical together. So, we are looking at very closely the only area we are focusing an FGD is with General Electric but there also because of the pricing issues, and even though they are giving us opportunities but our prices are not still able to match with their requirement, that is the

present condition. But we will continue our effort because there is lot of opportunity, if a good project comes then we will take it forward and that is how the present policy is.

Chirag Muchala: Okay, so as of now we have not taken any FGD orders even not from GE also?

S.K. Kodandaramaiah: No, still we have not taken it up and then ongoing jobs if anything comes up with a new unit that we can take that as part of the main plant, otherwise standalone FGD we are quite careful because size of the order and the margins available and because small value our overheads may not match that requirement and customer obviously they do not have the margins to push on the work to major players like us.

Chirag Muchala: Okay Sir, now moving to O&M, in O&M we were also trying to scale up and do orders in the international markets as well as in non-power sector. So, any update on that Sir?

S.K. Kodandaramaiah: Yes, international market I said last year we have done a fairly good job in about Rs.60 Crores and this year we are planning more than Rs.100 Crores. With the non-power sector, we are focusing at Jharsuguda, Vedanta plant of 4x600 mega watts as we are working there that is a captive power plant that is also the utility. There the contract was over and short-term extension, they have given it up to September-October, a new extension will come for a next three years contract that will be substantially big order that we are looking at very closely and JSW has also acquired the power projects which have gone to NCLT, as part of their acquisitions and all they are in discussions with them for the projects in Odisha and then Chhattisgarh. Because recently when we discussed with them, they said because of COVID they have slowed down it as and when it comes, we will focus it on that. Then in international business we are discussing with the deal for big O&M job that may be plus Rs.200 Crores that will be a positive thing and non-power side and mineral side we are already doing a couple of jobs and that we will continue to do it.

Chirag Muchala: Okay, and lastly Sir international share, what is it in our total order book right now I mean Q1 sales if you can quantify?

Satish Jami: International order book is close to Rs.1300 Crores out of 7313 Crores mainly from Nigeria and Bangladesh. Saudi the contracts are getting over, hence two projects are contributing largest part.

Chirag Muchala: Okay, and Sir individually Nigeria and Bangladesh what is the order size and what quantum of work is already executed?

S.K. Kodandaramaiah: Bangladesh is Rs.860 Crores we have completed Rs.180 Crores and Nigeria is \$ 76 million okay. So, it is almost like more than 65% is completed already.

Chirag Muchala: Okay, Sir. Thank you. That is, it from me.

- Moderator:** Thank you. As there are no further questions, I now hand the Conference over to Mr. ChiragMuchala for closing comments.
- ChiragMuchala:** We thank the management for taking time out and sharing their valuable insights on this call and we also thank all the participants for their presence. Sir, do you have any closing remarks?
- S.K. Kodandaramaiah:** Yes, I think as we rightly went through this call the focus to be on conversion and execution and adequate plans being implemented in this direction, and collection of the dues from BHEL and other customers that will be the focus and as far as the business development side new jobs are concerned perhaps getting another 1500 cr order in the balance period of the current year, and we would like to see in most of the orders should be self-sustaining with some advances and escalation clauses and that should be our focus, and we will be looking for decent margins. That is how our focus will be, perhaps we hope third and fourth quarter will improve the revenue side, but down the line by the end of the year if you look at the foreseeing Rs.8600 Crores of accumulated backlog and after adjusting for conversion in the current year. we will be starting at least next year with Rs.7000 Crores backlog and things should be normal and that should enable us to do reasonably well of doing Rs.200 Crores per month, once the present problems are over.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Nirmal Bang Institutional Equities that concludes this Conference. Thank you all for joining us and you may now disconnect your lines.