"BEML Limited

Conference Call"

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MANAGEMENT: **SHRI SHANTANU ROY, CHAIRMAN & MANAGING DIRECTOR, DIRECTOR (MINING & CONSTRUCTION) – BEML LIMITED**
SHRI AJIT KUMAR SRIVASTAV, DIRECTOR (DEFENCE) – BEML LIMITED
SHRI ANIL JERATH, DIRECTOR (FINANCE) – BEML LIMITED
SHRI K SASI KUMAR, (CGM FINANCE) – BEML LIMITED

K Sasi Kumar: Welcome everyone. Most of the people here will be knowing about BEML. We were incorporated on 11th May 1964. We are a Mini Ratna 'Category 1' company under the Ministry of Defence, Government of India. We work for core sectors of economy which are defence and aerospace, coal, mining, steel, cement, power, irrigation, construction, infrastructure, railways, and metro transportation system.

Last year our business combination was like this, M&C contributed 50% of our sales, rail & metro contributed 27% and defense & aerospace 23%. This is how the major products were introduced over the years by BEML from 1964 till now. In, 1964 we started with rail coach manufacturing division at Bangalore. We called that as Bangalore complex. It was basically a spin-off from HAL, then we have moved on at Kolar Gold Field, which is around 90 kms from Bangalore.

In 1986, we ventured into high mobility vehicles for the Indian army and BMP transmission system in 1987. In 2000, we manufactured armoured recovery vehicles and in 2003 we ventured into metro cars. It started with RS1 rolling stock for DMRC. And now we are supplying for RS15 project. Most of the metro orders of DMRC have been bagged by BEML subsequently. In 2014, we have ventured into missile aggregates and in 2019 one of India's biggest mining equipment manufactured by an Indian company was built by BEML that is 1800 Ton class electric excavator. And in 2020, some of the AI features were introduced in our equipment and 2021, driverless metro cars, which is running in Mumbai, for lines 2 and 7 were delivered, which is a driverless metro car and in 2022 we tied up with IIT Kanpur for UAV and in 2023 we have supplied rail-grinding machines to LORAM of USA end user is Indian Railways. 10 rakes of RGM order we got, 6 we have completed and balance are under progress.

This is how our network is, we have four manufacturing complexes, one in KGF, another in Mysore, one in Bengaluru and in Palakkad. We have 12 regional offices, spread across the nation, 15 district offices, 2 defence spares division, and 7 activities centres.

This is some of the major products of BEML starting from high mobility vehicles and the last , one being ARVs.

These are major accomplishments of BEML, you can see, in defence business segment, 8,850 high mobility vehicles we have supplied till date, 350 ARVs, then 3,200 military wagons and pontoon bridge system 6 sets we have supplied, and in M&C, we have supplied till now, 33,100 M&C equipment. From our engine manufacturing division totally, we have supplied 28,100 engines. In Rail & Metro segment, till now, we have supplied 18,000 rail coaches which includes 970 EMU trains, 1,850 Metro cars. We have supplied to Kolkata Metro, Jaipur Metro, Mumbai Metro, and Bangalore Metro. And as far as export is concerned, we have exported till now to 71 countries. The last one added in the current year is Somaliland.

This is our global presence, we are in almost all continents, export figures are given down, it was INR 62 crores in 2019-20, last year we have exported INR 830 crores, this includes Deemed Exports which we are supplying to Mumbai Metro and in half year of current year INR 347 crores we have exported.

Our shareholding pattern, most of you may be aware.

These are the key business highlights, we have compared with September 22 as well as previous three years. You see market cap, last September we were at INR 6,184 crores, now we are at INR 9,653 crores. Manpower, we are at 4,977 we were at 6,023 numbers in 2020-21. Reduction in manpower is mostly because of superannuation.

In the gross margin, current half year is positive i.e., 1.35%, which was in minus 0.8%. in Sep 22.

Sales through competition mode is around 65% to 70%. Last one you can see, the green energy for captive consumption, 95% of our energy requirement is met from the energy produced from our windmills installed in Karnataka at different places. These are the sale from sale of products, on half year basis, we are at 1% more than H1 of last year.

In current half, 43% came from M&C, 16% from defense, and 41% from R&M. In the value of production, we are at INR 1,429 crores. Order book we are at INR 12,743 crore.

Collections is down by 16% in September 2023, compared to September 2022. These are other parameters, inventory, employee costs and Interest costs. Finance costs, we are at INR 21 crores which was INR 22 Crs in the same period of last year.

Thank You.

Shri Anil Jerath: Thank you, we are really happy for your presence and we thank you for investing in BEML. And I think we are also not letting you down. I think we can proceed for some questions.

Moderator: Can you speak on the mic if anybody wants to ask a question?

Rohan Vora: Hi, so this is Rohan Vora from Envision. Thank you for taking out the time today. So my question is around, so you mentioned that order book around INR 12,470 crores as on date. And you expect to end the year at INR 17,000 crores. Your addition being from R&M and some of it from your mining business. So for defence, as I see today the order book is around INR 5,000 crores.

And I just wanted to know what are these products, briefly what are the top two or three products, how much is the capacity that you have? And will that be sufficient for this INR 5,000 crores order book that stands today in defence? So that is my first question.

Shri Ajit Kumar Srivastav: Yes, thank you very much. See now, our company is in very growing sectors. We have three verticals Mining & construction, rail & metro and defence & aerospace. That's where everything is growing now. All three verticals are fine. Because the Government of India has put in tremendous thrust on these sectors. And again, I consider if you look at vertical wise, we got regular annual order in defence and aerospace and in mining and construction and Rail and Metro.

So basically, we are in to six different streams. Now, if you talk about defence and aerospace business, if you look at last three years, we did about INR300 crores to INR850 crores. We are working to have a growth of 30% to 40%.

Aerospace & defence order book stands at about INR 5,000 crores. How we have divided the defence segment and focusing on it, I will give a brief. The first segment is HMVs that is High Mobility Vehicles, which we are supplying to Indian Army for number of years, back from 1986. Over 9,000 equipment are working. All the major platforms of Indian Army, be it the missile system, be it building system, be it command system, be it radar, everything moves on our Vehicle. Also, be it Akash, Pinaka, Prithvi or Brahmos.

And you know, the government investment is heavy in defence sector. So, order booking is huge now. And this kind of order booking is expected to continue because lot of regiments are getting created. So, there is lot of HMVs in demand.

Second segment, which we are focusing is the Armoured Recovery Vehicles. ARVs, we have supplied about 350 ARVs. We have supplied ‘Arjun’ Armoured Recovery Vehicles. So, there are lot of opportunities out there. Arjun Armoured Recovery Vehicles again. As Government of India is introducing two regiments, there is a requirement of recovery vehicles. So, it is again another sector which we are looking to expand.

The third focus area in defence is the aggregates. This time, there is going to be service, features and transmissions, in BMP transmission, a lot of things are happening. So, that is the third area we are focusing.

Fourth area, which is very important in developing is the overhauling and AMCs. Now, we have 9,000 equipment, 4,000 equipment are being overhauled. 350 ARVs are being overhauled. We have 12 very important customers who are looking for AMCs.

We are looking for the value of 350 numbers in ARVs. If it happens, over a period of 6-7 years, every year I can do 25-30 numbers and something in the AMCs as well.

Now, another area which we are working very much focused is the new products. For example, a lot of import substitutes are happening. Government of India’s emphasis is on purchase from local companies. So, a lot of new parts are coming.

Earlier things which were imported from Russia, for example, Minefield, Mining Equipment, Mine Burriers, Mine Layers, Mining Equipment. Everything now has to be done in India and we are participating everywhere. So, that is another new product that is coming up.

ATTs, aircraft towing tractors, you know, unmanned aerial vehicles, and stuff. So, a lot of new areas we are concentrating. In aerospace, we have a plan to move from INR 20 crores to INR 500 crores. Navy also we are concentrating. So, what I said that defence and aerospace business is going to be focus points. I am looking for defence business to grow at least 30%-40% on per year basis. Also, defence order book to grow much higher.

Analyst: What do you need more to expand?

Shri Ajit Kumar Srivastav: See, now INR 300 crores-INR 900 crores we have set. Now the whole company resources we are utilizing. For example, we have plans to do it in KGF and Palakkad. We are doing in Mysore also.

So, we are just trying to utilize and make a kind of a long-term thing. The second thing we are doing a lot is outsourcing. With this, I think INR 1,000-1,200 crores, we should not have a problem. The capacity is there.

Analyst: And the ARV vehicle that you mentioned, is there any update or status on that? I think it has been pending for a long time.

Shri Ajit Kumar Srivastav: Which one?

Analyst: The ARV vehicle.

Shri Ajit Kumar Srivastav: Yes, very good thing happened now. We have started on ARV product. We are manufacturing fully indigenous ARVs, which we are going to give it in a span of 12 months. We will give two ARVs. I don't know what quantity we will get order. We have to go through the trials. That project is going on now. We have resolved everything.

Analyst: Where does the contract come from and who are your competitors?

Management: Competitor, that's a big one for HMVs. It's Tata and many companies.

Analyst: How much contribution is HMV and ARV in Defence?

Shri Ajit Kumar Srivastav: HMVs, this segment what we talked about last year, will be 60% for HMVs, 40% ARVs. But in the future, HMVs will be 30%. ARVs will be 30% and the balance will be aggregates and new products. So, that's a thing in the agenda.

Analyst: Sorry, what did you say? HMVs 30%?

Shri Ajit Kumar Srivastav: 30% HMVs, 30% ARVs. 40% will be the new projects. For example, dredging, mining equipment, remaining equipment, aggregates, AMCs.

Analyst: This will be the revenue mix?

Shri Ajit Kumar Srivastav: Yes.

Analyst: Sir, also margin recovery to be seen with the new mix?

Shri Ajit Kumar Srivastav: Yes, we hope. So, because indigenization is in progress. There is a lot of development charges, but definitely the costing, possibly it will be lesser than what it is before. So, I expect margins will be better.

Analyst: So, what will be the rough margins, currently?

Shri Ajit Kumar Srivastav: See, margin is something you cannot be sure, even if I get order on nomination basis, from Government of India, there is no mechanism to have a cost advisor's assessment before the pricing itself. So, margin can be 2.5% and 7.5% in some cases. They give margin on the spare parts 2.5%. Some products margin can go up to 10%.

Analyst: This is EBIT margin or EBITDA margin?

Shri K Sasi Kumar: This is the gross margin.

Analyst: And sir, given the order book which is INR5,000 crores, and we are saying execution will be like INR 1,000-1,200 crores. So, the entire order book, this order book will be executed over four years to five years?

Shri Ajit Kumar Srivastav: This order book will be executed in three years to four years.

Analyst: And what will be the pipeline, in the sense that what we are seeing, what will be ordering from going forward in terms of overall?

Shri Ajit Kumar Srivastav: See, in order, see, for example, bridging system, what they executed, another in pipeline is for 30 numbers. So, I am expecting that it will be closed this year, and Arjun ARVs. I am expecting INR 2,000 crores order, at least INR2,000 crores this year. And then the big ticket orders which we are working on, along with our technology partners, along with collaboration, along with ToTs. So, 60% might be on competition mode. That is the future. For example, T-72 overhaul, that is all on the competition mode, because government has opened such contracts for private sector to come in. And we hope to be government's best choice to take this order. So, if you look at T-72 overhauling, it is INR 20,000 crores opportunity.

Analyst: That will be over multiple years.

Shri Ajit Kumar Srivastav: Yes, it depends. three years to five years.

Analyst: So, who provided those? We bought it from a Russia?

Shri Ajit Kumar Srivastav: Yes, India earlier bought it from Russia.

Analyst: So, this gross margin of 7.5-10% in defence, do other segments have better gross margins?

Shri Ajit Kumar Srivastav: I'm not saying we have a better margin than the other products. For example, the participation in the metro business is very much competitive. Our difference with China was hardly 0.5% in the MRS tender. That is very competitive.

Analyst: So, you said you think that with the current capacity we can achieve INR 1,200 of revenue in FY24.

Shri Ajit Kumar Srivastav: No, what I mean is that, this is what we see according to the level of utilization of resources which we are anticipating. We are also incurring capex which can take our capability to maybe INR 1,500 crores in defence.

Analyst: Sir, how much capex are we doing?

Shri Anil Jerath: We are planning a capex of around INR 350 crores this year.

Analyst: What will be the capex for the defence segment?

Shri Anil Jerath: We cannot specifically say on defence as the capacity would be utilized across segments.

Shri Anil Jerath: But if you see the potential, potential is huge.

Analyst: **inaudible**

Shri Anil Jerath: [**inaudible**] to you about plan to hire more number of people as some people are also retiring, because we have to have people at the right places, at the right designation. So, we have to recruit people. We are planning for recruiting more people. And we will ensure that manpower won't become a hindrance in our growth. New skill sets are required in certain areas.

Darshan Engineer: Should we expect that your employees, which have been really good for the past, but we have to call off. Older employees retiring and the VRS and all that. That is now over. So, we are behind now.

Shri Anil Jerath: That is checked. 25% people have gone in the last three years. But then we will not be recruiting equivalent 25%. We will select different sets at different levels.

Darshan Engineer: So, this 5,000 can go down to 4,000 over three years.

Shri Anil Jerath: So, that is what I am saying. If people still continue to reduce, recruitment will be to the extent of our requirement. So, if requirement starts increasing, definitely some more employment will come.

Analyst: So, with the INR 7,000-8,000 crores revenue that you are doubling in three to four years, what kind of employment do you anticipate for that growth?

Shri Anil Jerath: We feel that with the present capacity level, we can deliver additional INR 1,000-1,200 crores. It is with all the same capacity. After that, we will definitely need more people. It is all a matter of time.

Analyst: What is the margin outlook overall?

Shri Anil Jerath: Margins will definitely increase from here. Double digit margin is definitely possible. Reduction in manpower cost as a percentage of sales will lead to increase in margins. What we are trying to do is that efficiency level has to increase. In this kind of industry, usually manpower cost as a percentage of sales is 16-17%, at present ours is on a higher side. So, the manpower will increase in the coming years but efficiency and productivity will also increase. With our revenues doubling in three to four years, manpower cost as a percentage of sales will improve. It might not reduce to 16-17% level, but might be close to 20%.

Analyst: So, overall, when you look at our margins, we see that there will be an increase in our margins, right? But when our margins actually go ahead, every business has certain margins, right? What are those optimal margins?

Shri Anil Jerath: See, we are having 3 unique businesses. And all 3 having a different line of execution as well as the product development. If you see rail and metro and defence, these are time consuming contracts. Means contract will take minimum 2-3 years. And mining construction and to some extent small orders of rail as well as defence, can be converted within 12 months. So, our strategy is first to increase our turnover. We have to get few big ticket orders which will continue for another say 4-5 years. So that the manpower will remain engaged. Then, in metro segment as well we have to compete. It's international competition. So, definitely margin to some extent will be less. If volume increases, we can improve margins.

Now, what we are trying to maintain is a fixed cost including our employee cost. We are keeping at certain level. We have good checkpoints. It should not be more than this percentage. So, once my production or turnover will increase, this fixed cost element will not increase in the same level. So, reduction will be there. Cost effectiveness has already been started. If you see result from the previous year, the margins have been improving. So, slowly and slowly we are building on the margins. Yes, EBITDA margin or gross margin will differ in each segment. Somewhere it is high and in some products it is low, it can be made up with the volumes. Where it is high, we can still take some risk and grab some orders. But overall our expectations are we should not come down below two-digit margin.

Deep Master: Can you explain the margin difference across segments?

Shri Anil Jerath: It is difficult because it is mostly what is called product based. Like in our KGF unit, we are doing both defense as well as mining. Even rail we are doing in defense unit, that is in Palakkad. There we are doing some portion of rail aggregates also. So, it is altogether mixed.

Deep Master: We are trying to understand the texture of your business change in the different areas of competitive bidding. And as the defense business scales up, then the margins in the defence business will be significantly different from your previous margin. Because down the line when the defence margin will be mid to high teens, and that can change the overall texture of the margin.

Shri Anil Jerath: Yes. Definitely. See, in Defense customer is always same. These the contract is tender based, we can quote margin as per our wish. But if it is a single tender or on nomination basis, then it will be based on the cost already done by the customer. On the cost incurred they add margin and give to us. So, that means no order will go in loss. Only thing is margin percentage may vary. When the volume increases our bottom line will definitely improve.

Deep Master: What is the average increase and the HMVs. They are on nomination basis?

Shri Anil Jerath: Some orders are. Some other orders we have to participate in tender. Though we may be the single bidder, but we have to follow the tender procedure.

Analyst: Sir, can I ask a question? In H1, your capex is roughly INR 40 crores. You mentioned INR 350 crores in FY24 earlier and yearly we met INR 50 crores, INR 60 crores. So, where is the rest of the capex?

Shri Anil Jerath: What we wish to mention is that there were some spillover from the last year. This year, by the end of this year, you will see a drastic increase in Capex spend.

Analyst: And when will this capex be completed?

Shri Anil Jerath: INR 350 crores capex we have already allocated. Slight variation may arise. But significant improvement as compared to previous years can be seen.

Analyst: Where are we allocating our capex?

Shri Anil Jerath: See, in KGF facility we are enhancing our capabilities, machinery upgradation, civil works, paint shops automation, etc. There are a lot of other things. There is an immediate requirement. So, there we have spent. So, next year again, we will review and we may further increase our capex.

Analyst: Sir, on the Metro side, what is the annual demand for general manual? How much Metro coaches are ordered versus the capacity?

Shri Anil Jerath: It is very difficult to find out. There are so many cities. The study done by the government side or the Metro corporations, requirements are there in two-tier cities.

Analyst: How much ordering. It is roughly how much versus the capacity in the industry.

Shri Anil Jerath: In the industry?

Analyst: Not only listed, but the other ones too.

Shri Anil Jerath: No Public sector Indian company is there in Metro Car manufacturing. Rest all are overseas companies. With whom we are competing. And again, the requirement again is based on the tender. Requirement is more than 1,000, maybe 1500 coaches.

Shri Anil Jerath: See, if you look at Metro, every city in North India, or Chennai for example, Bangalore, Patna. If you talk about the potential, that is unbelievable, maybe more than 1 lakh crores is what they project as Metro requirement.

Vande Bharat, EMU coaches and then AC cars. And there is a huge potential. And for BEML itself, if we get big ticket order, it can total up to more than INR15,000-20,000 crores.

Analyst: Demand is more than the capacity, then why are the margins kind of low?

Shri Anil Jerath: See, if you look at the manufacturers in India, earlier people used to compete very hard. And it was a very tough competition. Now, Alstom, Bombardier, Titagarh, you can see, everybody has got orders. Now the competition price wise, I feel now, the people became sensitive. They are raising their bar. So, with this kind of understanding, which has come in the market, the price I feel is going to do better.

Analyst: And what is the current?

Shri Anil Jerath: If you see Metro, which we won in Mumbai, and we became L1, defeating even Chinese by 0.5%. That was the thing. But now, China is not there. And now we are making India stronger. Now I feel the prices are improving.

Analyst: How much are prices improved?

Shri Anil Jerath: Now we feel that everyone has improved prices. Currently, I feel it's an improvement.

Analyst: And what will be share of Metro in the current order book?

Shri Anil Jerath: INR 6,000 crores roughly is Metro.

Analyst: 6,000?

Shri Anil Jerath: Recently we got Bangalore Metro. It was only INR 3,700 crores. So that's why it has gone up.

Analyst: Total will be 6,000. Out of 13,000?

Shri Anil Jerath: Approximately.

Analyst: And 5,000 is defence?

Shri Anil Jerath: INR 4,600 crores is defence.

Analyst: And this Metro order will be executed at what time?

Shri Anil Jerath: See, the Proto takes minimum 18 to 24 months. And after that, every month we can supply 18 to 24 coaches.

Analyst: Our capacity is 250?

Shri Anil Jerath: Our capacity is approximately 300, per annum?

Analyst: Per annum.

Shri Anil Jerath: It can be increased. Because sub-assemblies we can do in other units also.

Analyst: And here you think the margins will be better than what you saw in the past?

Shri Anil Jerath: Metro? It depends on the competition.

Analyst: Because you have got the order, that is why I am asking. The competition you know, right? The pricing is already done.

Shri Anil Jerath: If you see the last time, the competitor quoted rock bottom price. And this time they quoted very high price. So it is again their requirement. If the plant is full, they quote very high price.

Shri Anil Jerath: This is very quickly happening. Same thing happened with the one that I talked about. It depends on the order. I think margins will be good.

Analyst: So what is your value addition in metro coaches?

Shri Anil Jerath: So the entire thing we are making, metal sheets, bodies, side frame, etc. What we are taking is only propulsion. Rest everything is in-house.

Analyst: 80% will be in-house value add?

Shri Anil Jerath: Almost.

Analyst: So what will be the capacity of these Vande Bharat coaches?

Shri Anil Jerath: We are making the sleeper version of Vande Bharat.

Analyst: Sir, last time you said that we are adding capacities in the metro division in FY24 and FY25?

Shri Anil Jerath: Work is on. We are incurring capex.

Analyst: Is it a greenfield capex or brownfield? Is the structure ready? How much capacity do we have for Vande Bharat?

Shri Anil Jerath: Currently, there is no capacity for Vande Bharat.

Now we got one order from ICF. They have given some portion to us, design and manufacturing will be ours. Some of the aggregates they will be supplying at free of cost. Similar orders are expected. It depends on railways plan. Vande Bharat is going to be the future.

Shri Shantanu Roy: Welcome, and thank you for investing in us.

There is a strong pipeline for Vande Bharat. Government has already plans for 800 Vande Bharat trains by 2030 and we are already manufacturing first sleeper train in collaboration with ICF and we plan to get prototype ready by March 2024. We will have the first mover advantage in sleeper version of Vande Bharat train. We will be better prepared for competitive part of Vande Bharat sleeper tender in future.

Analyst: Railway business will become how much in three to four years because of Vande Bharat?

Shri Shantanu Roy: Total opportunity size is over INR 2 lakh crores in seven years so definitely our volumes in rail business will increase and our rail & metro business will grow substantially.

Analyst: What all projects are included in the INR 2 lakh crores opportunity sir?

Shri Shantanu Roy: Vande Bharat is there, other coaches are there, LHB is there, Vande metro, other metro coaches. EMU is there. I am not including the Rapid Rail Transportation System (RRTS) in this number.

Analyst: And our capacity for sleeper version of Vande Bharat? Will the same capacity for making metro trains be used for Vande Bharat sleeper version?

Shri Shantanu Roy: No, the capacity for metro and sleeper trains would be different. The metro coaches are basically standard gauge, so we have a different line for metros. And for main line trains, like the EMUs or sleeper trains, we have the broad gauge. So the capacity which will be used for sleeper will be different.

Analyst: What is the capacity for…

Shri Shantanu Roy: You know, our inherent capability of manufacturing stainless steel coaches which we have gathered over the last 20 odd years for making metro coaches is coming in very handy.

Analyst: What would be the capacity for Vande Bharat coaches?

Shri Shantanu Roy: By capacity you mean the passenger capacity?

Analyst: No, manufacturing capacity. For example for metro coaches we have 300 coaches per annum capacity.

Shri Shantanu Roy: That we have not yet planned. You see, it depends on the ordering. Each Vande Bharat has 16 cars. We are at the evolution of making sleeper car, what we are planning is to make 1 trainset in a month or 45 days.

Analyst: So 9-12 trainsets in a year?

Shri Shantanu Roy: Yes, once we really get into grip of things, then we can scale up.

Analyst: Sir, mining construction we are talking about capex and increasing our production capacity. Where is the opportunity for mining construction?

Shri Shantanu Roy: You see, most of the business comes from Coal India and other coal subsidiaries. There are two ways to look at it. One is the departmental acquisition. In Coal India another way of bidding is MDO model which is the mine developer and operator model. They are paid on per ton of coal manufactured. As far as capex is concerned, good news for us. You might have heard that Ministry of Coal is saying that there will be no import of high-end mining equipment. We are already in the process of developing some high-end mining equipment and we have developed some high-end equipment.

There are six stages of use of mining equipment. First is excavators, then there is bulldozers, third is the loaders, dumping trucks, motor graders, and then the tyre handlers and water sprinklers. Right now, we are making 3 tonnage type tyre handlers and the 8 ton tyre handler is under development stage, apart from the 20 cubic meter shovels and the 550-horsepower motor graders. So, these five to six equipment, they make the bulk of the mining and extraction equipment.

Moderator: Can we have the last few questions please?

Analyst: What is the competition in this segment?

Shri Shantanu Roy: Our competitors are OEMs from Japan, from Europe, from USA. We are pretty comfortable. We are competing with them. All of them are not getting orders. But we are competing. We got quite a few orders in the last 15 days. We have got some big orders for dump trucks, water sprinklers, for bulldozers, for the 60-ton dump trucks and more of such orders we are already bidding and we are about to get the order. And some of the bidding is going to happen over two months' time but we are in a position where we can execute majority of those in the current financial year. In mining execution, there is a different concept. We have a concept of a production plan. Based on the plan of the mining companies, both coal and non-coal, we take advance action based on our reading of the situation, based on our analysis as to what is going to be our order booking trend, which equipment we are most favoured to get and where the long lead time items, they take more time in procuring. So the cycle is six months, eight months. One year before we take the action. Almost a year before, for example, FY25 actions, we have already started initiating. We have started the mining segment planning because we know what is the plan, we know what is our capability, we know what is the market size. So what happens is as soon as we get the order, maybe within two, three months, in some cases in 50 days, we're able to do the sale.

Analyst: What is quantum orders you can expect from the private miners?

Shri Shantanu Roy: You see private miners, I cannot draw a number because mostly, as of now, private miners are not doing the big mining. They are not developing the big mines where the high-end equipment will be required. They are mostly working in smaller mines where they require equipment's which are common to both mining and construction. Now, when it comes to the construction segment, for example, smaller motor grader is used. Also it is used in a smaller mining. So literally there is no need maybe for the private player to purchase a new equipment. And they would rather go for second hand equipment.

Analyst: What is the guidance over the next two three years, the dividend yield, the overall related margins also. How do you see that behaving? Would there be reasonable operating leverage?

Shri Shantanu Roy: You see, first is that doubling of revenue will happen or not that is to see, whether two years or three years, what I can say is that we are aspiring to grow at 20% per annum. We crossed the INR 4,000 mark only once, that is in FY22. After that there was a dip around 7%. So if we grow at 20% year-on-year, in three years' time we definitely look to crossing the INR 7,500 crores. So that is near to double. Whether it will be exactly double or more than a double, that only time will break. The key growth drivers for us are the fastest growing sectors. The fastest growing sector is the rail & metro and second is the defence & aerospace. Mining will continue to grow. Mining will continue to grow at 5% to 7% year-on-year. And why I'm saying three years because for example, the Bangalore Metro, the order which we are signing orders in August. In 96 weeks, we are supposed to come up with the first prototype. Once that is done, we go for the bulk manufacture. So three years will be the time when the maximum manufacture of Bangalore Metro will happen. And by that time, if we are able to get some more track machines, some more EMUs, some more Vande Bharat etc that is the time we can maximize our revenue from rail & metro.

Similarly for defence. Already we are working on quite a few defence opportunities which are going to fructify maybe in another six months, maybe another twelve months. And after that there is a time for FOP, that is the first of production clearance. And the bulk production clearance is given based on that. So that will be the time when the bulk production will be given and will be in a position to manufacture and roll out all the defence orders.

As far as the margins are concerned, you see. Firstly let us understand that in a capital goods manufacturing company, margins are pretty tight. Most companies earn single digit margins. So in spite of that, we have almost reached double digits. Next year I expect that we will reach the double digits. We will grow EBITDA by 200 basis points. And someone asked me a question earlier also that do I look at having the EBITDA in the late teens. So my answer is no, I don't look at that grid. Maybe even if we are able to do around 13% to 14% EBITDA, that is pretty healthy for the industry that we are in.

Gauri Anand: So you are saying that 14% EBITDA is achievable in four years when all the engines are running?

Shri Shantanu Roy: Absolutely, it should.

Analyst: In terms of our manufacturing power, what are the areas of improvement. Is there any requirement of incremental capex?

Shri Shantanu Roy: Already we have put in capex, I would not say it incremental capex but it is substantial capex and the capex would be focused on three things. One is enhancing our capability in defence, in rail & metro, in mining. Number two is upgradation of the existing machinery, plant & machinery. Number three, civil work. Critical civil works we had to do, the paint shop automation, etc. like those are the critical things that we have to do. That's the reason we have plans to infuse around INR 350 crores of capex this year, which is almost 8% to 9% of last year's sales. And if all goes well, next year we would like to further enhance by around 40%. But after that, I understand that we don't need to infuse further capex, at least no further major capex, at least for the next five years. Because during that time, maybe we need some incremental capex to take care of repairing some of our machines, going for some new facilities. So it will be incremental. For next two years, the capex, whatever we infuse, it should take us through the next five years.

Moderator: Due to paucity of time, we have the last question.

Analyst: Comment quickly on your net working capital cycle. On the net working capital cycle?

Shri Shantanu Roy: Net working capital cycle? I can comment on the working capital. I didn't understand your question, maybe Director (Finance) can answer to this.

Shri Anil Jerath: See what we are seeing now, last year we had a reduction of almost INR 400 crores from INR 2800 crores to INR 2400 crores. So working capital will remain more or less in the same level even though my turnover is increasing. Once my turnover increases, number of days will come down. Level will remain same in absolute terms. So the number of days will come down so value wise it will not increase.

Shri Shantanu Roy: If you look at our working capital, which in the range of INR 2,500-INR 2,800 crores, with that kind of working capital, I think if we grow our sales, it is going to be better over time if we keep our working capital same in absolute terms.

Analyst: What is our guidance for turnover?

Management: See our aim is to grow by 20%. We have the orders, we have the orders which can be executed. We are focusing on that kind of growth.

Analyst: What kind of margins you are expecting to achieve by the year end?

Management: Last year we closed the year at 9.2%, and 200 basis points improvement means it should be 11%.

Moderator: Thank you, ladies and gentlemen. With that we conclude our session.