



Dated: 05th August, 2024

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
Symbol- SKIPPER

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

Subject: Transcript of the conference call on Unaudited Financial Results for the Quarter ended 30th June, 2024

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 30th July, 2024 on Unaudited Financial Results of the Company for quarter ended 30th August, 2024.

We request you to kindly take the aforesaid information on record.

Thanking you,

Yours faithfully,
For Skipper Limited

Anu Singh
Company Secretary & Compliance Officer

Encl: As above



“Skipper Limited
Q1 FY’25 Earnings Conference Call”
July 30, 2024



MANAGEMENT: **MR. SHARAN 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: **MS. TEENA VIRMANI – MOTILAL OSWAL FINANCIAL SERVICES LIMITED**

Moderator:

Ladies and gentlemen, good day, and welcome to Skipper Limited 1Q Earnings Call hosted by Motilal Oswal Financial Services Limited. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Teena Virmani from Motilal Oswal Financial Services Limited. Thank you, and over to you, ma'am.

Teena Virmani:

Good evening and everyone. Today, we welcome the management of Skipper for discussion on 1Q FY '25 performance.

Management team is represented by Mr. Sharan Bansal, Director; Mr. Shiv Shankar Gupta, CFO Mr. Aditya Dujari, GM Finance and IR. So over to you, Mr. Sharan for your opening remarks, and then we will open the floor for Q&A.

Sharan Bansal:

Thank you. Thank you, Teena. Good afternoon to you all and thank you for your continued interest in Skipper. Please take note that any forward-looking statements made during the call must be reviewed in conjunction with the risk that the industry and the company faces.

Some of the key operational and financial highlights in comparison to previous year quarter were as follows: I'm pleased to inform you that we have delivered yet another good quarter and registered our best first quarter revenue ever on back of strong execution in Engineering and Infra segment by nearly doubling our revenue over previous year quarter period, while maintaining healthy operating EBITDA margins of 9.6%.

The net revenue for the quarter stood at INR1,092 crores against INR555 crores. The segmental revenue breakup are as follows: Engineering, INR829 crores, up by 99%; Infra segment, INR168 crores, up by 1,600%; and Polymers INR95 crores down by 26%. The company's engineering export sales almost doubled reaching INR251 crores against INR127 crores and constituted 30% of overall Engineering segment revenue.

The Polymer performance was impacted on account of an elections in quarter 1 this year, which significantly affected project sales though it has a lesser impact on retail sales. Management expects to make up and partly recover the loss of revenue in quarter 2 next year.

Our reported consolidated EBITDA increased to INR104.7 crores, up by 74% with operating margin standing at 9.6% for the quarter. The Engineering segment EBITDA margin for the quarter stood at 11%. We have clocked the desired margin range of 11% to 12% now for the past many quarters. Going forward also, we will see a consistent margin performance in this business on back of better quality contract execution.

The management focus continues to our bottom line improvements. The consolidated PBT increased to INR43 crores and PBT margin and 4% of sales for the current quarter period against INR23 crores in previous year quarter. The consolidated PAT doubled over to INR32

crores against INR16 crores in previous year quarter, while PAT margin improved to 3% of sales.

On the other front, I'm happy to inform yet another good quarter for us. During the quarter, company secured significant sized domestic contract from PGCIL and SEB and export markets in Middle East and Africa, contributing to a total inflow of over INR765 crores. Our current order book stands at a high level of INR5,844 crores, well diversified across sectors and segments. With an order book to Engineering and Intra-segment sales ratio of 2.1x FY '24 sales, we have revenue visibility for the next 2 to 3 years.

The tender pipeline remains weak with the current bidding pipeline at an all-time high of INR18,000 crores, reflecting strong opportunities in both domestic and international markets.

There are advanced stages of negotiations to secure sizable financial and domestic contracts. The vibrant domestic T&D environment aligns with Skipper's commitment to leverage India's transmission sector growth. With the government's focus on scaling renewable grid infrastructure and improving electrification, Skipper is poised to support the growth. Our qualification to undertake EPC project at the highest voltage level of 765 and 800 KV give us a strong advantage as there is very limited competition at this level.

We are among the few companies in the country with the capability to execute these high-voltage projects that by year of expertise and experience. Additionally, these projects have a better margin compared to lower voltage process.

In conclusion, Skipper Limited continues to deliver strong operational and financial performance, driven by our focus on execution excellence, strategic initiatives and proven financial management. We remain optimistic about the future and are confident in our ability to create long-term value for our stakeholders.

Thank you, and I'm happy to take questions now.

Moderator: The first question is from the line of Rishabh Gang from Sachet Family Office.

Rishabh Gang: So I want to understand how do we secure the international orders? Like is it directly or through EPC players abroad? Have you seen decent repeatability of orders from certain regional vendors? And what kind of marketing or sales costs do we incur for sourcing deals?

Further, what are your international capabilities in terms of team size, around sales and installation and any sales offers in the prominent market? Like what has been the trend in that? And how do you think about it in the future?

Sharan Bansal: Okay. I try and remember all your questions, sir. I think you asked about how do we secure these orders and whether it's from EPC or the utilities. So it's a mix of EPC and utilities, primarily the orders come from the EPC contractor. And sometimes, we also won directly with the utilities, purchasing the towers and poles directly.

How do we secure them? Essentially, it's a long process of registration and approvals which we have to take with the end customer, and we have been working on the international market for more than 15 years now and getting ourselves registered and approved in various geographies, various utilities. So we have secured approvals in a large number of countries, which are there in our annual report, you can see that as well. And we are also continuously expanding upon that list. If you could please repeat your other 3 questions, please.

Rishabh Gang: Sir, how does the repeatability of orders from regional vendors are like? Or do you have to find different vendors every time once ordered is complete? Second how was your...

Sharan Bansal: Our orders are project based. So obviously, we do get repeat orders from a lot of large -- we work globally with about 200 to 250 global EPC contractors. And obviously, we do a lot of repeat business with a lot of them. Sometimes it can be for the same geography and sometimes it can be for different geographies where they are operating at also. So -- but it is project-based. It is when they win projects that's when they enter into contract with us.

Rishabh Gang: And sir, like what has been your international capabilities in terms of team size, around sales and installation? And do you also have some sales of it in a prominent market like maybe Australia, for the U.S. or somewhere in the Middle East?

Sharan Bansal: Yes. We have sales and marketing people in almost about 6 to 7 countries right now, which are Skipper employees. And also, we work with a lot of representatives and other associates in various markets in close to about 70 to 80 active markets for us.

Rishabh Gang: Any numbers on how many employees do you actually have? And how has it been increasing? Like I want to understand how focused are we to get this -- grow this business?

Sharan Bansal: Overall, including India, we -- the team sitting in India is obviously the largest size. We have a large international marketing team. And obviously, this team is really mobile across continents and geographies. If you're asking specifically about international people, that is really too specific. But essentially, I can tell you that we have close to about 30 to 40 strong international marketing team.

Rishabh Gang: And how much do you plan to increase it in the future? Any idea on that?

Sharan Bansal: So that is for specifics, sir. I mean it's hard for me to say.

Rishabh Gang: One more question is, so before 2018, like in '15, '16, '17, we used to like really attractive EBITDA margins. So what led to achieving us that in the earlier time and what has changed in the business over the years?

Sharan Bansal: So even earlier, if you look at our main segment of Engineering Products, we always were delivering about between 11% to 12% EBITDA margin. And perhaps maybe what you're talking about, the 15%, 16% margin could have been because of other gains like forex gains, et cetera.

And even now our Engineering segment, which is our largest segment, that is delivering both kind of margin. On a blended basis, the company -- because of our other divisions, we are delivering roughly about 9.5% to 10%, which is also better than the industry average, I can tell you.

Rishabh Gang: On capacity utilization -- how does the capacity utilization is? And what is the capacity size of majority competitors in India and abroad? And when you say you are a fully integrated PMD company, what do you mean by fully integrated? Like how does the competitor perform there? And how does that help us on EBITDA margin front?

Sharan Bansal: Okay. So in terms of -- if you would ask me 1 question at a time, actually, I'm losing...

Rishabh Gang: Sorry, Sorry. What is the capacity utilization and capacity side of other competitors in India and abroad?

Sharan Bansal: Currently, our capacity, which is about 300,000 tonnes a year. Last year, we were at roughly about 70% utilization. This year, we expect to be about 90% utilization. In terms of capacity of other players in India, there are other -- we have the largest capacity located in India. Other players in terms of their global capacities, I would not be having up to date data, please.

Rishabh Gang: Okay. Any name of global players?

Sharan Bansal: KEC International is obviously a global player. They have capacity in a lot of geographies. The other would be large Chinese companies like Qingdao, Nanjing Energy and then there could be Turkish companies like Mitas and SA-RA.

Rishabh Gang: Okay.

Sharan Bansal: From USA is also a large player.

Rishabh Gang: Okay. Got it. And when you say truly integrated T&D company, right? What do we mean by truly integrated? Like what are competitors now doing and that we are doing here? And how does it help on EBITDA margin?

Sharan Bansal: By truly integrated, we mean that we are the only company having backward integration of rolling mills, tower production, poles production, fasteners production and EPC construction in the same company. To our knowledge no other T&D company in the world has entire end-to-end integration within the same company.

Moderator: The next question is from the line of Gunjan Kabra from Niveshaay.

Gunjan Kabra: Very good set of numbers. My first question is that I wanted to understand that we are having INR18,000 crores of orders of pipeline right now, divided into domestic and international. So what's the timeline of these orders getting rewarded to the tower player?

Sharan Bansal: You're asking what is the timeline for -- from the bidding stage to ordering stage.

Gunjan Kabra: Right now, we have around INR18,000 crores or pipeline -- order pipeline, right? So what timeline will it take for the EPC and the utility companies to award these tenders to the tower company?

Sharan Bansal: In India, typically, we are seeing a 6- to 9-month cycle from bidding to award. And globally, that cycle is longer, it could be anywhere between 1 to 2 years.

Gunjan Kabra: Okay. So you think that -- okay, so this number -- and come in the domestic pipeline will be awarded in 6 to 9 months, okay. Secondly, I wanted to understand that the tower -- how does it work in terms of KV. So do we make for 220 KV is the tower business also worked this way -- just wanted to understand on the time that we are expanding by 75,000 tonnes. So what could be the incremental turnover from 75,000 tonnes, how is determined? I mean if PGCIL is giving you an order for example of INR500 crores or INR1,000 crores, then what's the tonne that goes into per INR1,000 crores amount, if you can explain in that way.

Sharan Bansal: In the sense, you will not get a straight 1-to-1 relation between the capacity and the revenue because the overall revenue is mixed up for a lot of our segments of Engineering products Intra segment as well as Polymer. And also within the Engineering segment, we have multiple products and services. We also provide Engineering services with design, testing and R&D services. So it's a combination of a lot of various divisions of the company, which contribute to the revenue.

In terms of capacity, our largest product division, which is Towers and Poles, there, we will have a capacity of 300,000 tonnes, which we are expanding by 25% to increase by 75,000 tonnes.

Gunjan Kabra: Yes. So I was just asking what is the incremental revenue that can come from 75,000 tonnes. So it's 75,000 tonnes, then what's the revenue that we can do -- or maybe if you can explain this because you're spending INR200 crores. So if you can explain with asset turnover that how much can that incremental revenue come in with this revenue?

Sharan Bansal: Only the capacity increase because the overall capex will go towards enhancing our other services capability also and as well as our overall debottlenecking of the plant. So I would say that this capex, which we are doing presently will lead to additional revenue of about INR800 crores to INR1,000 crores.

Gunjan Kabra: INR800 crores to INR1,000 crores. Okay. And sir, right now, I mean, how is our telecom segment spanning out in terms of -- because in the budget also BSNL has got a very high allocation comparatively in the telecom and indigenization is also there, 5G rollout is also happening. So how is that demand expected to be? Or are we focusing more on the power side?

Sharan Bansal: See, in terms of overall volume, yes, power is definitely more than telecom. Having said that, telecom is a very good segment for us. It has been consistent. And yes, BSNL has been a good customer for us. Government is very focused on enhancing BSNL network coverage. So I would say that yes, there will be plenty of telecom opportunities for us in the future.

Gunjan Kabra: Okay. And one thing which I asked in the previous question, I wanted to understand so towers also are determined by kV, right? So 765 kV 220 kV or then do we specialize in all segments? We manufacture to some range.

Sharan Bansal: No. We manufacture the full range from -- right from the small gantry structures of a substation to lower voltage tower like 11 kV, 33 kV, 66 kV and going up to the highest voltage, which is 765 kV and 800 kV. So we are present across the value chain and all the voltage segments.

Gunjan Kabra: And sir, versus a competitor because there are too many players also. So we're the only one who are manufacturing into the all ranges or there are other players also in India?

Sharan Bansal: I would say that as the voltage level goes up, there are obviously fewer and fewer competition because fewer players have capability to manufacture structure at the highest levels. In our segment, we have competition from about 8 to 10 manufacturers.

Gunjan Kabra: 8 to 10, okay. And lastly...

Moderator: Sorry to interrupt the request that you return to the question queue for follow-up questions as there are several participants waiting for their turn. The next question is from the line of Darshil Pandya from Finterest Capital.

Darshil Pandya: Sir, what will be our order inflow for FY '25 -- expected order inflow. And one of the reasons I would also like to ask that historically, as it is mentioned in the investor presentation, Q1 was something where we get more orders. So was it impacted due to the elections? Or what was it?

Sharan Bansal: No, that's not really the case where Q1 we get more orders. It's not exactly -- if you look at last year also, last year, our total order inflow was about INR4,000-odd crores. Q3 was very low. Q3 was only -- that was less than INR500 crores. So we got INR402 crores actually. So honestly, there's no defined trend where any 1 particular quarter has less or more.

Overall, in the year, if you ask me, our aspiration is that we should secure anywhere between INR4,500 crores to INR5,000 crores of orders this year. And I believe that the Q1 performance is in line with the overall target.

Darshil Pandya: Yes. Absolutely. And second question was, sir, you think post Q1 results, we may achieve more than what we have guided for the whole year?

Sharan Bansal: As of now, guidance continues to be a 25% growth over last year's revenue.

Darshil Pandya: That's fair -- and sir, something on debt repayment, what more steps are we taking to -- in order to reduce this debt?

Sharan Bansal: The company's debt is at a comfortable level. Our long-term debt is not at a high level at all. We have mostly working capital debt and which is very, very manageable, company has very good cash flow. So we are -- but we are also -- we have recently done a rights issue to boost the working capital -- growing working capital requirements of the company. We have already secured the first tranche of the right issue payment, about INR50 crores. And for the INR150

crores also, we do have a plan to take it -- to call for the balance money in this financial year itself. So this will go towards the reduction of overall debt.

Darshil Pandya: All right, and just 1 last, just a suggestion. If you can just put up this number crores rather than millions would be really helpful for investors and the analyst...

Sharan Bansal: A lot of our foreign stakeholders insist upon the numbers to be in million, so which is why we keep the numbers in the million.

Moderator: The next question is from the line of Arafat Saiyed from InCred Research.

Arafat Saiyed: Congrats on great year numbers to keep a team. Sir, can you please elaborate on your order pipeline? You said it's close to INR18,000 crores. So which country you expect more order to come? And also, can you guide me your order win ratio in the past, I believe, that's around 30%, 45% turn into orders. So that would be great.

Sharan Bansal: Yes, sure. In terms of our order win ratio, the number changes, obviously, on a year-to-year basis. On an average, we have been able to secure about 25% of the order pipeline -- or the bidding pipeline and being able to convert 25% into actual contracts.

And in terms of geography, obviously, look, the -- what we expect, at least in this financial year, we do expect a lion's share of the business to come from the Indian market because the Indian market is very, very robust and T&D demand is very high. A lot of tenders are on the bidding -- are available for bidding right now. Internationally, we do expect that markets such as Middle East, Australia and parts of Latin America, we will be able to see good order improvement.

Arafat Saiyed: And sir my next question on your order book, let's say, your order book of INR5,800 crores. So what is the, let's say, balance share of orders from PGCIL and BSNL leads?

Sharan Bansal: You're asking about the balance orders?

Arafat Saiyed: Yes, yes, order book of INR5,800 crores, what is the share of and PGCIL and BSNL orders in this order?

Sharan Bansal: Okay. Let us come back to you with exact numbers, I don't want to give you a wrong number right now.

Arafat Saiyed: Sure. And sir, last question is on your order. There is something else changed completely in last one year let's say, especially for you guys, the order inflow is now getting -- despite having a high base last year from the BSNL orders, still you're going let's say to some extend in terms of order book and also the order pipeline. So I just want to understand what exactly has changed that industry, including India and overseas, getting lots of order in the pipeline, let's say, for you only, let's say, last year you're talking about close to INR10,000 crores, which is now almost double. So what exactly has changed in this industry?

Sharan Bansal: There are basically -- there are 2, 3 changes that have happened. Power demand has also taken a very good uptick, peak power demand, as you must have noticed, is -- has been rising

consistently in India. And the second thing, what has been happening is that there is a lot of stress on renewable power addition. So both of these factors are leading to enhanced investments in power T&D business trend, which we have been seeing for the last 3 to 4 years. However, it has picked up a lot of space in the last year, 1.5 years, not just in India, but in a lot of global markets as well and we expect that this trend of renewables and overall power consumption will continue to grow because all countries are trying to move towards greener and greener sources of power. So that is a trend which we expect will continue for the next several years.

Arafat Saiyed: Okay, sir, lastly, on your capex your...

Moderator: We request that you return to the question queue for follow-up questions. The next question is from the line of from Deepak Purswani from Svan Investments.

Deepak Purswani: Sir. Congratulations for a very good set of numbers.

Sharan Bansal: Thank you.

Deepak Purswani: Yes. Sir, firstly, if you can give a sense on the bidding pipeline, where you have mentioned in the presentation, we are in advanced stage of negotiations to secure some good-sized international contracts. If you can give a sense in terms of the scope of client and quantum of the project, that would be really helpful?

Sharan Bansal: No, I'll not be able to share specific information because that is confidential. But as you can see from the first order -- first quarter order inflow of INR765 crores, we are very much in line with our overall annual target of order inflow.

Deepak Purswani: Okay. And secondly, sir, when we have maintained a revenue guidance of 25%. But -- if I were to look into the Q1 execution actually, then the next 3 quarters, implying that, that is going to be flat. So I just wanted to get a sense from your end, is it like we are trying to be more conservative? Or should we expect some more pickup? Should we expect some growth in H2 or going ahead?

Sharan Bansal: Last year, we have already had a very strong revenue growth from previous year INR2,000 crores to about INR3,300 crores last year. And even on this enhanced base, we have guided for a 25% revenue growth. So we feel that we would like to be conservative in our guidance. And of course, the effort will be to perform better than the guidance given.

Deepak Purswani: And then, sir, coming to the Engineering product, if I were to look into the EBITDA margin, this time, actually, the contribution of export projects -- export revenue has increased 30% whereas our EBITDA margin are at 11% versus 11.6% in the last year as a whole. How should we see this margin -- I mean, should we expect when the contribution from the export margin have increased should this margin improve further going forward? Or would you like to comment on it?

Sharan Bansal: It is difficult to see margins and specific performance on a quarter -- it would have to be seen on a more on an annual basis because individual quarters, they can have various quality of

contracts being executed. So that is what determines the overall margin. So it is difficult to comment on...

Deepak Purswani: Sir, year as a whole -- our export contribution will increase from here. So year as a whole, how should we look into the margin?

Sharan Bansal: No, as a year as a whole, we are not really guiding for an increase in export performance. Our order book is roughly about 18% of exports. So that is the guidance for the overall export execution in the year as well. 14%, not 18%. 14% is the export contribution in our order book.

Moderator: Sir, we request to return to the question queue for the follow-up questions. The next question is from the line of from Rishabh Gang from Sacheti Family Office.

Rishabh Gang: Sir wanted to understand distribution and long transmission and distribution such as railways and telecom? And which pockets of the world, do you think sizable replacement demand will come?

Sharan Bansal: Currently, we are not -- we are seeing most of our demand coming from new infrastructure build only and not really replacement build, because, as I mentioned earlier to the earlier caller, that a lot of our demand is being led by renewable power investment. So as renewable power investments is happening, that's what is leading to T&D and other sectors growth. So we are yet not catering to much of the replacement market.

Rishabh Gang: Okay. But what are the useful life of about...

Sharan Bansal: 2 to 3 years.

Rishabh Gang: As we're have been mentioning about the telecom towers, right, 8 lakh new mobile towers over the next 2 years. I wanted to understand what has been the volume level sales for you in last 1 year in mobile tower front? Like this 8 lakh number, what is your view on this?

Sharan Bansal: I believe that players like BSNL, Vodafone, Jio and Bharti, all of them will have good expansion plans. And of course, we are working with all the operators. In terms of private operators, we have not seen much change in demand this year compared to last year. It's only BSNL, where we secured the large contract last year, it's where we are seeing maximum execution happening.

Rishabh Gang: Any idea volume for mobile towers that you have -- like how many towers that you have sold in last 1 year on telecom side?

Sharan Bansal: So that is, again, in terms of -- difficult to say, but telecom roughly makes about 20%, 25% of our Engineering revenue.

Rishabh Gang: I have more questions. Can I ask right now or should I come back?

Sharan Bansal: I request you to come back because there is a queue.

Moderator: The next question is from the line of Hitesh Popat, an individual investor.

Hitesh Popat: First of all, many congratulations for a good set of numbers.

Sharan Bansal: Thank you, sir.

Hitesh Popat: I have a couple of questions. If I could recollect the figures rightly. There is the Infra division is not up to the mark. So is there any specific reason or spillover haven't moved much revenue in this quarter?

Sharan Bansal: No, that is, again -- as I mentioned earlier, the numbers that we're seeing on an annual basis, on a particular quarter basis, it can be possible. And again, this quarter, because of elections, et cetera, there was some slowdown in execution. So honestly, overall, in the year, we do expect good growth in the Intra segment over last year.

Hitesh Popat: Okay. That's quite good. Another question would be, can you share the market share of T&D and telecom within India and globally?

Sharan Bansal: I cannot comment on overall market share, but in terms of the high voltage -- high-voltage sector, Skipper does have a 10% to 15% market share.

Hitesh Popat: Okay. And overall, yes -- within India.

Sharan Bansal: Within India, yes.

Hitesh Popat: And globally?

Sharan Bansal: Globally, it's a very difficult number -- I mean, it's any one's guess. But we are one of the prominent players globally.

Hitesh Popat: Okay. That's fair enough. Lastly, in foreign countries, like export do we foresee which countries like which is a higher potential and where we are not yet present. Any projection on that?

Sharan Bansal: Yes, I think we see a lot of potential in developed markets, particularly Australia, North America, like U.S., Canada and the European market. So except for Australia, we don't have much of a presence in North America and Europe right now. We are doing some small contracts in these geographies, but we are hoping for a larger and more lucrative contracts from these places in the future.

Moderator: The next follow-up question is from the line of Gunjan Kabra from Niveshaay.

Gunjan Kabra: There has been delays in -- there have been news articles stating that by PGCIL that the orders worth INR44,000 getting delayed by 12 months, 14 months. So how is that -- because if that delay is happening on the EPC side on the execution side then it might impact our order execution also. So how is the execution happening on the transmission side if you can throw some light?

Sharan Bansal: As far as I see, there are -- there can be -- we don't see really any much delay. There is a healthy pipeline and tenders are getting finalized at a regular interval. There may be some

temporary delay of a few months because of the elections currently -- but I think that also -- now that elections are over, we feel that the awarding activity will again come back to normal levels. So -- as such, we are not concerned about any real slowdown as such.

Gunjan Kabra: Okay. And sir, though you have answered this question in bits and pieces. But going forward, when we are growing at 25% for next 2, 3 years, when can we like have -- the previous participant also asked that in the Engineering segment, we had a margin of around 15%, 16% in 2015, '16. So what can be the margin that we can look forward to -- can it reach to like 11% or what's the number that you're trying to for the overall year I'm asking?

Sharan Bansal: See, definitely, long term, we do have an aspiration that as a -- consolidated in the company, we must move beyond 10% margin. Currently, we are at below 10% margin for the company. And certainly, we think that there is an opportunity -- a very clear opportunity for us to move into the 11%, 12% consolidated basis for the company in the next few years.

Gunjan Kabra: Okay. And sir, U.S. and Europe centers are expanding a lot on the transmission side right now, if you see the number that has been coming up from these countries as well the T&D expansion is pretty high. So who are -- like who is applying to them right now is -- are these the Turkey players applying to them or they are domestically positioned and how are we planning to cater to this market because -- or do we require any certifications for the export markets in the U.S. like the transformer companies do require.

Sharan Bansal: Certainly, we do require certifications and we are approved by various engineering bodies like CWB the Canadian Welding Bureau. And at the same time, we are also in the process of obtaining more and more certifications in North America because the utility market is not driven by any one of the utility. There are several hundred utilities across North America. Currently, if you ask me who is supplying there, I would say, the largest market share there is with the Turkish manufacturers.

And then also the Chinese manufacturers are active in the North America market. Otherwise, they also get serviced some from manufacturers in Brazil and Mexico and apart from the local manufacturers who are present within the U.S., Canada itself.

Moderator: The next follow-up question is from the line of Deepak Purwani from Svan Investments.

Deepak Purwani: Sir, just wanted to check it out. I mean, the way growth has shaped it up for us. Would it be fair to assume we would be requiring a little more capital than what we have on the right issue, INR150-odd crores. And last time -- I mean, last year, our debt was at INR575 crores. How should we look into that number a year as a whole by end of this year? And consequent to it, in terms of interest expenses, currently, we are at 4.7% in this quarter. How should we look into this number a year as a whole?

Sharan Bansal: Okay. So in terms of further capital raising, we don't have any immediate plans -- beyond the rights issue as the company because we feel that the internal accruals of the company will be strong enough to meet our growth plans. If once the rights issue proceeds are over, then we may look at further opportunities if at all.

In terms of the overall debt number, there may be some increase, because we are in a capex mode now, and we have taken up a capex of INR200 crores plus this year to enhance capacity. And also the working capital, there may be some expansion as the growth comes. So again, you can expect some moderate growth in the overall debt number in line with the overall top line of the company.

Deepak Purswani: And interest as a percentage of revenues?

Sharan Bansal: Interest as a percentage, certainly, last year also, we had an improvement in the interest percentage and this year also we are expecting that further improvement as a percentage of uptake.

Deepak Purswani: Okay. Should we expect it to come down close to 4% a year as a whole?

Sharan Bansal: Our aspiration is to go below 4.5%.

Deepak Purswani: Okay. And secondly, sir, on the Polymer business, I mean, if I were to look into the last year, the growth was -- growth actually moderated to 11% in the last year. And this quarter, again, there has been some decline, though you have mentioned in the presentation regarding decline in this quarter. But if you can throw some light I mean, why this business is moderating actually? And also how should we look into going ahead?

Sharan Bansal: No. So there is no moderation as such in Polymer. It continues to do well for us. This year, particularly this quarter, I think the sales were affected because of elections and specially the project sales -- despite that, the retail sales have grown by about 20%. And we expect that in the further quarters, sales numbers will rebound.

Deepak Purswani: Actually, sir, in the H2 also, there was some decline in revenue. I mean, in Q3, growth was 11% in Q4, it has declined by 30%. So just wanted to check it out.

Sharan Bansal: Overall, I think last year, also the commodity prices had some role to play in the overall market demand. But I think demand should certainly be stable for the rest of the year.

Moderator: The next question is from the line of Rishabh Gang from Sacheti Family Office.

Rishabh Gang: I wanted to understand more on the Polymer side, like what has been the volume growth for us? And how volume -- and how do we compare with other listed players in terms of revenue volume and margin growth, any idea on that, sir?

Sharan Bansal: Could you repeat the question, please?

Rishabh Gang: So on the -- how has the volume growth -- how do you see it? And how are you comparing a listed player in terms of revenue and margin growth for the Polymer business?

Aditya Dujari: So this year -- this quarter, we have a volume degrowth. So basically, against last year quarter number of 8,880 tonnes, we have degrown by 10%, so that was basically 8,000 tonnes. And that's primarily been the reason I already been explained that this being an election year, the project sales had been impacted, though we are seeing a 20% growth in the retail sales number.

We generally our categorization in this segment, in this market is basically premium. We compete against the likes of Supreme, Astral, Finolex, and our brand categorization is in premium category in this segment.

Rishabh Gang: What are the EBITDA margins, right, for the companies that you mentioned, what is the kind of EBITDA margin they have? And what is the kind of like -- by when that you would be able to achieve that kind of EBITDA, I would like to understand?

Aditya Dujari: Yes. So the industry operates at an EBITDA margin of 11% to 12% kind for the most of the premium years. We operate at a 4% to 5% kind of a level since we are a small player in this, and we are growing player. So we are -- we need to incentivize the dealer network more as we enter into newer geographies. As we attain scale and size in this space, so in this business. We will get our fixed cost rationalize and benefit over a larger revenue base. And that will help in maintaining, improving on our margins on this business.

Rishabh Gang: Got it. But at what kind of revenue level or volume level would we be able to see some operating leverage come in play? Any idea on that, sir? Like we are earning half the margin than the competitors. So would you like to understand this transition.

Aditya Dujari : So we think once we are closer to INR1,000 crores kind of a number, you will -- you can expect a double-digit kind of margin performance in the...

Rishabh Gang: And what are the working capital base for our Polymer business and the segment level ROC for Polymers. And what has been the lifetime high ROCE for the Polymer business?

Sharan Bansal: We can take this question offline, yes.

Rishabh Gang: And just last question on this. So we have -- you have been doing critical investment on the advertising side for the Polymer business you have got deal and moving on board. So any idea on how much are we spending on getting them on annual contracts? How much are we spending on...

Aditya Dujari: On an annual basis, we are spending almost about INR15 crores to INR20 crores.

Rishabh Gang: And how much of them is for the brand ambassador business?

Aditya Dujari : INR10 crores.

Rishabh Gang: Got it. Just 1 last question, if you allow. How does the -- how are we passing on the raw material price, any increase in the raw material price, both on the engineering front and on the PVC front to the customers. Like how does the pricing happens and how do we pass it?

Aditya Dujari: On the Polymer front, it's generally pass-through. So whatever there is an increase, we pass it to the market. On the engineering front, it's a combination of a fixed price contract as well as variable price contract. So there is an IEEMA driven formula, which derives what benefit needs to be paid. So that takes into consideration all the zinc -- raw material steel as well as the labor price index. So that's a formula that is very well accepted in the market. So that's how it goes through.

Rishabh Gang: Sorry, I just -- I want to ask 1 last question. How much percentage of the finance cost is actually interest cost for us and because I understand you pay a lot of guarantee charges as well. And what are the rates that we have on the CC limit and term loans?

Shiv Shankar Gupta: We will get back to you on this.

Moderator: The next question is from the line of Darshil Pandya from Finterest Capital.

Darshil Pandya: Sir, just 1 follow-up question on the Polymer business. Are we also targeting the construction companies where we can have some contracts with the construction companies already in place?

Aditya Dujari: Basically on the project side business, there's some portion of our sales goes to those construction companies.

Darshil Pandya: Okay. And what was the mix of private versus government as you also -- are you also giving it to the government? Or are we providing?

Aditya Dujari: So most of our sales are to the retail, government constitutes almost about 5% to 10% of our revenue.

Darshil Pandya: 5% to 10%. And just on the last question, one of the participants asked you about doubling the margins in this Polymer business. So FY '24 number would be how much in the Polymer business? How much business have we done in the Polymer business?

Aditya Dujari: So last year, we did almost about INR450 crores.

Darshil Pandya: Okay. And you're saying that once you reach the 1,000 level, you'll be doubling it. So what are the aspirations of the company to how quickly we can reach at this level?

Aditya Dujari: In the next 2 to 3 years' time, we see reaching up to that level.

Moderator: The next question is from the line of Pratik Bhandari from Aart Ventures.

Prateek Bhandari: Just wanted to understand, you mentioned about the Polymer volumes you did in this quarter. Can you repeat that? What volumes done in the Polymer business.

Aditya Dujari: The volumes that we have done in this quarter is about 8,000 tonnes.

Prateek Bhandari: And what was in the last quarter?

Aditya Dujari: Last quarter was 9,000 tonnes approx.

Prateek Bhandari: All right, so there is a degrowth of approximately 10%.

Aditya Dujari: Right?

Moderator: The next question is from the line of Rishabh Gang from Sacheti Family Office.

Rishabh Gang: Wanted to understand like what is the risk on the side of our product. Like I understand that on the Engineering side, you make products on the order. But if you make a product, it's where very customized product and the customer does not accept it or we find some error in the product then what happens? How will the resolution there? Because there will be some rejections on that front also?

Sharan Bansal: Typically in the -- our rejection rate is less than 0.002%. So obviously, it is negligible. And that has been the consistent trend for last several years. And in terms of -- yes, it is a customized made-to-order product, we also can't remember the last time when we made a product for a customer and the supplies were not picked up by the customer because normally, we have advanced payment also to secure the production that we are doing. It is very difficult for the customer to back out of a contract after we had given us a release is extremely difficult because there will be financial losses for the customer also.

Rishabh Gang: All right. Also, last -- in one of the concall, you have mentioned about Australia and the benefit due to RoDTEP scheme -- so what are -- like how much pricing or margin benefit did we get on Australian orders because of that RoDTEP scheme?

Sharan Bansal: No, RoDTEP is applicable to all exports going out of India and which earlier, the RoDTEP benefit after the earlier, the previous MEIS scheme was withdrawn, then in the interim period, there was no export benefits available -- then last year, the government instituted the RoDTEP scheme under which a 1% export benefit was given to all of our exports out of India.

And in terms of specifically regarding Australia, the benefit that we got was that signing of the India-Australia free trade agreement, which was signed last year between the Indian and Australian government because of which the duty, which was applicable on our product in Australia, that was removed as our products became cheaper for the Australian customers.

Rishabh Gang: All the products imported in Australia become cheap like -- that coming from China also or only from India.

Sharan Bansal: No, no. So India and Australia signed a free trade agreement for a certain defined number of products. And out of those products, our product was also included.

Rishabh Gang: How much percentage duty was got waved off or any beyond that?

Sharan Bansal: I believe the duty was about 4% earlier.

Rishabh Gang: Okay. So the essence we are supporting the renewables network. Have we explored any foreign borrowings which are coming like a lower interest cost because at the end we are supporting an ESG theme. So how did you expect that because we are a very working capital-heavy business.

Sharan Bansal: So again, like I mentioned earlier, we believe that our cash flows are very healthy, and we are able to manage our working capital very well, having said that, we are always on the lookout for lower cost of financing, both from India and abroad for funding our working capital and growth plans.

Rishabh Gang: Also lower revenue coming for us -- like a very small percentage of revenue comes from operations and maintenance, right?

Sharan Bansal: Currently, yes, we don't have much revenues coming from there. However, in the coming years, we do expect some good revenue to come from that operation and maintenance services as well.

Rishabh Gang: And that should have a higher EBITDA margin, right?

Sharan Bansal: Yes, for sure.

Rishabh Gang: So what kind of business -- like from which segment will you be able to give this O&M business? Any idea on that side?

Sharan Bansal: It will be in our Infra segment. Specifically the telecom sector.

Moderator: Ladies and gentlemen, we are taking this as a last question. I would now like to hand the conference over to the management for closing comments.

Shiv Shankar Gupta: We are confident of delivering profitable revenue growth with a consistent margin in the current year and expect to gross revenue growth in excess of 25% each year for the next 2 financial years on back of funding Engineering and Infra contracts, an improvement in Polymer segment performance. Our diversification into international markets and sectors will help us to pick -- choose higher-margin orders coming our way and provide us an opportunity to be spoilt for choices across the sector, aiming to continued better margin performance, improve bottom line profitability and capital we can ensure in the coming quarters.

The company's efforts towards sustainable business practices will help to achieve its goal by making meaningful contributions to the national and global infrastructure. We appreciate your continued support and look forward to interact with you again in the next quarter. Thank you.

Moderator: Thank you. On behalf of Motilal Oswal Financial Services Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.