

M&B Engineering

10 August 2026

Operator: Ladies and gentlemen, good day and welcome to M&B Engineering Ltd. Q1 FY27 earnings conference call. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal the operator by pressing star and then zero on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Krishna Patel from EY. Thank you, and over to you, ma'am.

Krishna Patel: Thank you, Abhilash, and good evening, everyone. Welcome to M&B Engineering Ltd. Q1 FY27 earnings conference call. To take us through the results and answer your questions, we have with us the management of M&B Engineering, represented by Mr. Chirag Patel, the Joint Managing Director; Mr. Malav Patel, Joint Managing Director; Mr. Sanjay Mazumdar, Director; and Mr. Kehu Shah, the Chief Financial Officer.

Before we begin, I would like to remind you that certain statements made during this call may constitute forward-looking statements. These statements are based on management's current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied.

Please also note that the audio recording and the transcript of this call are the property of the company and may not be copied, reproduced, rebroadcast, or redistributed in any form without the prior consent of the company. With that, I would like to hand over the call to Mr. Malav Patel for his opening remarks. Thank you, and over to you, sir.

Malav Patel – Joint Managing Director: Thank you, Krishna. Good evening, everyone, and welcome to M&B Engineering Ltd.'s earnings conference call to discuss our performance for the first quarter of FY27. Our financial results and investor presentation have already been filed with the stock exchanges and uploaded on the company's website as well. I trust you have had an opportunity to review them.

I will begin by covering the key business developments and operational highlights for the quarter, following which our CFO, Mr. Keyur Shah, will take you through the financial performance in detail. As most of you are aware, M&B Engineering operates through two divisions: Phoenix, which undertakes pre-engineered buildings and heavy structural steel, and Proflex, which specializes in self-supported steel roofing.

I am pleased to share that both divisions continue to demonstrate strong and sustainable growth potential. This momentum is reflected in our Q1 performance, with consolidated revenue from operations growing by approximately 23% year-on-year.

Our order book also remains robust across the two divisions. Orders on hand stood at Rs 1,053 crore at the end of Q1 FY27, representing approximately 25% year-on-year growth. Proflex contributed Rs 216 crore, or 21%, while Phoenix accounted for Rs 837 crore, or 79% of the total order book.

Within the Phoenix order book, export orders outstanding stood at Rs 278 crore, which is scheduled for execution during the current fiscal year. This export order book includes the large orders that we

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announced in October 2025. All necessary approvals for this order have been received in Q1 FY27 and shall enable us to deliver it in totality over the next three quarters. To add, we have already dispatched about 28% of this order to date.

We continue to witness healthy inquiry levels and a strong pipeline of opportunities across both domestic and international markets. We remain confident of converting several of these opportunities during the year. The strength of our order book reflects the growing adoption of pre-engineered buildings and the continuing shift from conventional construction methods towards faster, more efficient steel-based solutions.

Our Sanand facility is currently operating at optimal utilization levels. As announced earlier, the brownfield expansion of this facility, involving an additional capacity of 20,000 tons per annum, is at an advanced stage of implementation and is expected to be commissioned in October 2026. This expansion will increase Sanand's PEB capacity from the current 72,000 tons per annum to 92,000 tons per annum. We expect to begin realizing the benefits of this additional capacity during Q3 and Q4 of the current financial year.

I am also pleased to announce that the board has approved an additional capacity expansion in the heavy structural steel segment at our Sanand plant. India's data center expansion is creating a USD 12 to 14 billion addressable opportunity for steel-intensive construction over the next 5 years, supported by approximately USD 60 to 70 billion of announced investment in our nation.

A similar opportunity is emerging in high-rise construction, where developers are increasingly adopting steel to accelerate project timelines without compromising structural strength, safety, or scalability. These projects require a hybrid construction approach that combines pre-engineered building systems with heavy structural steel.

This combination brings together speed of execution, high load-bearing capacity, design flexibility, and the ability to support future expansion. Our dual capability in PEB and heavy structural steel enables M&B Engineering to provide comprehensive end-to-end steel construction solutions. It further strengthens our positioning across data centers, high-rise buildings, and other complex heavy structural applications.

To capitalize on this structural shift, M&B Engineering is investing Rs 30 crore in a fully automated heavy structural steel processing line at the Sanand facility. The new line will add another 10,000 tons to our existing heavy structural capacity of 12,000 tons. It is expected to become operational by Q1 FY28.

This investment will significantly enhance our ability to deliver complex steel structures with greater speed, precision, quality, and consistency. As demand for these applications gathers momentum, the company will continue to evaluate and undertake incremental investments to remain ahead of the market.

Another important milestone during the period was the receipt of AISC certification for our South India plant, which is located in Cheyyar. With this achievement, both our PEB manufacturing facilities are now AISC certified. The certification will enable us to commence exports to the West Coast of the United States from the Cheyyar facility through the Pacific route, with shipments

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expected to begin from the next financial year.

Capacity utilization at Cheyyar is steadily improving. We are targeting overall utilization of approximately 60% during the current fiscal. We will also commence implementation of the brownfield expansion of Cheyyar during the current fiscal year, with completion planned for Q3 FY28.

This expansion will add another 20,000 tons per annum of capacity and increase our total PEB and structural steel capacity to approximately 1,54,000 tons per annum, effective Q3 FY28.

During Q1 FY27, we incurred capital expenditure of approximately Rs 27 crore. The expenditure was primarily directed towards the expansion of the Phoenix Sanand facility, the commissioning of two mobile manufacturing units in the Proflex division, and the development of a 2.5 megawatt ground-mounted solar power plant in Gujarat for captive consumption.

With the addition of the mobile manufacturing units, Proflex's installed capacity has now increased to 21 lakh square meters per annum. This expansion will further strengthen our leadership position in the Proflex division and enable us to capitalize on the significant growth opportunities emerging across the F&B, railways, and agri-warehousing segments.

Let me now briefly discuss the performance of our two business divisions. During Q1 FY27, M&B Engineering reported revenue from operations of Rs 291 crore. Proflex contributed Rs 77 crore, representing 26% of the total revenue and registering year-on-year growth of 25%. Phoenix contributed Rs 214 crore, accounting for 74% of revenue and growing 22% year-on-year.

From a geographic perspective, domestic revenues stood at Rs 263 crore, contributing 90% of the total revenue. Export revenue increased to Rs 28 crore, representing 10% of the overall revenue.

During the quarter, continued geopolitical tensions and uncertainty surrounding the West Asia situation led to a sharp increase in freight costs from India to the US, along with higher inland transportation costs in the US. As a result, other expenses increased by approximately 3% during the quarter, putting some pressure on our margins.

Looking ahead, we expect to benefit from the reduction of the US Section 232 sectoral duty from 50% to 25%. In addition, the anticipated increase in export revenue over the coming quarters should support a gradual improvement in margin, which we expect to become more visible during the second half of the current fiscal year. The commissioning of the additional Sanand capacity will provide further support to our operating performance during H2 FY27.

From a growth perspective, we remain confident of delivering revenue growth of over 25% in FY27. Our current inquiry pipeline stands at a robust level in Phoenix as well as Proflex: approximately 4,000 crores in Phoenix and about 200 crores in Proflex, one of the strongest pipelines we have seen.

It gives us clear visibility into sustained order booking momentum in the coming months and reinforces our confidence in delivering on the 25% plus growth guidance given for the year.

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Management {? Manav ?}: While our objective is to improve margins on a full-year basis, given the continuing uncertainty on the cost front arising from the West Asia crisis, we would prefer to wait for at least one more quarter before providing specific margin guidance for the year. I would also like to share that, based on our internal medium-term business plan, we are confident of achieving over 20% CAGR over the next 3 to 4 years, along with a progressive improvement in profitability.

To conclude, M&B Engineering remains firmly focused on disciplined execution, operational excellence, and delivering high-quality, technology-enabled steel construction solutions to our customers. With a strong order book, a healthy project pipeline, ongoing capacity addition, expanding export opportunities, and rising demand for steel-based construction, we are well-positioned to sustain our growth momentum in the near term and strengthen our position over the medium term.

With that, I would now like to hand over the call to our CFO, Mr. Keyur Shah, who will take you through the financial performance in greater detail. Over to you, Keyur.

Keyur Shah – CFO: Thank you, Manav, and good evening, everyone. A warm welcome to the Q1 FY27 earnings conference call of M&B Engineering Ltd. I shall summarize the consolidated financial highlights for the quarter ended 30 June 2026.

Revenue from operations stood at Rs 291 crore, showing 22.5% growth compared to Rs 238 crore in Q1 FY26, due to strong execution of the healthy order book across both domestic and project divisions. The reported EBITDA stood at Rs 36 crore, and operating EBITDA stood at Rs 33 crore, with an operating EBITDA margin of 11.4%.

Profit after tax was Rs 22 crore, representing 22% growth compared to Rs 18 crore in Q1 FY26. Export revenue came in at Rs 28 crore, representing significant year-on-year growth.

Out of the net IPO proceeds of Rs 259.32 crore, Rs 146.69 crore has been utilized so far, which means 57% of the funds had been utilized as of 30 June 2026. During the quarter, Rs 8.88 crore was utilized out of the IPO proceeds.

That concludes my update on the financial highlights of the company. I shall now request the moderator to open the floor for the question-and-answer session. Thank you.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touch-tone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Saumil Mehta from Kotak Mutual Fund. Please go ahead.

Saumil Mehta – Kotak Mutual Fund: Thanks for the opportunity. I have 2 questions. The order inflow for the quarter looks a bit weak at about Rs 260 crore. Now, I believe the pricing has also gone up, so how should one look at the order inflow given our earlier guidance of doing about Rs 100 crore a month?

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My second question is regarding other expenses. While you highlighted that freight was a major contributor to the increase in other expenses, and while the near-term environment obviously looks a bit uncertain, how should we structurally look at freight costs going into the second half of this year and perhaps early FY28?

Manav: Hi, Saumil. This is Manav. I will answer your first question about the order intake. Year-on-year, we have seen an increase of 25% in the order intake in Q1. Looking at the pipeline that we have, there are certain large inquiries on hand which have taken a longer time to turn around. The larger the order, the more time it takes for design freezing and for the customer and the consultants to provide clarity on the requirements of the project.

Those inquiries that we currently have on hand have only been delayed, and we are expecting those inquiries to be converted in Q2.

Therefore, we are not concerned at all about the marginal decrease in order intake that you are pointing out for Q1. Going forward, with that 4,000-crore inquiry pipeline, we are quite confident that it will support the fiscal guidance that we have given. The export project that we have under execution as we speak will further support the FY top-line guidance that we have already given to you. Regarding freight...

Management: I can talk about the freight part. As you rightly pointed out, freight cost has currently increased by about 3%, including customs duty and other costs. Given the current situation, it is very difficult to comment on the freight position today in view of the overall geopolitical situation. However, we hope that the situation improves soon and brings freight costs back to normal.

Sanjay: If we do a quick calculation, freight costs right now are at an all-time high. They are almost, I would say, at least 2 times the normal level, and we are talking about 10,000 to 12,000 dollars per container.

For the balance Rs 278 crore, at the current freight cost, assuming that nothing declines, we have still calculated that it should give you around a 15% EBITDA margin.

In a good situation, it could be 16% or 17%; in the worst situation, it is 15%. We do not think this freight level is sustainable. As you must be reading, it was also reported in the papers today that transshipment and obtaining containers are major problems.

Even in the worst-case scenario, we still think that we can deliver 15%, but let us wait and watch. Manav said that we have another 4,000 crores of domestic inquiries, and the export inquiries are also good. I think we should be able to show better performance going forward.

However, very honestly, in this scenario, freight is a headache. Even then, we are quite comfortable with these margins. This is what our calculation shows as of today.

Saumil Mehta – Kotak Mutual Fund: To clarify, the 15% is for the export orders, right?

Sanjay: Yes. It could have been 16% or 17%, but this is what it is at today's freight cost, which is at the peak.

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Saumil Mehta – Kotak Mutual Fund: So effectively, the delta that earlier used to be at least 800 to 900 basis points has meaningfully come down and is barely about 200 to 300 basis points over the domestic orders for us?

Sanjay: No. We had earlier talked about 16% to 17%, while the domestic margin was in the range of about 11%. So today the delta is about 4% and...

Management: ...slightly higher, at 5% at the current freight cost.

Sanjay: The second point I want to stress is that, compared to Q1 exports of Rs 28 crore, the balance orders are at a decent margin. We have partly benefited from the reduction in import duty to 25%.

The tariff under Section 232 has now been reduced from 50% to 25%, but overall freight has increased, so the margin will be affected to a much lesser extent than we had earlier indicated at 17% to 18%. As Keyur said, it has been impacted by 2% to 3%.

Saumil Mehta – Kotak Mutual Fund: My last question is regarding the orders coming from the larger data center opportunities. On a very broad basis, assuming an investment of Rs 5,000 crore or Rs 10,000 crore in a data center, what could be the target addressable market for our products that we would supply?

Chirag: I would say that, for an investment of Rs 1,000 crore in a data center, about 8% to 10% will probably go towards steel construction, because there is also a substantial amount of civil work and MEP construction taking place. Our involvement will only be related to the steel construction, so you can take about 8% to 10%.

Saumil Mehta – Kotak Mutual Fund: Thank you, Chirag. Thank you very much, and all the best for the subsequent quarters.

Management: Thank you very much. Thank you.

Operator: Thank you. Ladies and gentlemen, to ask a question, you may press star and one at this time. The next question is from the line of Bhavya Derya from Crest PMS. Please go ahead.

Bhavya Derya – Crest PMS: Hello, am I audible?

Management: Yes.

Bhavya Derya – Crest PMS: My question was regarding exports. This quarter, we did Rs 28 crores in exports. How much was the export volume, and what are the export EBITDA and PAT margins in the export business?

Manav: Rs 28 crores was essentially 1,400 metric tons that we exported and dispatched in Q1.

Bhavya Derya – Crest PMS: What would be the EBITDA margin on this?

Manav: It will be difficult to work out the EBITDA margin exactly for this particular quarter, for the simple reason that there are many dispatches in the pipeline. However, as I mentioned in response

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to the previous question, at the current costing and pricing, we were talking about a sustainable export margin of approximately 15%.

Bhavya Derya – Crest PMS: Understood. One more question: in Phoenix, our sales realization per metric ton has declined to Rs 1.25 lakh per metric ton. What is the reason for this?

Manav: In Phoenix, you have calculated Rs 1.25 lakh per ton on a blended basis, including domestic and export, correct? It has improved from Rs 1.19 lakh year-on-year to Rs 1.25 lakh this year. So there is...

Bhavya Derya – Crest PMS: But quarter-on-quarter, it declined from Rs 1.38 lakh to Rs 1.25 lakh, correct?

Manav: The export contribution is less than 10%, approximately 10% in this period. The moment the export percentage increases, the per-ton realization will increase.

Additionally, many projects may have higher specifications and higher bought-out materials that might have gone into the project. Therefore, it is difficult to make an exact quarter-on-quarter comparison because it will always depend on the project.

There may be a substantial amount of bought-out material, such as doors, windows, and additional insulation material, for exports or even for local projects.

Overall, it will differ from quarter to quarter, as will the export proportion, as Keyur also mentioned. This number is due to that factor and not due to any price reduction in the overall order. On a full-year basis, it will be easily comparable.

Bhavya Derya – Crest PMS: Understood. Thank you so much.

Management: Thank you.

Operator: Thank you. Before we take the next question, we would like to remind participants that you may press star and one to ask a question. The next question is from the line of Kanishk Gupta from SS Family Office. Please go ahead.

Kanishk Gupta – SS Family Office: Hello, sir. Very good afternoon. I wanted to know about the company's hit rate. You have indicated that it is currently in the 12% to 15% range, whereas some key competitors appear to be closer to 20%. Could you help us understand how you are thinking about closing this gap? More importantly, what actions are being taken to structurally improve the hit rate over the next few years?

Manav: As a policy, we also want to maintain a certain bottom line. The company's approach and strategy would definitely play a major role in determining how much order conversion from inquiries we would want in the coming period.

If you look at our record for the last 5 years, the conversion rate, as you already know very well, has remained between 12% and 15%. This helps us secure the minimum margins or the bottom-line project-wise targets that we are aiming for.

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Management: To add to what Manav said, another aspect is that our Sanand plant is currently running near full capacity, at 75% to 80%. There is no extra room...

Management: ...available to take up more projects. Cheyyar is region-specific, and we are now reaching approximately 60% this year. It can go up to 70% to 75%, but I cannot service the additional demand that I receive here from Cheyyar.

Therefore, we are augmenting capacity by 20,000 tons in Sanand this year, which will be available in Q3. We will start becoming a little more aggressive in order booking according to the capacity available, because you do not want to take orders and then be unable to execute them and incur LDs and other costs.

Similarly, Cheyyar will be adding capacity next year. In fact, in previous calls we announced that our team is currently exploring the location for a third facility somewhere in the North. Once we finalize the location, we will make an announcement regarding that project.

We are a regional player in the sense that each plant has a serviceable range, with a limitation of 1,000 to 1,200 kilometers that can be served economically and viably. This is how the PEB industry operates, and we will do what is necessary.

At the same time, exports are definitely more profitable for us even in the worst scenario. Otherwise, we believe that EBITDA levels of 17% to 18% will return once the freight situation normalizes. It is better for us not to say anything definitive today because we are all working amid that uncertainty, but exports are still definitely more profitable. We are very conscious of this, and we are working very aggressively on that front.

Kanishk Gupta – SS Family Office: Sir, what specifically needs to change to bring the hit rate closer to the 20% level seen among peers? Would the orders also align with your interests?

Management: That is exactly what I said. To align with our interests as well as our business philosophy, we want to give equal importance and criticality to our top line and our bottom line.

We would not want to chase orders that do not support the bottom line based on the company's strategy and long-term outlook. I will not pursue orders just to increase my hit rate to 20% by sacrificing my margin.

Therefore, I am not sure whether we will bridge that gap or look to bridge that gap. I would focus on the top-line guidance that I have given, while ensuring that it is supported by a considerably better bottom line than that of my peers.

We will also be reaching our optimum level for Sanand. In fact, we have reached it. With the additional capacity, because it is a brownfield expansion, reaching optimum capacity will be much easier in Sanand, and that will happen in FY28.

At Cheyyar, we are already reaching 60% this year. In our business, deliveries have to be completed within a period of 5 to 7 months. If my plant is fully loaded, I am unable to take further inquiries that are needed to meet the customer's required deadline.

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Therefore, there has to be a fair balance between how many inquiries we generate and the hit rate that we want to achieve. Looking at our margin plan, as Malav said, we will continue in the same range.

Kanishk Gupta – SS Family Office: Within the existing customer base, what would our current hit rate be?

Management: We have 60% to 70% repeat customers, at least 60%. We consistently receive repeat orders from them every year.

Regarding the peers that you mentioned, please understand that I need capacity. We are creating capacity. If peers have larger capacities available and want to fill them, that is a matter of their strategy. We conduct our business according to our strategy; we do not look only at our peers.

Kanishk Gupta – SS Family Office: That is definitely a point you made, but in a highly competitive industry, it is also necessary for us to focus on obtaining orders so that this helps us grow in line with our peers.

Management: Please understand one point: I need capacity. I am completely {? top-of-block full ?}. I do not have enough capacity until I clear and create capacity somewhere around September–October, when the brownfield expansion currently underway is completed.

My capacity will increase by 20,000 tons. I will definitely be able to take more orders then. Last year, I did 72,000 tons in PEB; this year, my target is 85,000 to 90,000 tons. That is the maximum I can do with the current capacity.

I have no problem obtaining orders. However, if I obtain orders, I may not be able to deliver them, and I do not want to pay LDs. If a peer has 200,000 tons of capacity, that peer will take more orders.

The 20% hit rate is based on the inquiries that you generate. If I generate fewer inquiries, or if I tell my sales and marketing team to generate fewer inquiries and reach a 20% hit rate, they will reach 20%.

Therefore, it is a question of balance between the numerator and the denominator.

Kanishk Gupta – SS Family Office: So this will generally go up as we increase our capacity?

Management: Yes, 100%. At the same time, I am repeating that it will not come at the cost of my bottom line or our margin target. Both have to go hand in hand.

Even after my capacity expansion, I will be very cautious when it comes to order intake. I will not take orders merely to increase my hit rate. The orders must serve the company's long-term goal. That is our endeavor.

Kanishk Gupta – SS Family Office: Definitely, sir. That is noted. I would also like to ask about the company's current market share in the organized domestic PEB industry. When does the company expect to achieve a double-digit market share through the ongoing capacity expansion?

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Management: We are already at approximately 10% to 12% market share. It is already in the double digits.

Going forward, when I add capacity, it will obviously add to my market share. We are adding 20,000 tons this year, which will come into effect in the last 2 quarters of the current fiscal. I am adding 10,000 tons for structural steel, which will help me enter the data center and high-rise segments and will come into operation in Q1 FY28.

Our South India facility will be expanded by Q3 FY28. As and when these capacities come into operation, we will ensure that our market share increases from 12% to 15% and beyond.

With that, our capacity will reach approximately 155,000 tons in Q3 FY28 from the current 104,000 tons.

Kanishk Gupta – SS Family Office: Our EBITDA margins are our top priority. What would be the full-year guidance for FY27?

Management: Currently, we are in the range of 11% to 11.5% operating EBITDA margin. Malav has clearly indicated that, with increasing sales and exports, the 25% top-line guidance means that we are talking about a top line of Rs 1,600 crores plus in the current fiscal. We want to improve it, and our internal target is definitely to improve it.

However, given the extremely volatile situation on the cost front, we have not given any specific guidance. We will provide specific guidance in the next quarter. To be clear, the target is to improve over what we have achieved today.

Kanishk Gupta – SS Family Office: I will follow up on this in the next quarter. Thank you very much, and all the very best for the future.

Management: Thank you. Thank you.

Operator: Thank you. The next question is from the line of Aniket Mhatwani from Sheptrade Capital. Please go ahead.

Aniket Mhatwani – Sheptrade Capital: Am I audible?

Management: Yes.

Aniket Mhatwani – Sheptrade Capital: Previously, you mentioned that the expansion at your {? TR plant ?} with 20,000 metric tons of capacity would be operational by Q1 or Q2 of next year. Now you have mentioned that Sanand is also planned to become operational by Q3. Could you clarify this?

Operator: Mr. Mhatwani, may we request you to use the microphone when asking a question? We are not able to hear you clearly.

Aniket Mhatwani – Sheptrade Capital: Hello, am I audible now?

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Management: Slightly. Go ahead. I think your question is regarding Q1 of next year. I do not think we have ever talked about Q1. We have always said that the expanded capacity at Cheyyar would come into operation in Q3 FY28.

This is the expansion of the South India plant. It will become available in Q3 FY28. I will therefore get an effective operating period of 2 quarters, Q3 and Q4 of the next fiscal, at Cheyyar, in South India.

In the current fiscal, the last 2 quarters will benefit from the expanded capacity at Sanand.

Aniket Mhatwani – Sheptrade Capital: So Q3 and Q4 this year will be from the Sanand facility?

Management: Yes.

Aniket Mhatwani – Sheptrade Capital: What are the current EBITDA margins for the domestic and export businesses?

Management: We generally discuss the blended margins. I have already indicated that exports, in a normal situation with a 25% tariff, would have margins of 16% to 18%. However, in the current extremely high freight scenario, they are slightly lower, in the range of 15% to 16%.

Domestic margins are around 11%. That is how we are broadly working.

Aniket Mhatwani – Sheptrade Capital: Going forward for this financial year, are you expecting the same level of margins?

Management: At this point in time, yes, but our endeavor is to improve them. Let us see. With increasing volumes, we are targeting an improvement. However, in the worst-case scenario, they will remain at the current level if we consider today's situation.

Aniket Mhatwani – Sheptrade Capital: Considering that capacity will increase in Q3, the margins should improve, I assume.

Management: Yes.

Aniket Mhatwani – Sheptrade Capital: Okay.

Operator: Thank you. Before we take the next question, we would like to remind participants that you may press star and one to ask a question. Ladies and gentlemen, to ensure that management is able to address questions from all participants in the conference, please limit questions to 2 per participant.

The next question is from the line of Aseem from Dam Capital. Please go ahead.

Aseem – Dam Capital: Good evening. We have done about 1,400 metric tons of PEB exports in Q1. How much would that number have been in the base quarter?

Management: Aseem, what do you mean by the base quarter? Q1 FY26?

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Aseem – Dam Capital: I want to know. I am assuming it was negligible, but how much would it have been in Q1 FY26?

Management: Last year, it was nothing. It was just Rs 3 crores. In Q1 FY26, it was about Rs 3 crores. In the remaining 3 quarters, we should have more than 8.5 thousand... yes, around 8,000 tons in the remaining 3 quarters of the current year.

Aseem – Dam Capital: Basically, whatever the PEB exports were in the balance 9 months of the previous year?

Management: More than 8,000 tons in the balance 9 months.

Aseem – Dam Capital: In that case, domestic PEB volume growth will be approximately 7% in Q1. That is approximately how much domestic PEB revenue has also grown, so net realization is flat despite steel prices being higher this time.

Why would net realization be flat this time? Is it because of the mix? Could you explain why volume grew by 7% while realization remained flat in the domestic PEB segment?

Management: Domestic tonnage has increased by approximately 6.6%, and revenue has increased by 7.5% to 7.6%, so there is a 1% gap there as well, with revenue having increased.

On the raw material front, we saved approximately 0.5% in raw material cost compared to the year-on-year basis. This is the reason you are not seeing a spike in revenue realization. However, it has improved: 6.6% in tonnage and 7.6% in value.

Aseem – Dam Capital: When you said that you saved raw material cost, are you using older, lower-cost raw material? Is that why, on a year-on-year basis, realization has not increased?

Management: As we said earlier, PEB consists of primary steel, secondary steel, sheeting, and other components. If you look at only one quarter, it does not average out, because when you are dispatching more primary steel, your realization rate tends to be lower, whereas if you are dispatching...

Management: ...more sheeting, your realization tends to be higher.

Secondly, the base orders being executed here were all booked in Q1, when raw material prices were quite stable. The war situation occurred in March. Therefore, current execution is primarily taking place for orders booked in Q1.

Aseem – Dam Capital: Last year?

Management: Q1... sorry, Q4. Q4 of last year, based on the calendar year. Sorry.

Aseem – Dam Capital: The point is that the increase will be seen in the subsequent quarters.

Management: Yes, because we will book fresh orders at higher prices.

Aseem – Dam Capital: Understood. That was all from my side. Thank you.

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Operator: Thank you. The next question is from the line of Vishnu Agarwal from PNB Wealth. Please go ahead.

Vishnu Agarwal – PNB Wealth: Good afternoon, sir. Can you hear me?

Management: Yes.

Vishnu Agarwal – PNB Wealth: First of all, congratulations on a great set of numbers. I know these are very tough times, and delivering strong numbers during such difficult times is commendable. A big thank you to the entire team.

I have a few questions. One question is related to operating cash flow. In FY26, we had to reclassify some of the IPO-related fixed deposits out of operating activities to arrive at the appropriate operating cash flow number. How is it looking right now in Q1 FY27?

Management: Regarding operating cash flow, we are currently very comfortable, as we have been previously. We are also in a position to undertake capital expenditures, which is possible only when sufficient cash flow is coming in.

Operating cash flow was positive in Q1. It was positive and very good.

Vishnu Agarwal – PNB Wealth: Positive and very good. That was my first question.

My second question is related to the EBITDA margin. I know you are hesitant to provide guidance because there is considerable uncertainty related to the war and freight costs. However, can you provide any range, even if not an exact number? Are we looking at something between 11% and 13%? What kind of range are you looking at for the entire year?

Management: Vishnu, as we said, our endeavor is to improve from the current level. Significant exports are expected. Even in the worst-case scenario, exports have a margin spread of around 4% between domestic and export margins.

We should definitely expect some improvement, but believe me, our endeavor will be to improve. Today, we have made it very clear that we want to wait for one more quarter to see how things stabilize. We do not want to provide a number and then fail to achieve it.

We definitely expect improvement. It could be a reasonable range, but let us not commit to any number at this point in time.

Vishnu Agarwal – PNB Wealth: Regarding the new inquiries that are coming in for orders, where are they coming from? Which sectors are most of the near- to medium-term demand coming from?

Management: Currently, we are addressing inquiries from the automobile sector. We also have robust inquiries for high-rise buildings, logistics and warehousing, defense, and aviation.

We are also receiving inquiries for complete data centers. As Malav mentioned earlier, we are working on a few data centers. Renewable energy is also contributing significantly to the inquiries that we currently have.

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In Proflex, we have robust inquiries from railways and agro-warehousing, along with a large number of SME manufacturing units.

Vishnu Agarwal – PNB Wealth: My last question is on a lighter note. We saw that in June you increased your promoter holding at {? 275, 310 ?} levels. At such levels now, are you looking at increasing your promoter profile or promoter holding?

Management: We will see. I cannot comment on this.

Vishnu Agarwal – PNB Wealth: This was on a lighter note. Thank you so much, sir.

Management: You are most welcome. Thank you.

Operator: Thank you. The next question is from the line of Nirav Bhanushali from Systematix Group. Please go ahead.

Vijay Sarda – Systematix: Hello?

Management: Hello.

Vijay Sarda – Systematix: Hi, Malav. This is Vijay Sarda from Systematix. I have 2 questions.

If I look at the company over the last 4 to 5 years, we have seen robust growth in both the top line and bottom line. Margins reached a peak of around 18.5%, but at that point you said this was not sustainable and that margins would be in the mid-teens to higher teens or higher double digits.

We are seeing margins decline over the last few quarters, and our growth has also been affected. Growth has not been affected only for us, but for the industry as a whole. How do you see the scenario unfolding? You are quite positive on growth and believe that it could be 25%.

I wanted to understand precisely what has gone wrong for us and for the industry over the last 4 to 5 quarters. I also wanted to understand what kind of volume growth we could see if steel prices decline.

Eventually, growth was a function of both volume and the movement in steel prices. Now we are seeing steel prices decline. If steel prices increase, does that augur well for us, given that we undertake fixed-price contracts?

We thought that the benefit of this should have flowed into your numbers this quarter, but it has not. In fact, other expenses have increased quite substantially over the last 2 quarters. I would also like to understand the mix of other expenses. You have highlighted the higher freight cost, but apart from that, what is going wrong?

If I understand correctly, in a falling raw material price scenario, since you have taken orders on a fixed-cost basis, your margins should have increased rather than decreased. Could you explain this? Thank you very much.

Management: I think I would break your question into 3 parts.

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The first is the concern about whether anything is wrong with demand in the industry. I do not think so. We do not think so. To be honest, in both our divisions, Proflex as well as PEB, we are booked in terms of capacity utilization. We have the luxury of being slightly selective in picking and choosing PEB projects because we do not want to take an order and then falter on delivery.

That is point number one.

Point number two is that costs have gone completely haywire. Across the industry, we work with fixed-price and fixed-contract-price arrangements. If you look at last year, in Q4, raw material costs went up by 25% to 30%, or roughly 15% to 20% for steel in general.

We could not pass this on, so the old orders had to be executed at fixed prices, which impacted margins. A similar trend continued in Q1. Prices appeared to soften slightly, but they have increased again.

Therefore, for the new PEB orders we are taking, we are trying to take them at a higher price to factor in the cost increase in the domestic scenario.

Demand continues to remain extremely robust. There is no problem anywhere. The management team is making every effort, and there is no issue on the demand side.

The issue is that, after the war, inflation and general price increases have affected all sectors. You would therefore have seen domestic market margins decline by 1% to 2%. This is the general scenario; there is no issue on the demand side. I am very clear about that.

On the export front, I still maintain that we are perhaps the only Indian company currently undertaking systematic and significant exports in the North American market.

There is a significant difference between the period when we came out with the IPO and the post-IPO scenario. Our peak margins in international markets were as high as 24% to 25% in the North American market. At that time, freight was 1,400 dollars per container, and there was no duty.

Today, with freight of 10,000 to 12,000 dollars for a 40-foot container, or even 13,000 dollars, freight is not being fully passed through. In addition, a 50% duty was imposed for a major part of last year. It has now come down to 25%.

All the earlier contracts that we had taken were at fixed prices, so we had to renegotiate how much duty could be passed on and how much could not.

After all this, we are still at 15% to 16% EBITDA. We still have a spread of \$400 to \$500 between our pricing in the US and domestic pricing. It is therefore still much higher than what you are seeing today.

I do not think the war will continue forever. We do not think freight can remain at these prices forever. Having said that, in today's scenario, we remain very strong in both the domestic and export businesses.

From a demand standpoint, I do not think there is any difficulty. We remain very bullish in India as well as overseas. Times are tough, but let us see. We should return to a reasonable level, hopefully

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very soon, in the next quarter.

Vijay Sarda – Systematix: If steel prices rise from here, could you explain how your order book cycle works? The average gestation period for your orders is around 4 to 6 months, or 6 to 7 months.

When you take an order, how do you book or hedge the raw material? Secondly, do you have any unhedged raw material exposure through which you could benefit if prices decline? Is there any scenario in which we could see some profitability benefit if prices move up?

Management: Correct. As a company philosophy and under our SOP, we book between 80% and 85% of our raw material at the time of booking the order. This is standard material.

Approximately 15% to 20% will differ from building to building, depending on the design. However, we receive advance information from the large mills about the price movement expected over the coming 2 months, based on information from the large primary mills in India.

We receive an indication of the price movement they expect, and we build that into the order at the time of booking. Therefore, approximately 15% to 20% would remain open on both sides for variation.

Otherwise, almost 80% is fixed, thereby keeping our margins intact based on what we anticipated at the time of order booking, rather than leaving it open to variation. Prices may go up or down, but that would create too much uncertainty.

Vijay Sarda – Systematix: One more thing regarding the margin trajectory. Do you believe that the margin trajectory above double digits will be maintained? We have seen a continuous decline.

Management: 100%. We are talking about improving from 11% to 11.5%. There is no question about that. I am referring to the blended margin.

Vijay Sarda – Systematix: On the order book, we have seen a strong pipeline of 4,000 crores and more, as you mentioned. What is the usual winning rate for the orders that we bid for?

Management: It ranges between 10% and 12%. It can go up to 12% to 15% as well, depending on the type of order.

We work with large customers, and our customer base consists of large corporates. The inquiry levels are also much larger. Therefore, it takes more time for engineering and for customers to provide feedback on the drawings and designs that we have submitted.

The inquiries are there, but many times they are delayed to the next quarter for finalization. Otherwise, there is robust inflow of inquiries across all sectors and all the zones in which we operate.

Vijay Sarda – Systematix: Great. Thank you very much, and all the very best, sir.

Management: Thank you. Thank you.

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Operator: Thank you. The next question is from the line of Aniket Madhavani from StepTrade Capital. Please go ahead.

Aniket Madhavani – StepTrade Capital: Hello. Could you provide the increase in freight charges and steel prices since March in percentage or value terms?

Management: You mean since March?

Aniket Madhavani – StepTrade Capital: Yes, since March.

Management: Domestic or international?

Aniket Madhavani – StepTrade Capital: International.

Management: For international freight, it increased from about 1,500 dollars to 3,500 dollars. Almost 3,000 dollars. Put together, it is 2 to 2.5 times.

Management: This is for exports. And for steel?

Management: For steel, probably about 10% to 12%.

Management: That is 10% to 12% from last year to today.

Management: Yes, in Q1.

Management: Yes, based on Q1.

Management: And for domestic freight charges?

Management: Domestic freight charges would have increased by 2% to 3%, with 5% as the maximum, due to the increase in diesel prices. It may be 5%.

Management: Thank you.

Operator: Thank you. The next question is from the line of Vikas Rohira from PD Wealth. Please go ahead.

Vikas Rohira – PD Wealth: Hello, sir. Am I audible?

Management: Yes.

Vikas Rohira – PD Wealth: First of all, congratulations on the great set of numbers.

Management: Thank you.

Vikas Rohira – PD Wealth: Everyone on the call is concerned about margins. My question is a straightforward one. Our export order book is currently around Rs 200 crore, correct?

Management: More than Rs 200 crore. Rs 282 crore.

Vikas Rohira – PD Wealth: We have to execute this in FY27, correct?

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Management: Yes. The majority of it is going to be completed in this fiscal year.

Vikas Rohira – PD Wealth: You mentioned that freight costs are extremely high, but even after that, you will deliver a 15% margin. Therefore, overall, our margin in FY27 should definitely improve. If the war situation becomes normal...

Management: We cannot say exactly what level it will increase to. However, with the export orders that we have and the volume growth that we are projecting in the last 2 quarters of this fiscal year from the additional capacity, we are certain that it will be better than where we stand today.

However, because of the uncertainty in costs, we are not in a position to provide, and would prefer not to provide, a specific range or number for the long term, meaning overall guidance for the current fiscal year. We would prefer to wait for at least one more quarter. In Q3, we will have more clarity.

Every day there is a new announcement, and every day something changes. Every day there is uncertainty about whether the Strait of Hormuz is open or closed. It has become a spectacle. The US government and Iran keep changing their positions.

The problem is that costs are not fully under our control. Otherwise, there are very strong possibilities that margins will improve, but let us see. Let us have some stability, and then we will definitely tell you.

Vikas Rohira – PD Wealth: I know it is a difficult time, sir. I wish you all the best for the future.

Management: Thank you very much.

Operator: Thank you. The next question is from the line of Nirav Bhanushali from Systematix Group. Please go ahead.

Nirav Bhanushali – Systematix Group: Hello, am I audible?

Management: Yes.

Nirav Bhanushali – Systematix Group: Thanks for the opportunity. My question is regarding the order book. What kind of exit order book are we looking for this quarter as well as for FY27?

Management: In the past, we have said that we are fairly confident of maintaining a run rate of about Rs 100 crore of PEB orders per month. This is for new order intake.

However, as I said, we are working on a few very large inquiries, and they might be delayed because the customer and the engineering teams take considerable time to finalize them.

Therefore, it will always depend on how those inquiries progress. The inquiries are there, and we are generating new inquiries month after month. There is no issue with the inquiries available in the market.

As we always say, orders are not our problem. There is no problem with fresh order intake. We do not see any compression anywhere. As additional capacity is added, we will obviously improve our

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order intake.

Nirav Bhanushali – Systematix Group: With the addition of 20,000 tons of capacity at the Sanand plant, are we reasonably confident that we will be able to ramp up utilization in H2?

Management: Yes.

Nirav Bhanushali – Systematix Group: Thank you very much, sir, and best of luck for the future quarters.

Management: Thank you very much.

Operator: Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comments.

Management: On behalf of the management of M&B Engineering Ltd., we thank you all for joining us on our post-earnings call today. We hope we have been able to address the majority of your questions.

You may reach out to me or our investor relations partner, Ernst & Young, for any further queries that you may have, and we will connect with you offline. Moderator, you can close the call now. Thank you.

Management: Thank you, everyone.

Operator: On behalf of M&B Engineering Ltd., that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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