

Power Mech Projects

10 August 2026

Operator: Ladies and gentlemen, good day and welcome to Power Mech Projects 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 the conference call, please signal the 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. Julie Paviscar from Ashika Institutional Equities. Thank you, and over to you, Ms. Paviscar.

Julie Paviscar – Ashika Institutional Equities: Thank you. Good afternoon and a very warm welcome to everyone. On behalf of Ashika Institutional Equities, I welcome you all to Power Mech Projects Ltd. Q1 FY27 earnings conference call. Today, we have management represented by Mr. Rohit Sarda, Executive Director; Mr. Nani Arvind, Chief Financial Officer; and Mr. SK Ramayya, Director, Business Development. We thank Power Mech Projects Ltd. for giving us the opportunity to host the call, and we will now hand over the floor to the management for their opening remarks, after which we will open the floor for the Q&A session. Thank you, and over to you, sir.

Nani Arvind – CFO: Good evening, everyone. I am Nani Arvind, CFO of the company. I would like to extend a warm welcome to all of you joining us today for our Q1 FY27 earnings call. Thank you for taking the time to participate in this discussion. As we begin financial year 2027, the first quarter reflected the continued strength of our growth trajectory, with improved performance across most of our core business verticals, except the ETC business. Our results reflect the strength of our integrated business model, disciplined execution capabilities, and continued focus on operational excellence.

For Q1 FY27, the company recorded total revenue of Rs.1,632 crore, reflecting 26% growth over the same quarter last year. The growth was driven by sustained execution across our core verticals, along with the ramp-up of operations in civil infrastructure, industrial EPC, O&M, and international projects. EBITDA for the quarter was Rs.176 crore at a 10.8% margin, representing a 3% decline year-on-year.

The margin was lower compared to the same quarter last year, primarily due to higher material and execution costs arising from the ongoing Middle East conflict; an increase in royalty costs in the KBP project following government orders on royalty sharing for seized quantities; lower margins in the KBP mining business, primarily due to higher overburden removal costs from opening new seams during Q1; and lower other income during the current quarter. Production from these seams is expected to ramp up in the coming quarters, improving margins. However, our standalone business recorded an 11.3% EBITDA margin compared to 10.2% in the same quarter last year.

Profit after tax stood at Rs.89 crore, reflecting an 11% increase over Q1 FY26. Profit after tax after minority interest stood at Rs.80 crore compared with Rs.53 crore in Q1 FY26, reflecting a 53% increase over Q1 FY26. This has helped take EPS to Rs.25.20 compared to Rs.16.61 in the corresponding quarter of FY26. The management is confident of maintaining its full-year target in terms of execution, order book, and margin profile.

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Coming to the revenue mix, the quarter continued to reflect a well-diversified contribution across our business segments. The O&M business continued its steady growth, contributing Rs.431 crore, an 8% increase year-on-year, supported by new order inflows during the year. The civil segment, including roads, railways, and water distribution projects, contributed Rs.796 crore, registering 28% year-on-year growth. The industrial construction business contributed Rs.270 crore, down 13% year-on-year, which was offset by the industrial EPC business, which contributed Rs.96 crore. The mining business showed a strong positive trend, with revenue of Rs.84 crore, representing 223% year-on-year growth, supported by the commencement and ramp-up of revenue from the KBP mine from November 2025 onwards.

Coming to the revenue mix for Q1 FY27, the geographical revenue mix comprised 96% domestic and 4% international revenue. Sector-wise, the power segment contributed 54% of revenue, while the non-power segment contributed the remaining 46%. In terms of order inflows, the company secured orders worth approximately Rs.1,864 crore during Q1 FY27 against our annual target of Rs.12,000 crore, representing approximately 15.5% of the annual target.

Order inflows during the quarter remained well diversified across industrial construction, civil infrastructure, and O&M. One of the key awards during the quarter was the O&M project for Mumbai Monorail. This project also marks our entry into the highly technical urban mobility space.

Our total order backlog, including MDO projects, stands at approximately Rs.55,398 crore. Excluding MDO orders, the executable order book stands at around Rs.16,229 crore. This provides us with strong multi-year revenue visibility across industrial construction, civil engineering, EPC, and O&M businesses. We continue to see a strong order pipeline across thermal power, both construction and maintenance, BOP systems, and civil infrastructure.

In summary, we are pleased with the progress achieved during Q1 FY27. Our diversified order book, strong execution capabilities, and strategic focus on high-value projects continue to position the company for sustained long-term growth. Our key priorities remain improving execution in line with our planned trajectory; sustaining and improving our margin profile through a higher contribution from O&M, mining, and other relatively higher-margin businesses; and further improving cash conversion and working capital efficiency, with continued focus on collections, milestone certifications, and mobilization advances.

With a strong order pipeline and execution momentum across our business, we remain confident of delivering on our growth objective and creating long-term value for all our stakeholders. With this, I request Mr. Ramayya to share the key business developments and the outlook for the upcoming period.

SK Ramayya – Director – Business Development: Thank you, Arvind. SK Ramayya here. In continuation of what Arvind has said, there has been an improvement in the total order backlog from approximately Rs.15,898 crores at the end of last year to Rs.16,228 crores now, an increase of 2%. Of course, the major improvement in orders has come from the civil segment, with an approximately 4.4% addition to the backlog. There has been substantially higher growth in O&M, with first-quarter orders of Rs.781 crores, which boosted the order backlog by 11.8% to Rs.3,322 crores. That is a very positive sign.

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In the EPC and electrical segments, the backlog has come down based on the revenue. There is also an issue in the ETC business because there are many opportunities, which I will explain later.

That is the position segment-wise. The domestic market continues to play a major role, accounting for 98.7% of the order backlog and order-booking opportunities. The international market accounts for 1.3%. The power sector continues to be an important business area, considering the huge capacities and investments coming into play. Given the expertise we have, there is also a lot of focus on this area from the organization. The non-power segment accounts for about 26.4%. This is the overall order position.

Coming to the opportunities, when we started, we mapped an opportunity size of Rs.70,000–75,000 crores on a broad basis across various segments and different SBUs, including power, non-power, installation, O&M, civil, and infrastructure. On a quarter-wise basis, there is now greater focus, and this has to be assessed based on the actual opportunities we are likely to receive.

As of today, we are mapping approximately Rs.20,500 crores of opportunities in the power sector alone. These are mainly for the installation business, civil work, structural work, and balance-of-plant packages. On the infrastructure side, there are approximately Rs.8,000 crores of opportunities. More opportunities will come up as the projects progress. This assessment is based on tendering opportunities and tender notices issued. That is where we have to focus.

From the overall perspective, the power-sector scenario is as follows. We have been tracking approximately 58,000 megawatts of ordering completed in the main plant with BHEL and L&T over the last 3 years. That is where our interest lies and where we have to focus. Of course, the capacities can differ based on the overall market and the specific projects we are tracking.

Based on this, BHEL has received the bulk of the orders, amounting to approximately Rs.2.41 lakh crores. L&T is also capturing many orders, amounting to Rs.42,523 crores. Recently, JSW has entered the sector, with 2 major plants coming up, one at Salboni and another in Assam. There will be 4 units of 800 megawatts each, and they are going to invest substantially, between Rs.30,000 crores in both cases.

If we look at the overall scenario across the various players in the state, central, and private sectors, the private sector is taking the lead. Adani is planning to increase its capacity from 18,330 megawatts to 42,000 megawatts over the next 5–6 years. NTPC is planning to increase its capacity in coal-based plants from 67 gigawatts to 91 gigawatts, or 91,000 megawatts. JSW, which has entered recently, currently has a capacity of 5,658 megawatts and has an ambitious plan to achieve a capacity of 30...

Ramakrishna Rao: ...20,000 megawatts over the next 5–7 years. Therefore, there are other players as well, such as the state-sector companies SCCL, SECL, and GSECL; Chhattisgarh Generation Company; the private player Moser Baer Power; NLC, which is under the Central Government; and DVC. HPGCL has already taken action. All of them are expanding.

Therefore, we have mapped an opportunity of approximately Rs.60,000 crores available over the next 1–2 years, taking into account what has been brought forward in terms of ordering and the

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balance ordering that has to be completed. The balance ordering for civil works and site construction work is under tendering. BHEL has approximately 9,000 megawatts, Adani has approximately 11,200 megawatts, which together comes to approximately 22,000 megawatts, and JSW is planning 6,400 megawatts. Together, that should come to approximately 26,000 megawatts.

With that, we are expecting an immediate opportunity of Rs.25,000–30,000 crores. The opportunity can increase in the coming year, and that is where the overall focus of the company lies because of the strength we have developed. It is better to capture the opportunities that are available. Private-sector business opportunities are also better for us because both Adani and JSW focus on deliverables and have a preference for companies like Power Mech because of our delivery management.

Recently, we have taken a major job from JSW for its Salboni project, worth Rs.820 crore, for civil and structural work. We are continuing to pursue opportunities with Adani across all its ongoing projects. Whatever new ordering I mentioned, approximately 11,000 megawatts, has to be completed. Therefore, from that perspective, this will continue to be a focus area.

The other aspect is the O&M side. We received Rs.781 crores of O&M orders in the first quarter, and the order backlog has gone up by approximately 11%. Compared to last year, when it was Rs.2,972 crores, it is now Rs.3,322 crores.

One positive factor could be the amount of capacity added in new plants, particularly in the private sector, because companies such as Adani, the Vedanta Group, JSW, JSPL, and others will be more interested. We are working with all of them. This opportunity is expected to increase if the government's plan is to raise capacity from the present 228 gigawatts to 299 gigawatts by 2030, adding 61 gigawatts, after which it will increase to 321 gigawatts. Therefore, the average additional capacity is 8,000–10,000 megawatts per year, which should create an O&M opportunity of Rs.800–1,000 crores.

O&M is a renewable-based type of segment. Existing contracts will be renewed, and new contracts will be added, which will lead to better growth.

Another area that we can look at positively is the non-power sector and the new investments coming into the mining sector. For example, NMDC is planning an investment of Rs.70,000 crores. We participated in one tender earlier and were L1, but there was an issue regarding pricing and it was retendered. We are participating again. At present, they are calling for 3 tenders. We are trying to obtain one tender, and the other 2 tenders will follow.

There will also be a lot of investment in the steel sector. We have to assess all these players. In particular, JSW is planning a large capacity expansion at Barbil and at its existing plants, as well as setting up a greenfield plant in Maharashtra. ArcelorMittal is coming up with a large plant near Vizag, involving a huge capacity of approximately 1.5 lakh crores and a plant capacity of about 10 million tonnes. There are other players as well. Therefore, this provides an opportunity for us to expand our business.

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On the mining side, as I mentioned, NMDC is developing new mining plants on a build-operate-transfer basis. That is an opportunity. Based on the experience we are gaining in these MDO contracts, we can apply our expertise and assess how we can enter that opportunity.

There are also infrastructure jobs in roads and railways. As we know, the government continues to invest in these areas, and we are capturing need-based opportunities in both roads and railways. In railways, in particular, we are becoming specialized in maintenance depot shops. We are working on a couple of projects there, and we will definitely participate when new projects come up, apart from new railway lines and EPC jobs in both railways and the road sector.

In the international sector, the present focus is affected by the disturbed conditions in the Middle East. Last year, we saw that the focus was mostly on the O&M side, which has been quite profitable. We have taken long-term contracts in Nigeria for the Dangote project and some additional maintenance jobs across multiple projects, amounting to approximately Rs.300 crores. This is in the UAE, GCC countries, and other locations. This focus will continue in the present year as well, with the hope that the situation will improve and the ongoing conflict will end.

In conclusion, our mapping of opportunities continues, and we are assessing how to achieve order bookings of Rs.10,000–12,000 crores for the current year based on the opportunities we have and the new opportunities expected to come. Thank you.

Operator: Shall we open the line for questions?

Ramakrishna Rao: Yes.

Operator: Thank you. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone 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 comes from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar – Sapphire Capital: Am I audible?

Ramakrishna Rao: Yes, Deepak.

Deepak Poddar – Sapphire Capital: Thank you very much, sir, for this opportunity. First of all, I wanted to understand the margin situation. You cited a few reasons, including overburden removal costs, royalty, and raw material costs. How is the situation right now, and how should one look at the overall annual EBITDA margins given the current scenario?

Ramakrishna Rao: The increase in royalty, when you compare it with the presentation for the same quarter last year, is because there was exceptional revenue recognized in Q1 FY26 from {? seizure quantity ?}, where we generated more revenue. Subsequently, the government issued an order and reduced the royalty rates.

This time, KBB Mining started production from November onwards. Initially, we completed approximately 1.6 million tonnes of execution during the period up to March, and in the current year

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we are targeting approximately 3 million tonnes. We started working on new seams where overburden removal is initially higher because the seams have just been opened. The corresponding coal production will start from the subsequent quarter.

Overall, the stripping ratio is within the agreed quantity ratio. However, in one quarter, there will be a higher overburden cost and lower coal production. The subsequent quarters will cover that. For the year, we will maintain the same committed EBITDA margin of 15%–16% in the KBB mine.

In addition, other income was lower. We created funds at the standalone level and are using those funds for the washery construction. We have almost completed the QIP proceeds and the fixed deposits lying with us in the bank. The interest income generated from those funds was the reason that exceptional other income was higher in the earlier periods. We have now completed that, and we are generating income only from the margin-money fixed deposits. That is also one of the reasons.

Overall, we had projected guidance of a 12.5% margin, which we committed to for the current year. We are confident of achieving this margin profile because we received many new orders during the last year in the O&M and civil infrastructure projects, where we obtained good margins. We are confident that we will generate this EBITDA margin in the current year.

Deepak Poddar – Sapphire Capital: That was very helpful, sir. Secondly, regarding MDO, what level of execution are we targeting this year and next year from MDO?

Rohit: Hi, Deepak. Rohit here. With regard to MDO, we plan to produce 3 million tonnes in our first mine, which is KBB. In the second mine, the washery is about to be commissioned. We expect to undertake hot commissioning by November–December, when we are going to achieve the full feed of the resource that we are going to produce here. Together, the 2 mines are expected to generate Rs.500 crores by the end of this year.

We will produce 3 million tonnes in the first mine. In the second mine, we will produce close to 1.2–1.3 million tonnes because it is going to start ramping up once the full feed is available after the washery is commissioned.

Deepak Poddar – Sapphire Capital: What about FY28?

Rohit: FY28 is expected to be {? 1,100 crores to 1,200 crores ?}. There is going to be a significant ramp-up because once the washery is commissioned, we anticipate achieving peak rated capacity in the SAIL mine, which is 3.5–4 million tonnes. There are also 500,000 tonnes, or half a million tonnes, of Jama coal that we have to produce. Therefore, depending on how much Jama coal comes in the seams, 3.5–4 million tonnes is ideally what we should look at after the washery is constructed.

For KBB, the first mine with CCL, we will produce 3 million tonnes this year. Next year, we will ramp it up to 4–4.2 million tonnes, Deepak.

Deepak Poddar – Sapphire Capital: I understand. In terms of margins, given the higher share of revenue coming from MDO, what does this mean for the overall margins? How much benefit can this increased MDO revenue bring at the company level?

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Rohit: In FY28, I think we should be able to see a net margin of 22% — {? 21% to 23% ?} — for both MDOs together. This margin profile is going to continue over the life of the mine, with a few ups and downs whenever we have to undertake capex reinvestment at the end of the seventh year and at the end of the 13th year. There is a conveyor that we have to construct, but otherwise this is the average margin profile that we will see in MDO.

Deepak Poddar – Sapphire Capital: So next year, at Rs.1,100–1,200 crores, achieving {? 21%–23% EBITDA margin in MDO ?} is achievable, correct?

Rohit: No, this is the expected 20%–21% weighted average margin only when we reach peak rated capacity. Next year, in FY28, one of the mines will still not reach peak rated capacity. Therefore, you will probably see these margins from FY29. Next year, the margin will again be around 15%–17%, and then it will ramp up to 21%–23%.

Deepak Poddar – Sapphire Capital: Next year would be 15%–17%, and in FY29 perhaps 21%–23% from MDO, if one can expect that?

Rohit: Yes.

Deepak Poddar – Sapphire Capital: One last thing regarding the opportunity size of Rs.25,000–30,000 crores that you mentioned. Is that the amount we are looking to bid for going forward?

Ramakrishna Rao: Yes, I think you are correct. Initially, we make an estimate based on the opportunity, which is based on our internal assessment. Once the tenders are issued, we try to make a more accurate estimate based on the scope requested by the customer, the qualification requirements, and other factors.

Therefore, that is the sizing of the opportunity based on the actual opportunities that have come up. It will develop from quarter to quarter. As of today, I mentioned approximately Rs.20,500 crores in the power sector and approximately Rs.8,000 crores in the non-power infrastructure and other areas. Every quarter, we will update this based on the tenders won and tenders lost. We will update the new opportunities as they arise and also assess where we can enter new business sectors.

Deepak Poddar – Sapphire Capital: This year's Rs.12,000 crores of order inflow that we are targeting will come from this pool of Rs.25,000–30,000 crores, correct?

Ramakrishna Rao: There are some specific opportunities in this pool. One is in the power sector. We are also mapping another balance-of-plant package, and 2–3 opportunities are coming up on which we are working closely. We expect growth in O&M because of the additional capacity being added and the commissioning of new power plants.

In particular, we have a very solid relationship with Adani based on our performance and track record. Adani has many new plants being added to its capacity expansion plan, such as Birbhum, Assam, and many other projects. JSW also has a planned project size of 6,400 megawatts. We are hopeful that the power-sector business will increase in our installation business as well as in the civil and structural business.

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With BHEL, we will be targeting balance-of-plant packages, and we will pursue O&M opportunities with all the private-sector players.

Deepak Poddar – Sapphire Capital: Understood.

Rohit: Also, Deepak, just to add to what Mr. Ramakrishna Rao said, typically, regarding your question on the Rs.25,000–30,000 crore opportunity in the power sector, our strike rate is approximately 60%–65%. Most of the projects in which we participate are projects that we anticipate or expect to win based on historical data and the way we are progressing.

That is why we have capped this at Rs.30,000–35,000 crores in terms of the number of projects we bid for, which leads to the figure of Rs.12,000 crores. I just wanted to clarify that.

Deepak Poddar – Sapphire Capital: Understood. That is quite helpful. That will be all from my side. I wish you all the best. Thank you.

Management: Thank you.

Operator: Thank you. A reminder to all participants to press star and one to ask a question. The next question comes from the line of Madhu Agarwal with Agarwal Family Office. Please go ahead.

Madhu Agarwal – Agarwal Family Office: I have a quick clarification on the expected revenue from mining across KBP and Tasra. Are we revising downwards from Rs.600 crore? I think last quarter we had said we would do Rs.350 crore from KBP and Rs.150 crore from Tasra. Are we now revising that downwards to Rs.500 crore across both mines?

Management: No, both together are Rs.500 crore, ma'am. That is Rs.350 crore plus Rs.150 crore from Tasra, together Rs.500 crore. There is no downward revision.

Madhu Agarwal – Agarwal Family Office: My apologies. I got my math wrong. That is fine. Thank you.

Operator: Thank you. The next question comes from the line of Bhagwat with Prosperity Wealth Management Private Limited. Please go ahead.

Bhagwat – Prosperity Wealth Management Private Limited: Thank you for the opportunity. Could you please give us more details on the KRBM project, specifically the expected revenue from the project and the EBITDA margin from this particular project after factoring in the revised royalty structure?

Management: The nature of work in KRBM is that we have to ensure that, across all the corporations to which we have allotted the mining activity, there is no leakage of royalty. We have to establish our check posts and verify all the transport vehicles. If a transport vehicle is carrying unpaid royalty, we collect the seized quantity and collect double the penalty. Therefore, we inherently receive 2 times the royalty value.

Subsequently, during the middle of last year, the government reduced the royalty penalty collected by 50%. The government takes 50% of that value, and 50% is passed to the company. Last year, there was a large seized quantity that we recognized in our revenue.

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Subsequently, because of these heavy penalties, the clients are no longer avoiding the penalty to the same extent. The value of seized quantities is much lower these days in the current year because of the double-payment penalties. That is one issue.

Another issue is that they increased the royalty rate by {? 10 rupees per metric tonne ?} as additional royalty payment. They also have certain MITF charges, under which they collect 5% of the royalty value. These are all increased costs that we have incurred during the current year.

Bhagwat – Prosperity Wealth Management Private Limited: What is the project size? Could you quantify that?

Management: Last year, we generated approximately Rs.700 crore of revenue. This year also, we will reach Rs.700–750 crore from KRBM.

Bhagwat – Prosperity Wealth Management Private Limited: What is the specific EBITDA margin for this project?

Management: Last year, the average EBITDA margin was approximately 14%. This year, it has come down to the 10% level in the first quarter.

Bhagwat – Prosperity Wealth Management Private Limited: It has come down from the earlier 14%, correct?

Management: It has come down from 14% to 10% because of the additional royalty clauses. The 14% was for the full year, while 10% was in Q1. We expect to maintain 10%–11% for the remaining quarters through the end of the year as well.

Bhagwat – Prosperity Wealth Management Private Limited: Thank you for the answer.

Management: Thank you.

Operator: Thank you. The next question comes from the line of Mahesh Patil with ICICI Securities. Please go ahead.

Mahesh Patil – ICICI Securities: I have a clarification. In the base quarter, Q1 FY26, we had booked this additional royalty payment, correct? I think the penalty was approximately 2.8 billion.

Management: Yes. The 2014 base was there. In Q1, there was no sharing of royalty, sir. We realized Rs.51 crore of seized-quantity revenue during Q1 of last year.

Mahesh Patil – ICICI Securities: Q1 of last year, correct? So there was an impact of {? 0.5 billion ?} at the EBITDA level because of that. Is that correct?

Management: Yes.

Mahesh Patil – ICICI Securities: Is it the same project that we are talking about now, where the government has introduced a new royalty structure, or is this different?

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Management: One factor is that the seized quantity, or the violations, have reduced now, so the quantity has also reduced. We had started recognizing that revenue one year earlier. Last year, because of the heavy penalty, people started paying the royalty without much seized quantity being generated. The seized quantity has now reduced, and there is not much seized quantity.

Subsequently, the government allotted some of the private partners and river-dredging activities to new players. The penalty clause is mainly applicable there. The seized quantity that we are receiving during the current year is only a minor amount.

Mahesh Patil – ICICI Securities: In the current quarter, is there some amount comparable to last year? Was any penalty amount booked in this quarter?

Management: We recognized only Rs.30 crore of seized quantity, but in terms of value, it is much lower compared to the previous period.

Mahesh Patil – ICICI Securities: So there was no one-off as such in this quarter, correct?

Management: Yes.

Mahesh Patil – ICICI Securities: In terms of margins, you also mentioned some impact from cost escalation due to the Iran conflict. Can you quantify it? I also wanted to understand whether our contracts have an escalation clause for this.

Management: On the mining side, at the standalone level, our EBITDA margin has improved compared to last year because of the new orders we received and because we managed the costs at the standalone level. At the consolidated level, our major consumption is diesel, the price of which has increased, and that has impacted profitability.

Mahesh Patil – ICICI Securities: Among the mining segments, we generated Rs.84 crore of revenue from mining in this quarter. Can we get a breakup of this?

Management: The breakup is approximately Rs.57.5 crore from KBP and Rs.26.34 crore from Tasra.

Mahesh Patil – ICICI Securities: Thank you. I have one last question. Despite the margins in Q1, we are still confident of achieving our 18.5% EBITDA guidance. What gives us this confidence? Is it only the ramp-up in mining production, or are there other factors that give us confidence of achieving this in the current fiscal year?

Management: For KBP, we are targeting 3 million tonnes, even though the agreement provides for 1.5 million tonnes. The client is ready to take it up to 3 million tonnes during the current year. We have conservatively projected Rs.350 crore of revenue based on the current production average, but we can generate more than that. We are conservatively projecting Rs.350 crore, and we are also confident of generating Rs.150 crore of revenue from Tasra because Q1 was Rs.26 crore and...

Mahesh Patil – ICICI Securities: So that is the key margin driver that will lead us to the guided level, correct?

Management: Correct. Before our washery is ready, we are expecting at least 1–2 months of production from Tasra as well. Overall, together, we will target approximately Rs.500 crore of

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turnover during the next 2–3 months, I mean, during the current year.

Mahesh Patil – ICICI Securities: Understood. Thank you.

Operator: Thank you. The next question comes from the line of Mudit Bhandari with IIFL Capital. Please go ahead.

Mudit Bhandari – IIFL Capital: Previously, we had stated, and in this call as well, that many projects from NTPC and Adani would be coming up, such as Lara, Yamunanagar, Raigarh, Mahan, and Mirzapur. We received Singrauli and Mirzapur. Can you tell us about the various projects? Over the last 1 year, how many projects were awarded and how many did we receive? Have there been delays in awarding them, or has another player received some of the scope of work? What has been the history, and which major projects are we targeting over the next 1 year?

Management: As I mentioned earlier, out of the approximately 58,000 megawatts that we are tracking, tendering completed by BHEL and Adani accounts for approximately 28,000–30,000 megawatts out of the 58,000 megawatts. The ongoing tenders or opportunities that we are tracking as of today amount to approximately 24,000 megawatts. That is where the opportunity comes in, as I mentioned earlier. The immediate opportunity is approximately Rs.20,500 crores as of today.

There are approximately a dozen projects in the pipeline for tendering from BHEL, Adani, and JSW, with additional tenders expected from L&T. To some extent, BHEL's tendering has been delayed for various reasons, and there are also packaging issues. This is unlike the vertical composite or integrated packages that Adani awards, which provide an end-to-end construction solution that fits into our execution philosophy.

We prefer to work on such packages where the size is larger and there is an additional advantage of undertaking the civil and structural work along with the other work. Most of the projects in Mahan, Mirzapur, and now Raipur, as well as the projects expected from JSW, involve both civil and mechanical work.

Therefore, we are tracking Adani and JSW closely and observing how the opportunities develop with BHEL. That is how the opportunity has been mapped, and we continue to be more bullish on the Adani and JSW jobs.

Mudit Bhandari – IIFL Capital: I was looking for specific projects that we are targeting, but no issues.

Management: There are projects that we have already identified. For example, in the case of Adani, there is Tirupati and there is the Assam project. In the case of JSW, there is Santbalpur, along with some other projects. Some more projects have to be developed for them, and they are expected to come up for tendering.

With BHEL, because of the packaging philosophy, we have to take a call. In balance-of-plant packages, they have some specific projects that we have been following, such as Sipat, Durgapur, and some Hindalco projects. These are all very specific projects on which work and tendering are in progress.

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Mudit Bhandari – IIFL Capital: When we say we have been impacted by an increase in raw material prices, which specific raw materials are we referring to? Is it mainly commodities or something else?

Management: One factor is that the cost of certain base metals has increased, which has directly impacted the prices of raw materials such as steel and alloy steel. When the war started in the initial stages, during February and March, there was also a spike in LNG prices. This led to an increase in the cost of gases that we use in construction.

Of course, there has also been a recent surge in crude prices, which have moved up and down, as well as an increase in diesel prices over the last 2 months. We predominantly use diesel in our mining segment. These are the 3 major factors.

Mudit Bhandari – IIFL Capital: Understood.

Management: We have PVC clauses that compensate for most of these increases, but the PVC clauses sometimes take effect a quarter later, when the indices are updated. In the case of a private client, we usually approach the client immediately, and most of the increase, or part of the increase, is factored in.

Mudit Bhandari – IIFL Capital: For FY27 at the consolidated level, what revenue are we expecting? Also, O&M revenue in Q1 was only Rs.413 crores. If I look at the quarterly returns for the last few quarters, it was slightly higher. Is there any specific reason, or is it simply a quarterly impact?

Management: Could you repeat the second part of the question?

Mudit Bhandari – IIFL Capital: In Q1 FY27, O&M revenue was only Rs.413 crores. If I look at the last few quarters, it was slightly higher than this level. Is there any specific reason, or is it simply a quarterly phenomenon?

Management: Last year, we undertook some one-time special jobs involving the overhauling of power plants, so revenue was higher during the last quarter and the previous year.

Management: There will also be a one-time jump in EPC as and when we receive and execute those projects. As of now, the projected number is based on our existing order book.

Regarding R&M, if you look at the R&M projects, or renovation and modernization projects, of a few plants operated by IPPs, we were also receiving revenue from those plants last year. We have already commissioned those projects, and for some of them we have already received O&M contracts. Therefore, there is also a slight increase in revenue on that account. Overall, our guidance for FY27 is Rs.7,300 crores, and we are on track to achieve that.

Mudit Bhandari – IIFL Capital: Understood. I wish you all the best.

Management: If you look at the overall year-on-year basis, we are targeting approximately 28% growth in O&M. Last year, it was approximately Rs.1,760 crores, and this year we are targeting approximately Rs.2,089 crores. There is quarter-on-quarter variation, but by the end of the year, we will achieve revenue growth of more than 20%, or more than 24%.

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Mudit Bhandari – IIFL Capital: Thank you. I am looking forward to that figure.

Operator: Thank you. The next question comes from the line of Abhinav Mandowara with Equitas Investments. Please go ahead.

Abhinav Mandowara – Equitas Investments: My first question relates to the increase we have seen in the costs of {? HSD ?}, PVC, and base metals. Are our contracts PVC pass-through or variable in nature, or are they fixed-price contracts?

Management: Abhinav, could you repeat the question? Your voice was muffled. Please repeat the question.

Abhinav Mandowara – Equitas Investments: My question is whether our contracts are variable or fixed-price contracts, given the increase in costs such as {? HSD ?}, PVC, and base metals, which has impacted our margins.

Management: Most of the contracts have PVC clauses factored in, so they are variable contracts. However, sometimes they do not compensate for the full extent of the market-price increase because it takes time to update the indices. In such cases, especially with private clients, we take up the matter with the client. Wherever an increase has not been factored in or protected under the formula, including erroneous increases, the clients sometimes pay back the amount. In most cases, the clients are paying back.

Management: To add to what he said, most of the contracts are covered by a price-variation clause during the contract period and the extended period. There is also an element called fixed-cost compensation for certain costs, under which a fixed amount is provided.

However, when a major portion of the work is completed after the contract period, the problem arises. In such cases, we have to resort to claims management. In unforeseen circumstances, we can also invoke arbitration and dispute-resolution mechanisms. That is an exceptional case. Generally, we try to settle the matter.

As he said, private customers try to settle the matter and pay whatever reasonable amount is due. Alternatively, they may address the matter commercially through future jobs, under which we obtain some form of understanding. In the public sector, there are rules that they have to follow. Therefore, as a last resort, we have to use dispute resolution to submit a proper claim when we find that the additional costs have exceeded the costs we are incurring.

Operator: Thank you. The next question comes from the line of {? Priya ?} with {? [unclear] ?}. Please go ahead.

Priya: Hello, everyone. This is Priya. I wanted to understand the nature of our receivables, how much of them relate to the larger contracts, and specifically the receivables from larger contracts such as Adani and BHEL. What is the amount of orders pending from these 2 customers?

Management: Priya, you will have to repeat the question. Your voice was unclear, and we could not quite understand what you said.

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Priya: Am I audible?

Management: Yes, you are audible. It is better now.

Priya: I wanted to understand the order backlog from Adani, NTPC, and BHEL, as these are the larger customers. My second question concerns receivables. What is the nature of the receivables we are seeing as our order size increases? Is there any change in the payment cycle, or what is the new payment cycle for current customers?

Management: On the BHEL side, we have a broad classification. On the institutional side, we have a backlog of Rs.1,586 crores. In the civil and power sector, the backlog is Rs.4,282 crores. On the O&M side, which is mostly in the private sector, it is approximately Rs.3,500 crores. The balance of plant work we are doing with BHEL amounts to approximately Rs.2,625 crores.

There are also specific backlogs of Rs.783 crores in railways and Rs.684 crores in electrical balance work. In other sectors, such as roads and drinking water, the backlog is approximately Rs.1,000 crore. We have a breakup of the available backlog and the pending work orders to be completed.

Management: In Adani, we have an outstanding backlog of approximately Rs.2,400 crore. There are 14 orders in total that we are executing currently. On the BHEL side, the backlog is approximately Rs.5,300 crores across 5 major projects that we are executing. These are the 2 major customers.

We do not have much exposure to NTPC. Vedanta is another private-sector player, and we are executing 6 projects with Vedanta, representing an order backlog of approximately Rs.1,551 crores.

Priya: The Rs.2,400 crore Adani backlog will be executed over how many years? Also, what is the timeframe for BHEL?

Management: You are asking about the order-execution timelines. Generally, the typical range is 2-3 years. O&M contracts typically run for 3-5 years, while construction, civil, and related work generally has a 2-3 year timeframe. You can take the average execution period for our closing order book as 2.5 years.

Priya: On the receivables side, what is our current payment cycle? Are we seeing any delays from these larger players, or do we have different terms?

Management: Generally, Adani and other private players take another 15-30 days after submission of the bill. Initially, they provide 70% payment upon submission of the bill, and before the end of the month they pay the remaining 30%.

Management: In the case of BHEL, the payment period is 30 days after we submit the bill. Most contracts provide that payment is due within 30 days after the subcontractor-certified bills are processed.

Priya: Is any amount retained?

Management: I am sorry?

Priya: Is there any retention money?

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Management: Generally, there is 5% retention money. As per the agreement clauses, we submit a bank guarantee and collect the money along with the running-bill payment. There is no deduction in the end. They make the deduction but release the money against the bank guarantee.

Priya: For my last question, regarding the current-year guidance of approximately 13.5% margin and considering 20%-21% for MDO, what is the non-MDO margin? Are we seeing a decline in that?

Management: The MDO margin will be 15%, but that component currently accounts for only 5%-6% of overall turnover. For the remaining 95%, if you take the standalone average, you can take a range of 10%-11%. Including the O&M business, the blended margin at the standalone business level will be approximately 12%-13%.

Priya: Understood. I think that is helpful. I will join back with more questions. Thank you.

Operator: Thank you. The next question comes from the line of Suhas Naik with Geeta Capital. Please go ahead.

Suhas Naik – Geeta Capital: Can you share your view on the O&M business? How is it likely to scale up over the next 2-3 years, and what kind of margins do we enjoy in this business at the operating level?

Management: O&M continues to drive both the business and the top line as well as the bottom line. We have seen it form approximately 30%, 35%, and 30% of our overall business. The major push for O&M continues to be capacity additions, as I mentioned earlier, which are expected to occur over the next 5-6 years at the rate of 8,000-10,000 megawatts.

The importance of O&M comes from outsourcing by the private sector. As plants are commissioned, for example, Adani has plans to complete more than 20,000 megawatts, JSW has plans, and Vedanta also has plans. These plans will definitely create opportunities for the O&M business through long-term outsourcing.

The opportunity size will be approximately Rs.800 crores per annum. It will depend on the extent of outsourcing. We expect most of the projects commissioned in the private sector to be outsourced.

In the public sector, it depends on the policy adopted by the companies. However, recently we have seen approximately 5 projects, or 5 plants, where we are working on long-term O&M. This indicates that the public sector may also be interested in adding O&M to its business profile to ensure that its plants are better managed, with better margins through outsourcing than through in-house management.

We expect more opportunities in the public sector as well. Therefore, the growth that we have seen in the O&M segment will continue over the next 5-6 years.

Suhas Naik – Geeta Capital: What about margins? What kind of margins do we enjoy in this business?

Management: We are having margins of approximately 18%-20%.

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Suhas Naik – Geeta Capital: One more question concerns our execution capacity, both human capital and the balance sheet. Based on our current manpower and balance-sheet strength, how much order value can we execute annually?

Management: One aspect is financial capacity and working-capital management. I will discuss the physical capacities. The organization has a large HR and talent base, with approximately 4,000 engineers and 45,000–50,000 workers. That is a basic strength.

Another important aspect is project management and construction management. We have specialized groups in each segment. They also prepare the adequate plans and provide the requisite inputs required for executing new projects. In that way, the organization has substantial capacity to increase its resources.

Approximately 1 year ago, we had a headcount of about 40,000. Today, it has increased to 50,000 based on the manpower requirements of the growing O&M business and some new institutional power-sector jobs that have come up in the private sector.

Another important and related capacity requirement is the handling and construction equipment used in civil and mechanical work, including cranes and other civil equipment. We continuously update this equipment and provide capital budgets for additional capacity. Only in exceptional cases, where the capacity required is very high, such as cranes with capacities of 500 tonnes or 700 tonnes, do we resort to hiring. Otherwise, 80%–90% is managed with in-house capacity.

Management: In addition to that, as he was saying, approximately 30% of our revenue comes from the O&M business, where there is no material or equipment requirement. The salary for 1 month is the only money required to maintain these employees.

The remaining 70% of the business is our EPC business. Earlier, the majority of our work consisted of construction contracts. Through LCs and other mechanisms, we manage the materials. With the present level of working-capital limits and staff, we can generate up to Rs.10,000 crore of revenue. The only requirement is to add Rs.100–120 crores of capex every year for new orders.

Suhas Naik – Geeta Capital: One last question concerns the trajectory of operating margins. We are entering more BOP work, MDOs, and O&M, and all these businesses have higher margins. At the company level, do we expect the margin profile to improve as we move into FY28 and FY29?

Management: It depends on the mix of our O&M and mining businesses. Year-on-year, our EBITDA margin will increase. We are targeting a 0.5% increase each year until 2030. After 2030, it will reach almost a 14% EBITDA margin from the present margin of 12.5%, or the current margin of 12.25%.

Suhas Naik – Geeta Capital: Thank you, sir. Thank you for the response.

Operator: Thank you. The next question comes from the line of Dhananjay with Centrum Broking, Mumbai. Please go ahead.

Dhananjay – Centrum Broking: Thank you for the opportunity. In this quarter, the EPC business revenue came down from Rs.250 crore to Rs.217 crore, and we did not have any order inflow in this segment. How do you see the overall revenue in this segment? Last year, we had strong growth,

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generating approximately Rs.1,300 crore annually from the EPC segment. How do you see this segment performing in the current year, considering the order pipeline?

Management: The major part of the orders in this segment used to come from the Athena and Vedanta projects and the FGD projects. Because of the accident that occurred at the Athena project last year, approximately 3–4 months ago, we experienced an impact on revenue in Q1. They have recently restarted the work, and I think that will be reflected from Q2 onwards.

In the FGD business, we have almost completed the major works and are close to completion. We may complete them in this quarter, or we will try to close them during this period. The balance FGD work will also be completed. This is the reason for the comparatively lower revenue in the ETC business.

Regarding EPC, our erection and civil teams are also working internally on our in-house EPC business. That work will be included in the EPC turnover of Rs.96 crore once they are engaged in the EPC work.

Management: The shortfall in Q1 in power-plant construction is also partly because some of these skills were diverted to industrial-construction EPC, specifically the BOP EPC project that we have taken up with BHEL. It is a similar nature of work, so we are using the same skills to execute some amount of work there.

You will see some growth there, but overall, if you combine power construction and EPC, you will see good growth. You will see growth of 20%–22% if both are combined.

If we consider only power-plant construction, erection, testing, and commissioning, we believe that we have maximized our execution potential. We are able to execute 14–15 boilers of approximately 800 megawatts at the same time. We plan to increase this by only 1–2 boilers year-on-year, which would contribute to a minor increase of 5%–7% growth in this area.

On the other hand, EPC is going to grow at {? 22% to 22% ?}. Therefore, an average growth of 14%–15% can be expected from the power sector.

Looking at the backlog and the previous trends, in 2024–25 we had a backlog of Rs.14,387 crores and achieved revenue of more than Rs.6,000 crores. Therefore, with the backlog now at Rs.16,228 crores, even if 40% of the new orders come through, it should provide reasonable growth for the current year as well.

Operator: Mr. Dhananjay, have you completed your questions? Ladies and gentlemen, due to time constraints, we have reached the end of the question-and-answer session. I now hand the conference over to the management for closing comments.

Management: Thank you for your participation. At the beginning of the quarter, we identified the directions in which the company needs to move. Diversification into balance-of-plant work has a significant growth opportunity, and new opportunities will come up in that area.

The continued investment in the power sector, with additional capacity of 16 gigawatts expected over the coming 8 years, will remain a focus area. The resulting O&M opportunities from the new

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plants will also be available.

We will also remain focused on infrastructure such as railways and other sectors, which will become more stable. In the international business, we are performing well in O&M and maintenance jobs, which offer better margins. We expect new opportunities in West Africa, the Middle East, and the GCC countries to enable us to grow in the international sector as well.

Two or three new opportunities are being closely developed with EPC contractors there. These will substantially add to installation and service jobs, similar to what we executed earlier in 2023-24. That business will return to the pipeline once this [inaudible] comes into position there.

Operator: Thank you. On behalf of Power Mech Projects Ltd., that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.

Management: 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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