

Operator: Good afternoon, ladies and gentlemen, and welcome to the Q1 FY27 earnings call of EMS Ltd. As a reminder, all participant lines will be in listen-only mode. There will be an opportunity for you to ask questions after the management discussion concludes. Should you need assistance during the conference call, please signal the operator by pressing star followed by zero on your touch-tone phone.

Management: EMS Ltd. was incorporated in 2010 by Mr. Ramveer Singh and Mr. Ashish Tomar and is involved in providing sewerage solutions, water supply systems, water and waste treatment plants, electrical transmission and distribution, roads and allied works, and the operation and maintenance of wastewater scheme projects and water supply scheme projects for government authorities and bodies.

Operator: Let us now begin with the introduction of the management team. We have with us today Mr. Ashish Tomar, Promoter and Managing Director of the company. Also joining us today is Mr. HK Kansal, Chief Executive Officer. I would now like to request Mr. Ashish Tomar, Promoter and Managing Director, to give his opening remarks. Over to you, sir.

Ashish Tomar – Promoter & Managing Director: Good afternoon, everyone. I welcome you all to the earnings conference call of EMS Ltd. for the quarter ending June 30, 2026. As we have already uploaded the results for the last quarter, I am sure you are aware that our operating income stood at 125.72 crores on a standalone basis, which was a net increase of about 50% over the last quarter. EBITDA grew to 25.53%, with an increase of about 39.81% with respect to the last quarter, and PAT stands at 15.03 crores, which increased by about 184.65% with respect to the last quarter.

As far as the numbers on a consolidated basis are concerned, operating income stands at 157.24 crores, with an increase of about 30%. EBITDA stands at 28.14 crores, with an increase of about 31.62%, and PAT stands at 15.49 crores, with an increase of about 171.28%.

Apart from this, the company secured work orders worth roughly 317 crores during the quarter, and we are hopeful of securing many more projects in the coming quarters. That would be all from my side. I am joined by Mr. HK Kansal, our CEO, and I think we can start answering queries and address any questions.

Operator: Thank you, sir. 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 a handset 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 Daksh Prasar with Resplendor Research. Please go ahead.

Daksh Prasar – Resplendor Research: I just had a couple of questions. Regarding the West Bengal projects, since they were impacted by the election-related restrictions, are those restrictions now behind you? Has execution reached a 70–80 crore quarterly run rate, and when can we expect it to return to its original execution schedule?

Ashish Tomar – Promoter & Managing Director: Daksh, could you please repeat the question? I think there was some disturbance.

Daksh Prasar – Resplendor Research: Regarding the West Bengal project, since it was impacted by the election, now that those restrictions are behind you, has execution reached a 70-80 crore quarterly run rate? And when can we expect it to return to its original execution schedule? That is one question.

Ashish Tomar – Promoter & Managing Director: The restrictions have already been lifted. The execution rate you are asking about will only be achieved from Q3 because it is a sewerage network project. In Q2 also, that revenue cannot be achieved in sewer line projects, but after Q3 and Q4, the numbers with regard to the Kolkata project would be much better, much better than what you are anticipating.

Daksh Prasar – Resplendor Research: I had one more question. You had highlighted a 2,500-3,000 crore bidding pipeline across Delhi and Maharashtra. Would you give us an update on how much of this has progressed to the award stage and how much of this pipeline you expect to convert into orders in the next 2 quarters?

Ashish Tomar – Promoter & Managing Director: As far as the first quarter is concerned, we converted these bids into work orders of about 317 crores. After that, also, till date in the second quarter, we have received a work order of about 158 crores, and we are LI for a project in Banaras worth in excess of 100 crores. I think there is still some time left for the completion of this quarter, and we hope to convert a large number of projects into work orders in the coming period.

Daksh Prasar – Resplendor Research: Thank you for the opportunity. That is all.

Operator: Thank you. Participants who wish to ask a question may press star and one. The next question comes from the line of Tanmay with Shah Associated. Please go ahead.

Tanmay – Shah Associated: My question is, do we plan to expand our work to any other states?

Ashish Tomar – Promoter & Managing Director: We are continuing to bid in other states as well. We are bidding in Bihar, Madhya Pradesh, and Uttarakhand. We are also exploring some projects in Maharashtra and Karnataka.

Tanmay – Shah Associated: What is the size of the order book?

Ashish Tomar – Promoter & Managing Director: It is 2,329 crores as of now.

Tanmay – Shah Associated: Is that as of the July 26 update?

Ashish Tomar – Promoter & Managing Director: Yes.

Tanmay – Shah Associated: Understood. Thank you.

Operator: Thank you. The next question comes from the line of Darshal Pandya with In-Interest Capital. Please go ahead.

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Darshal Pandya – In-Interest Capital: My question is regarding margins. What is leading to the reduction in margins that we see today? And what are we doing today to bring these margins back to historical levels?

Management: This is the question that was asked in the last conference call as well. What happened in the last Q2 quarter was that we could not do much work due to heavy rains in the states where we were executing projects, mainly Uttarakhand. In civil engineering projects, our establishment costs are fixed, and our tool and plant machinery costs are fixed. If our revenue decreases for whatever reason, or work is hampered for whatever reason, margins automatically shrink because all payments that we have to make for the establishment, labor, rent of machinery, and everything else are almost fixed expenditures.

We cannot even remove these costs if there is a hindrance for a month or so. That was the reason. You will see that once our revenue increases, the margins will automatically increase, and you can see the difference between Q4 FY26 and Q1 FY27. PAT was 6.3% in Q4 FY26, and it increased to 11.95% in Q1 FY27.

If we are going to increase by another 50% in {? lag ?} next quarter, hypothetically, perhaps we are planning to increase by 30% and then again by 40–50%, and for the full year we are looking at revenue at par with what it was in FY25, of the order of 902–950 crores, that will automatically bring margins to that level. We cannot remove any type of manpower, establishment costs, or anything else for a temporary hindrance.

Sometimes, when there is rain, a hazard, or destruction, or when there are restrictions by the district administration for the safety of the people and property, we have to invest some additional amount. That amount is claimed at a later stage, perhaps in a year or 2, and is realized after government sanctions and other related processes. This is the obvious reason. I think you would have understood it.

We will definitely return to our normal margins. They will definitely be slightly lower than the margins we used to have in FY24 because competition is increasing, and we cannot return to that level, but we will be at par with that level.

Darshal Pandya – In-Interest Capital: Thank you for the explanation. My question is that this issue will persist as long as we are operating because we will see rains every year, and these kinds of disruptions will always happen. What will we do to ensure that this does not affect us to this extent?

Management: There are different reasons every time. Although any management takes into account all the possible force majeure events, there is no doubt that sometimes those force majeure events increase to an extent that was not anticipated. Last year, for example, we were hampered by heavy rains in Uttarakhand and by the Uttarakhand government management's over-caution that no sewerage work would be carried out at all. Therefore, the work could not be ramped up even in Q3 and Q4.

Now it is being ramped up. After destruction, the government issues many directions: if there is any loss, submit a revised estimate, claim the escalation, and follow several other procedures. Government bureaucracy takes a lot of time.

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We have now started ramping up, and Q2 is again always a rainy season. Therefore, during this rainy season, we will increase over Q1, but not to the extent we intend to—not by 50%, but by 30–35%. In Q3 and Q4, we will increase by more than 50%. If we look at the full year cumulatively, it will be equivalent to FY25 because FY26 was much, much below expectations.

There could be some other reason in a particular location. For example, in the Kolkata project, there was an election period during which the model code of conduct was in force [overlap] and completion of... yes. These types of things happen. We take these things into account, but sometimes these problems become greater than expected.

This happens in civil engineering projects. These are not indoor projects, and I think it happens with all good corporate companies as well. That is the explanation from our side.

Darshal Pandya – In-Interest Capital: Understood. My final question is regarding our working capital cycle, which has been stretched significantly compared with our peers. What steps are we taking? If we do not control this, it will eventually affect our cash flows and the way forward. What are we doing here?

Management: Regarding working capital, once work is stopped due to whatever reason, payments from the government are delayed. When payments from the government are delayed, it hampers the work again. This becomes a cycle, like a chicken-and-egg story. There is no payment, so work slows down. When work slows down, fewer bills are generated and less revenue is received. This continues in the same way.

For working capital, we usually need working capital for a 120-day turnover cycle. If we go for a 1,000 crore turnover, then 300–350 crores is sufficient working capital for us.

Darshal Pandya – In-Interest Capital: Sir, I was asking about working capital days. {? [inaudible] the capital ?}...

Management: That is around 120 days. The average working capital days are 120 days. It is the typical cycle.

Darshal Pandya – In-Interest Capital: Thank you for answering my questions.

Operator: Thank you. The next question comes from the line of Aditi Shah, an individual investor. Please go ahead.

Aditi Shah – Individual Investor: I want to understand how long it usually takes to convert a contract from the order book pipeline into actual revenue.

Management: Once there is a contract, after completion of all the contracting formalities, a work order is issued. Once the work order is issued, because most of the projects are EPC projects, it usually takes 6 months to prepare and develop the engineering projects and estimates and obtain approval from the concerned department. Then the work actually starts at the site. Therefore, it may take 8–9 months after receiving the work order for real revenue to start.

Aditi Shah – Individual Investor: So basically, it is a process of 1 year.

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Management: No. Project timelines are typically between 2 and 3 years. The project timeline is 2–3 years, but revenue starts coming in after 6–7 months from the issuance of the work order. The typical timeline for converting the work order into revenue is 18–24 months if the project is for a period of about 2 years. Six months are for engineering and approval of the design, and 18 months are for execution, during which the revenue starts coming in.

Aditi Shah – Individual Investor: My second question is, what is the realistic goal for the EBITDA margin considering the company's current position, and by when can it be achieved?

Management: By the end of this year, we would be at par with our FY25 numbers in terms of revenue, EBITDA, and PAT.

Aditi Shah – Individual Investor: Thank you. I am done with my questions.

Operator: Thank you. The next question comes from the line of Shresha Rudrani, an individual investor. Please go ahead. Shresha Rudrani, your line has been unmuted. Please go ahead with your question.

Shresha Rudrani – Individual Investor: What is the reason for the sequential increase in the financial numbers despite Q1 historically not being a strong quarter for the company? And are there any capex or investment plans for FY27?

Management: I could not understand the first part of your question. Can you please repeat it?

Shresha Rudrani – Individual Investor: What is the reason for the sequential increase in the financial numbers despite Q1 historically not being a strong quarter for the company? And are there any capex or investment plans for FY27?

Management: These numbers reflect the fact that we are bouncing back from a slower quarter last year and returning to our routine numbers. As we have already explained, by the end of this year, we are planning to grow by at least 50% with respect to last year. As far as any capex plans are concerned, I think there is no such capex plan as of yet.

Shresha Rudrani – Individual Investor: Thank you, sir. Thank you. Bye.

Operator: Thank you. Ladies and gentlemen, if you wish to ask a question, you may press star and one. The next question comes from the line of Dhruv Ingovrani, an individual investor. Please go ahead.

Dhruv Ingovrani – Individual Investor: I had 2 questions. Firstly, you said that we will be ending the year with revenue between 900 and 950 crores. Keeping in mind the run rate at which we are operating, we would have to do around 250–270 crores of revenue going forward in the next 3 quarters. Do you expect the revenue in H2 to come in, or will the next quarter also be similar to the last 2 quarters, which have been sluggish because of the back part? That is my first question.

My second question is regarding your EBITDA margins. You mentioned that we would be going back to 25% EBITDA and 15% PAT margins going forward. How confident are we of achieving that in the current financial year, given that Q1 was very weak?

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Since our company has a seasonal impact, with Q2 better than Q1, Q3 better than Q2, and so on, in the investor presentation you should compare the quarters on a year-on-year basis instead of showing that there was growth this quarter from the previous quarter. I feel that is a bit misleading. You should always try to remove the seasonality and conduct a year-on-year comparison of the quarters.

Management: As far as your first question is concerned, the coming 3 quarters will not be equal in terms of numbers. The strongest would be Q4, and the weakest would be Q2. In percentage terms, Q2 would be about 30-35% higher than Q1, and thereafter you will see growth of more than 50% quarter-to-quarter.

As far as your suggestion regarding quarter-to-quarter comparison is concerned, we have always said that the correct metric for comparison would be on a year-on-year basis. However, since we are required to give out numbers after every quarter, we have done so.

Regarding the EBITDA and PAT margins, because last year's last quarter [crosstalk] no, no, we are quite confident that we would achieve those numbers because the work that we currently have in our order book is at similar margins. We are keeping those numbers in mind.

Since we could not convert the work into revenue for whatever reasons, including restrictions imposed by the government or reasons beyond our control, our expenditures are fixed. That is why the numbers seem to be on the lower side. Since we are now getting back to converting the work into revenue, the margins would also bounce back.

Dhruv Ingovrani – Individual Investor: Understood. What we are seeing is that Q3 and Q4 would be very good quarters. However, to actually meet the 950 crore target, we would have to achieve around 300 crores of revenue in those 2 quarters. Are we confident of achieving that much revenue?

Management: Yes, very much.

Dhruv Ingovrani – Individual Investor: Thank you.

Operator: Thank you. Ladies and gentlemen, if you wish to ask a question, you may press star and one. The next question comes from the line of Sanjay, Vichaar Associates. Please go ahead.

Sanjay – Vichaar Associates: As you said, the order book size is around 2,329 crores, so I wanted to know how much will be executed this year in FY27.

Management: As we have already given guidance, in percentage terms we would increase by about 50% with respect to last year's number.

Management: We have already achieved 125 in this quarter. The balance would be achieved in the remaining quarters.

Sanjay – Vichaar Associates: My next question is, what is the revenue contribution of the top 5 clients?

Management: Of what, sir?

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Sanjay – Vichaar Associates: Of the top 5 clients. Top 5.

Management: Top 5 clients. Yes, let me get the numbers.

{? [inaudible] ?} {? 32% BTC, 62% Government segment ?} {? [inaudible] ?} As far as the current numbers are concerned, about {? 32% ?} {? [inaudible] ?} 42% from {? BTC ?} {? [inaudible] ?} 62% {? [inaudible] ?}. The revenue is about 42% from Uttar Pradesh and about 61% from Uttarakhand as far as these quarters are concerned.

Sanjay – Vichaar Associates: Thank you. I am done.

Operator: Thank you. A reminder to all participants that you may press star and one to ask a question.

Operator: Ladies and gentlemen, if you wish to ask a question to the management, you may press star and one.

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

Ashish Tomar: I would like to thank everyone for participating in this call. Thank you, Mr. Kansal, for joining this call with us. Thank you to everyone for arranging this call. Thank you.

Operator: Thank you. Ladies and gentlemen, on behalf of EMS Ltd., that concludes today's session. Thank you for your participation. 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.