KILBURN ENGINEERING LTD.

Plot No.6, MIDC - Saravali, Kalyan Bhiwandi Road, Distt. Thane 421 311 Maharashtra, India
: +91 2522 283000 mail : cs@kilburnengg.com : www.kilburnengg.com

10th November, 2023

To
The Corporate Relationship Department
BSE Limited
P.J. Tower
Dalal Street, Fort
Mumbai - 400 001
Scrip Code: BSE 522101

To,
The Secretary
The Calcutta Stock Exchange Ltd.,
7 , Lyons Range,
Kolkata – 700 001

Scrip Code: CSE 21022

Sub : Transcript of earnings conference call on the unaudited Financial Results for the quarter and half year ended 30th September 2023.

Pursuant to Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we submit herewith transcript of the earnings conference call held on 7th November, 2023 to discuss the unaudited financial results of the Company for the quarter and half year ended 30th September, 2023.

Yours faithfully,

For **Kilburn Engineering Limited**

Arvind Bajoria
Digitally signed by Arvind Bajoria
Date: 2023.11.10 22:43:48 +05'30'

Arvind Bajoria
Company Secretary
& DGM (Costing)
M.no. ACS – 15390

Encl : as above

KILBURN ENGINEERING LTD

Q2 & H1'FY24

POST RESULT CONFERENCE CALL

November 07, 2023 3:00 PM IST

Management Team

Ranjit Lala - Managing Director
Anil Karnad - Whole Time Director
Sachin Vijayakar - Chief Financial Officer
Amritanshu Khaitan - Director

Call Coordinator

KAPTIFY®

Strategy & Investor Relations Consulting

Presentation

Vinay Pandit: Ladies and gentlemen, I welcome you all to the Q2 FY'24 Post Earnings Conference Call of Kilburn Engineering Limited. Today on the call from the management we have with us Mr. Ranjit Lala, Managing Director; Mr. Anil Karnad, Whole Time Director; Mr. Sachin Vijayakar, Chief Financial Officer; and Mr. Amritanshu Khaitan, Director.

As a disclaimer, I would like to inform all of you that this call may contain forward-looking statements, which may involve risk and uncertainties. Also, a reminder that this call is being recorded. I would now request Mr. Lala to detail us about the performance highlights for the quarter that went by, your growth plans and vision for the coming years post which we will open the floor for Q&A.

Over to you sir.

Ranjit Lala: Thank you, Vinay, and good afternoon to all. At the outset, I would welcome you all for the Q2 FY'24 post earnings conference call. Before I proceed ahead, I would like to inform that we have uploaded the presentation on the exchanges and you may refer from there.

Coming to the earnings, we are pleased to announce the earnings of Kilburn, which are as follows. The income from operation stood at ₹68.48 crores. The operating EBITDA was in the range of ₹16.79 crores, which transited to a margin of 24.5%. Profit before tax stood at ₹14.22 crores and after tax at ₹10.03 crores.

The highlights of the quarter were as follows. We've achieved the highest ever EBITDA margins in both the quarter and the half year. We have had a robust revenue growth with the impressive 30% plus increase over the corresponding previous quarter and half year. We have maintained a diversified order backlog of more than ₹214 crores as on September 30th, 2023.

In Q2, we have secured orders worth ₹69 crores indicating a strong demand for our products and solutions. Before I speak about the outlook of the company, I would like to inform you all about our proposed acquisition, which is currently in progress. We are in the process of acquiring 100% in a company called M. E. Energy Private Limited, and I would like to give you a brief about that company.

M. E. Energy is a 24-year-old company, which was established way back in 1999, and it is specialized in the field of thermal engineering. It is a leading waste heat recovery and a waste heat reutilisation systems provider, which are designed to deliver energy savings and energy cost reduction solutions. These applications are found in most of the industry, in most of the industrial applications.

M. E. Energy factory is based at a place called Khed near Pune, and spread over 60,000 square feet both with an office and factory in that location. And there is further provision for expansion. With a deep experience in thermal engineering and a very strong project management, the solutions are customized for various industries like petrochemicals, chemicals, automotives, food and beverages. They also include customers in the steel power and the carbon black industries. They have a diverse portfolio, which consists of waste heat recovery units, process integrated boilers, thermal oil system heat exchangers, air and gas coolers and engineering solutions amongst others.

Apart from their strong presence in India, they also have installations globally in USA, Japan, France, Spain, Turkey, and Bangladesh. We see this partnership of Kilburn Engineering and M. E. Energy as both strategic and synergistic. The Kilburn Energy drying solutions portfolio gets augmented with the thermal engineering and heat recovery systems, since the two are complementary in nature. With many common customers and two manufacturing locations, we will be able to leverage this partnership by offering wider solutions to both existing and new customers. All in all, this partnership provides us with a strong path for our vision 2025. We expect the acquisition to be completed by December 2023.

Coming to the outlook of the company. For the second half, we expect a very healthy order booking in the range of ₹250 crores to ₹300 crores, which would translate into ₹350 crores to ₹400 crores by the end of the year. The revenue is expected to be in the range of ₹300 plus crores for the current financial year and with the existing orders, we expect to maintain an EBITDA of 20% plus.

About M. E. Energy, we expect the top-line to be in the range of ₹75 crores and their margins would be very much in line with the Kilburn Engineering margins as well. With both these plans together, we expect that in the coming years we would be able to achieve ₹500 crores plus. For the next financial year, we expect our growth to be in the range of 25% to 30%. As far as the enquiry pipeline is concerned, we have enquiries worth ₹1000 crores across various verticals like fertilizers, carbon black, chemicals, petrochemicals etc.

Overall, I can say that we are very much on the path to our vision of 2025. That's all from my end. Thank you.

Moderator: Thank you, sir. We'll now take questions. Anybody who wishes to ask a question may use the option of raise hand. We have an option taken by Mr. Garvit Goyal in the chat. Garvit, you can unmute and ask your questions.

Garvit Goyal: Hi, congrats for good set of numbers. My question is on the order book?

Ranjit Lala: On the order book. Well, the order book as on 30th September is ₹214 crores, and we expect orders of around ₹250 crores plus in the next six months.

Garvit Goyal: That thing I understand. I want to understand what is exactly driving the demand for our products like, is it due to any structural changes like China Plus One or if that is the case, please share the percentage of export order that we are hearing out in this current order book?

Ranjit Lala: Well, I would say that China Plus One definitely has a positive impact I should say, both on the domestic and the international market. As far as the breakup is concerned, of course, there are multiple other reasons, which also contribute to the order intake. But as far as the export market is concerned, I think our order book is in the range of, Sachin, do you have the numbers with you by any chance? What is our current…

Sachin Vijayakar: The pending orders are around 8% to 10% are export orders.

Ranjit Lala: Around 10% are export orders.

Garvit Goyal: Okay. And you mentioned in the press release that we'll do ₹400 CR in FY'24. So to achieve that, we are required to do ₹267 CR in the second half. So even if I add the inorganic acquisition, when we say ₹30 CR, it will be added for three months only. So we will still be required to achieve ₹230 CR to ₹240 CR kind of organic revenue. So, but we have an order book of right now, ₹214 CR only. So how will we are going to do that?

Ranjit Lala: We are expecting a number of orders in Q3 and a part of it would definitely be executed in the current year.

Garvit Goyal: So, including the inorganic numbers we are still guiding for ₹400 CR in FY'24 right? And the EBITDA margins of 20%, right?

Ranjit Lala: Right.

Garvit Goyal: And in your opening remarks where I was not able to hear, you mentioned I think closing order book as well. So what was that number?

Ranjit Lala: The closing order book on 30th September you meant or?

Garvit Goyal: No. Actually, at the end your expected closing order book by the end of the year?

Ranjit Lala: Well, I did not mention that number, but I would expect that we would have a closing order book again in the range of ₹200 plus Crores.

Garvit Goyal: Okay. And can you tell us also like in your presentation it is mentioned like M. E. is having a strong order book of I think ₹110 CR. And in the opening of the year, I think they were having ₹50 CR. So, what is exactly happening there means how the demand is coming up drastically for that?

Ranjit Lala: Well, the production solutions, which has offered by M. E. Energy are highly customized and they have a niche market. And we are seeing a lot of projects coming up in the thermal power plants in cement industry and that's one of the biggest contributors for the orders.

Garvit Goyal: So currently, I think they are having ₹110 CR kind of order book. So, in second half, what kind of orders do we expect from their side?

Ranjit Lala: I would not be able to answer that question now, but they do have a very healthy inquiry in pipeline.

Garvit Goyal: And can you spare a few minutes on sharing the competitive landscape which the company is having like who are our competitors in India and what is our market share and what kind of edge do we have against the players?

Ranjit Lala: You want the competitors for Kilburn or for M. E. Energy?

Garvit Goyal: For Kilburn.

Ranjit Lala: For Kilburn, we have competition across different products. So, I would say that as far as the rotary dryers are concerned, we are competing from China and Germany. And as far as tea dryers are concerned, we have competition from the local players. So across different products, we have different competition.

Garvit Goyal: So, what kind of edge that do we have, which will drive the growth for us against the players and we will be able to have an increase the market share going ahead?

Ranjit Lala: Yeah, so the edge, which we have as Kilburn is basically, we come with a background of 40 years of experience, yeah, which very few companies have. And at the same time, I would say that the depth of manufacturing that exists in our company in Kilburn is very high. The depth of manufacturing I mean is that the kind of manufacturing processes that we have. That is something which not everybody has in our competition.

Garvit Goyal: So, is it like any kind of technology advantage do we have against the peers or anything like that?

Ranjit Lala: Yes, you can say so.

Garvit Goyal: Okay. And sir on the margin fronts, we are at all time high EBITDA margin. So here in 2017 we achieved 17%. So here I want to ask two questions. One is why after 2017 our EBITDA margins fell drastically. And secondly if I look at the current margin so how sustainable these margins are which we are currently doing and why?

Ranjit Lala: Okay. So why our margins have been higher? Well, we have currently been executing some of the projects, which are in the high margin range, which we had back in the last quarter of last financial year. So that is one of the contributors. Then a couple of projects, which we have been doing at site, which are more labour centric. So, we have seen a little higher margins over there as well. And going forward, we expect that this margin will be maintained in the next two quarters at least.

Garvit Goyal: Actually, if I look from a perspective of two, three years, so how sustainable are these margins? That's what I was asking for?

Ranjit Lala: Well, it all depends on the kind of order intake we have from time-to-time. And we are in the process of ensuring that we maintain our operational efficiencies. And we expect that we will maintain this. Well, if you were there in the last investor meeting, we had mentioned that we would be targeting 17% to 18% of margins. But we have now reached 20%. So we expect that we'll maintain that.

Garvit Goyal: And what was the reason for falling the margins after 2017?

Ranjit Lala: Sachin, can you...

Sachin Vijayakar: Margins, it depends on the type of orders we take, the order mix which we execute. So recently, we have taken very well much value-added orders where the gross margins are at quite a high level. So it depends on the type of orders. Even in the same equipment, we have different type depending on the composition of material or the customized requirement of the customer, margin keep on varying. So presently, what orders we are executing and what we are targeting are orders with a good gross margin. So we expect to maintain this overall 20% EBITDA margin across the Board.

Amritanshu Khaitan: Sachin, if I can just add regarding the 2017 numbers, I think the query is that why after '17, we also dropped. You see, now the company's economies of scale is significantly higher. The turnover in the first half is higher than what our total turnover was during those years. And then post that you had COVID years when the turnover had significantly dropped. So it's not comparable to the earlier years in terms of…

Garvit Goyal: But actually that fall was drastic one. I think from 17% to it was 4% kind of EBITDA margin. So that's why I was asking for it. It is not a product mixing. I think there can be a different reason also. That's what I was asking for.

Moderator: Sure. Thanks Garvit. We'll move to the next question. Pratik, you can unmute and ask your question.

Pratik Kothari: Yes, hi. Good afternoon and thank you. So first of all, congratulations on a very good set of performance.

Ranjit Lala: Thank you.

Pratik Kothari: Again looking at your company after a long time and broadly what has changed? I mean, we are reporting one of the highest growths in our history, one of the best margins. So, from an industry perspective, I mean, we are seeing a lot of tough times in the last many years. So, now that we are out of it, I mean from an industry landscape perspective, if you can qualitatively highlight what has changed?

Ranjit Lala: Right. So from the industry landscape perspective, I would say that earlier we were more of a product provider or we used to sell products, but nowadays what we offer is solutions. So, if you look at our products maybe two years back, what we were offering was calciners and rotary dryers as products. But today what we offer to the industry is a solution. So, that also means the balance of plan, the peripherals. And the reason why we are able to do all that, that we have changed our whole strategy of go-to-market.

What we are doing today is we are tying up with the customer when they are already on the drawing board and not later when they really want to buy the product. So, we offer our services from that stage and obviously when you're working closer with the customer, you stand a better chance of winning the race. So, this has been one of the important things. Second thing is that we have diversified into various products. Like we said, we added air preheaters to our portfolio. Then we have seen different applications for paddle dryers which were earlier only offered for a specific application.

Now, we have enhanced our product and we are looking at more applications. So, this also increases our market penetration. So, there are multiple reasons and this is from the industry landscape perspective. As an organization, definitely we have become a lot more aggressive in our sales approach and a lot of things are done. I mean, we do a lot of pre-project selling instead of just waiting for the projects to come up.

So, that's also been the paradigm shift in the way we have been working as an organization. And over the period of time, we have built up a good human resource in the organization with different skill sets across in project management in manufacturing at every stage. So all this together contributes to higher turnover and higher margin subsequently.

Pratik Kothari: Correct sir. And anything from our end customer side or from a competition side, anything which has changed? I mean, one you mentioned that internally we have made a lot of changes, we have changed the approach, change our strategies. But say from a customer end, are you seeing more projects coming up, more demand? Similarly, there were a lot of players in the past who used to compete with us. We could survive and come out of it stronger. Are they out of the market? So anything on there?

Ranjit Lala: Well, you will always have competition around and it's like who runs the fastest? I mean, that's the way it goes. So, so far we have been able to beat our competition pretty well. And I said, I think with the biggest advantage that we have had is that we worked with the customers in the pre-project stage itself. So that really helps us. Now, does that mean competition will not catch up? Yes, definitely they will also catch up over a period of time. But we will create our own niche from time-to-time.

Pratik Kothari: All right. Great. Thank you, and all the best, Sir.

Ranjit Lala: Thank you.

Moderator: We'll take the next question from Chinmayi. Chinmayi, you can unmute and ask the question.

Chinmayi Upadhyay: Hello, am I audible?

Ranjit Lala: Yes.

Chinmayi Upadhyay: Yes, hello, sir. Thank you for the opportunity and congratulations on a great set of numbers.

Ranjit Lala: Thank you.

Chinmayi Upadhyay: Just a couple of questions. First, in relation to the order book, so the fact that you mentioned solutions. So as a part of the entire order book, what part of, the order book are we doing at site, because we foray into fabrication of certain critical equipments like silos. So, are there any other orders that have come in into our order book?

Ranjit Lala: Right, so we had the advanced stage of discussions with some of our customers. And this would be a combination of the orders we executed in the factory as well as the site.

Chinmayi Upadhyay: Okay. So, can you give me a bifurcation in terms of numbers as to the services we are providing at site versus not?

Ranjit Lala: For the current financial year, maybe Sachin can throw some light on that.

Sachin Vijayakar: Out of the pending orders of around ₹213 crores, around ₹30 crores of orders are being done at site.

Chinmayi Upadhyay: Okay.

Ranjit Lala: And this mix could change from time to time.

Chinmayi Upadhyay: Okay, okay. Got it. And the next question was in terms of, we had mentioned earlier, is there any bottleneck we are facing in terms of conversion of inquiries into orders right now?

Ranjit Lala: Well, there will always be some challenges from time-to-time Ma'am. And no, it is not that we are in a sellers' market. So, price is always, we have to be very strategic enough in our pricing.

Chinmayi Upadhyay: Right. Okay, got it. And sir lastly, earlier we had mentioned that there are certain EOT cranes that were to be delivered to our facility. So, has that already arrived for usage? And is there any other, kind of amount that we have further expansion we're looking at in terms of the execution capability we have?

Ranjit Lala: Thank you for that question. Yes, those cranes have arrived and very much in operation as far as the future CapEx is concerned. I would expect that our CapEx for next year would be in the range of ₹15 crores to ₹20 crores. This would include expansion of the acquired facility in Pune. So, we expect some CapEx to be deployed over there and also in our current factory. So that's very much on our next year's budget.

Chinmayi Upadhyay: All right, all right. Thank you so much, sir. That was very helpful. Thank you.

Ranjit Lala: Thank you.

Moderator: We will take the next question from Gunit Singh. Gunit, you can unmute.

Gunit Singh: Hi, sir. So, acquisition that we are proposing by when do we expect that to be completed and by when can we expect the revenues from that flowing into our consolidated revenues?

Ranjit Lala: We expect the acquisition to be completed by December 2023. So, it's an 100% acquisition.

Gunit Singh: December 2025?

Sachin Vijayakar: 2023.

Ranjit Lala: In the current quarter.

Gunit Singh: All right, and sir what kind of annual revenues does that company generate?

Ranjit Lala: Well, we expect them to generate in the range of ₹75 crores to ₹100 crores in the current year.

Gunit Singh: All right. Yeah, please go ahead.

Ranjit Lala: And combined revenue which we see ourselves to have is ₹450 crores to ₹500 crores in the coming years.

Gunit Singh: All right. And for the current year, I'm sorry if I missed the opening remarks, you mentioned that we would be achieving ₹300 CR plus in revenues.

Ranjit Lala: Right.

Gunit Singh: All right, sir. That's all from my side. I will join the queue again. Thank you.

Ranjit Lala: Sure, thank you.

Moderator: We'll take the next question from Navin. Navin, you can unmute please.

Navin: Good evening. Thanks for the opportunity. I just want to understand what is the split up between the process equipment and fabrication in our revenues approximately?

Ranjit Lala: So, when you talk about fabrication, are you referring to the site fabrication?

Navin: The overall, we might do it in our base also.

Ranjit Lala: Okay. Well, that depends on project to project. It is never a fixed number but you can say that 20% to 25% of it would be outsourced. Anil, can you throw some light on that, Anil? Anil, are you there? Yeah.

Anil Karnad: Yeah, I'm there. Navin, your question I believe is you are asking exactly the question is how much of the percentage is process equipment, how much is the fabrication revenue, right?

Navin: That's correct.

Anil Karnad: Yeah, see majorly we deal in only process equipment. When we talk about fabrication, fabrication, what we spoke about the silos, we have taken that although it is a process equipment as such but to reduce the risk, we have taken it as a fabricator. The job has been taken as a fabricator. However, we are involved in the design validation of these silos. So, you can say there is value addition as a design consultant plus a fabricator onsite. I hope I have replied to your question, but in percentage I would say around 20% or 15% of our revenue is only fabrication.

Navin: Got it sir, very helpful. And what percentage is recurring revenue from repairs, maintenance and such contracts?

Anil Karnad: See, we are not focusing right now on any such kind of job. However, the equipment we provide to our customers basically they have their own maintenance team. So, they don't offer any annual maintenance. However, for the tea industry we do offer AMCs and this is for you can say almost 70% of our equipment, we have these AMCs, but they are not revenue generation oriented. They are more of you know to keep us alive in the market and kicking.

Navin: Got it. And in the revenue projections for the current financial year we have put out a number of ₹400 crores. Is that including the new acquisition or is it just the current setup only?

Anil Karnad: It is including the new acquisition.

Navin: Okay sir, thank you. Thank you sir.

Anil Karnad: Thank you.

Moderator: Thank you. We will take the next question from Darshil Jhaveri. Darshil?

Darshil Jhaveri: Hello, am I audible?

Ranjit Lala: Yes.

Darshil Jhaveri: Sir, most of my questions have been answered. Just wanted to clarify, we are expecting ₹300 crores on a standalone basis? So, ₹100 crores of revenue for that would only be for four months of M.E Energy. So, what I am sorry, what would be the annual run rate we expect from M.E Energy?

Ranjit Lala: Well, you are talking about the current year for M.E Energy?

Darshil Jhaveri: Current year or maybe FY '25, what we expect from M.E Energy, M.E Energy current year, what will be the run rate that we can expect of it to be?

Ranjit Lala: This year we expect it to be in the range of ₹75 plus crores and definitely going forward we expect it to be in the range of ₹100 plus crores.

Darshil Jhaveri: So, I just wanted to clarify ₹300 crores, we are expecting on a standalone and M.E Energy could do ₹75 crores and it could add around ₹30 crores, ₹35 crores of revenue for our consol basis. So, ₹400 crores, just wanted to reconcile that because I know you could help me out in that.

Ranjit Lala: Well, what I mentioned is that we would be in the range of ₹300 plus crores and they would be ₹75 plus crores. So we are targeting ₹400 crores jointly as of now. And going forward, we are definitely working on achieving ₹500 crores by having an expansion over there. I mentioned sometime back that we are having some CapEx plans for the factory in Pune. So all in all, I expect that we would touch ₹500 crores by 2025.

Amritanshu Khaitan: Ranjit, just I think Sachin can clarify here. When we talk about M.E Energy's revenue, I'm guessing that post the integration and becoming 100% subsidiary, the total full-year's revenue will get consolidated.

Sachin Vijayakar: Yes.

Amritanshu Khaitan: Sachin, please confirm that.

Sachin Vijayakar: Because first half, we are not achieved any [indiscernible] [00:27:31]. So, by the time we achieve that, the major turnover is expected in the last quarter.

Darshil Jhaveri: Okay, that helps. And we are talking about 20%, 25% growth, so in our standalone entity, we will have around 20%, 25% growth and M.E Energy will also be growing at a similar rate. So, on a combined basis, ₹500 crores is achievable?

Ranjit Lala: Yeah. So, we will have a combined growth rate of 20% to 25%.

Darshil Jhaveri: Perfect. And so with such a high growth, what other CapEx are there, essentially the capacity implementations are enough to be able to maintain or how that is done, so will we need another major CapEx growth?

Ranjit Lala: Right, so as I mentioned that we are anticipating a CapEx of ₹15 crores to ₹20 crores. Most of it would be for the expansion in Pune, since they have provision for expansion and there could be some CapEx in Kilburn at our current premises. So those final details will be worked out in due course of time.

Darshil Jhaveri: Perfect, perfect. Most of my questions have been answered. All the best. Congratulations. Thank you.

Ranjit Lala: Thank you.

Moderator: Thank you. We'll take the next question from Alisha. Alisha, you can unmute please.

Alisha Mahawla: Hi sir, good afternoon. Thank you for the opportunity. So firstly this order book of ₹212 crores. This is executable over what period?

Ranjit Lala: The current order book, open order book you're saying?

Alisha Mahawla: Yes.

Ranjit Lala: Most of it would be executed in the current year.

Alisha Mahawla: So typical execution cycle would be six to eight months?

Ranjit Lala: It depends on the products. Sometimes it is three to six months. Sometimes it can go to 10 to 12 months.

Alisha Mahawla: So and earlier in the call you were mentioning that the order inflow for the year we're expecting is ₹250 crores or for H2 is ₹250 crores?

Ranjit Lala: For the H2 is ₹250 crores.

Alisha Mahawla: Okay.

Ranjit Lala: And based on the inquiry pipeline of ₹1,000 crores.

Alisha Mahawla: Okay, and the silos order that we had to see, what was the size of that order and how much is currently executed?

Ranjit Lala: Sachin I would need your help over here.

Sachin Vijayakar: So, the order was around ₹42 crores. So, around ₹24 crores is yet to be executed.

Alisha Mahawala: And that will be executed in this year?

Sachin Vijayakar: Yeah.

Alisha Mahawala: Sure. And just a question on M. E. Energy, if you can just help us understand that, if there's a waste heat recovery plant, what is it that we are supplying? What would be part of our scope of work here?

Ranjit Lala: Right. Our scope would start straight right from the engineering. And whatever equipment needs to be built both in the back and inside. So, all that would be a part of our scope. It could be some equipment, it could be some services, engineering services. It depends on project-to-project. These are all customized projects.

Alisha Mahawala: Is it possible to quantify say for a plant that costs say ₹100 crores, what would be our addressable portion over here?

Ranjit Lala: Anil, I'll need your help over here.
Anil are you there?

Anil Karnad: To quantify on the aspect of -- ma'am, are you speaking about the M. E. Energy only?

Alisha Mahawala: Yes.

Anil Karnad: So, if the plant cost is ₹300 crores for a waste heat recovery solution package. See normally I would say the power plants like the thermal power plants, the cost is much more higher. It's in the range of ₹4,000 crores. So in terms of percentage with respect to ₹4,000 crores, waste heat recovery would be around let's say somewhere around 5% not more than that. But there is the ROI on this spending by the thermal power plant is estimated at around 18 months to 2 years. So it is quite attractive for a power plant.

Alisha Mahawala: Okay. And this entire 5% is what we would be catering to, it would be part of our scope of work we would bid for.

Anil Karnad: Yeah, yeah.

Alisha Mahawala: Sure. Are we witnessing any slowdown in order inflow? Because if I look at the run rate or even what it was last year in the kind of info that we're targeting? Are we witnessing any kind of slowdown?

Ranjit Lala: Well, I think, these situations come in the market where you feel a slowdown and then suddenly a spate of orders close. So, it's very subjective. As of now, we are not seeing a slowdown. We expect a good Q3, Q4 in terms of order booking.

Alisha Mahawala: Or if I could just put it differently in the order inflow that we saw last year of about ₹350 crores. Was there any one or two big orders, which helped us, made the order inflow very, very strong?

Ranjit Lala: Yes, definitely there were one or two big orders and we expect the similar situation will happen this year also.

Alisha Mahawala: Okay, I'll come back in the queue. Thank you.

Moderator: Thanks, Alisha. We'll take the next question from Richa Agrawal. Richa, you can unmute and ask your question.

Richa Agrawal: Audible?

Ranjit Lala: Yes

Richa Agrawal: Yeah. Thank you for the opportunity. I just wanted to follow-up on a previous participant's question about the volatility of the margins. So I just wanted to understand when you're bidding and when the order book is there, so what kind of margins are you considering the minimum viable margins for yourself? And I mean, the reason for expansion of your margins is because of certain big order inflows or is it the raw materials? And if you could give us some visibility in terms of sustainability of these kind of margins, that would help?

Ranjit Lala: Sachin, can you take that?

Sachin Vijayakar: Definitely. Usually, our margins in all of the orders range from around 35% to 45%. So certain big orders, which we had got at good margins during the last quarter of the last year have come into execution during this current quarter. That is one of the reasons for the higher margins as well as the higher EBITDA. Additionally, as Mr. Anil said, this site work also, which we are executing that has also taken a deep during this quarter, which has also given us a good margin during this particular quarter.

And going ahead we target mostly what orders are in the pipeline are more or less in the same range of gross margins. Based on that we hope to sustain this miss. We'll definitely sustain this EBITDA margin of around 20% going by the trend or what inquiries are in hand, but we are addressing presently.

Richa Agrawal: Okay. And also in terms of receivables like I was looking at your receivable deals and they seem to have like they were more than 100 days and now they are at 70 odd days. So if you could help us understand what is helping to bring this down and what can we expect going forward based on the current…

Sachin Vijayakar: Each receivable, each customer has a different order terms. Many of our customers, the last 10% is held back, because of the commissioning, not commissioning of the plant. So, though we have supplied everything, the last amounts are held back because they have not yet commissioned their clients. So, most of the commissioning activities and quite a few of our projects are over. So, that has brought down the receivable levels. And we have also been rigorously targeting, having specific focus on collections. And that is how it has been. We have managed to bring it down.

Richa Agrawal: So, where do you expect, based on the current order book and kind of execution that you have? Because I'm not sure of the retention part of it. So, where do you expect it to be in FY '24-'25?

Sachin Vijayakar: With the order book and applying growing, definitely your debtors are going to be higher. Most of our dispatches or sales are concentrated in the last quarter. Now, even in this half year, during September itself, we have dispatch around 50 cr So, naturally at the end of the year, your debtors are about to be higher, but that is not indicative of their collection cycle or the debtors' number of days cycle.

Richa Agrawal: So, I mean, would you say that it would be more of around 80 days or it is likely to be around 100 odd days?

Sachin Vijayakar: The range between that, say two, two and a half months of sales.

Richa Agrawal: Okay. And sir, could you also share about the consideration for acquisition of M. E. Private Limited?

Ranjit Lala: Sachin?

Sachin Vijayakar: Yeah, total consideration is ₹99 crores, out of which ₹23 crores will be by way of issuance of swap of shares, Kilburn shares. As I've stated in our EGM notice, 14 lakh shares will be issued and balance will be by way of cash. For this, we are raising the funds through a private placement, preferential allotment of shares and warrants.

Richa Agrawal: Okay. And sir, just one more question. Like in your shareholding pattern, there is some kind of selling by a certain promoter. So, I mean, which group that belongs to, both the restructuring now that we have two promoter groups. And is there further sale expected, the promoter stake is it likely to come down further?

Moderator: Amritanshu, can you take that question, please?

Amritanshu Khaitan: Yeah, so at the moment, the total promoter holding is at about 50 odd percent. We believe that the promoter stake should continue at these levels going forward. As of now, there's no plan for any stake sale to take place.

Richa Agrawal: Okay, and the sale that happened that was from Khaitan Group?

Amritanshu Khaitan: That was from the Williamson Magor Group.

Richa Agrawal: Okay. Thank you so much.

Moderator: We'll take the next question from Bharat Gupta. Bharat you can unmute and ask your question. Bharat, we cannot hear you. We will move on to the next participant. We will take the next question from Dhiral Shah.

Dhiral Shah: Yeah. Good afternoon, sir. Thanks for the opportunity. With the acquisition of M. E. Energy, since what I came to understand that M. E. Energy is more into the waste heat recovery side. So I just wanted to know sir if you can explain how this will complement our existing business since we are more into the product dryer side sir. So, what is the synergy by acquiring this business, and how we can cross sell our product?

Ranjit Lala: Right. So, if you look at the customer base, most of the customer base is similar whether it comes to petrochemicals, whether it comes to chemical industry and what they… carbon, black soda ash and what they have in addition is probably the food and beverages they are well placed. Now if you look at all the projects which are coming up or expected to come up, most of them would need dryers for their projects and practically every project also needs a waste heat recovery system. So from that perspective we see that we have a wider product portfolio to offer to all our customers. So that's where as a group, as partners we have more to offer to the customers. And there is no overlap of the products as such. What they have is unique in its own way and what we have is also unique in its own way. So that's how they, to be augment each other.

Dhiral Shah: And so who are the competitor of the M. E. Energy?

Ranjit Lala: The biggest competitor I would say is Thermax. But M. E. Energy has created a niche for itself by offering customized solutions.

Dhiral Shah: Okay. And so what is the revenue potential that M. E. Energy can achieve in the coming years and the kind of CapEx that we are doing in FY '25, 15%, 20% what additional revenue we can deliver?

Ranjit Lala: Well, as I said earlier, together we are targeting revenue of ₹500 crores plus. If you talk about the spread, it could be in the range of 80% to 20%.

Dhiral Shah: Okay, so 20% from M. E. and the rest from the...

Ranjit Lala: But it could vary, I'm just giving you a ballpark figure.

Dhiral Shah: Okay. Thank you so much sir.

Moderator: Thanks, Dhiral. We'll take the next question from Kartik Bhat. Kartik, you can unmute, please.

Kartik Bhat: Thank you for the opportunity and congrats on the good set of numbers. So you mentioned in your presentation about new and niche areas of application in addition to chemical, petrochemical and so on so. If you can throw some light on which are these areas and who are the players addressing this market currently and what is our entitlement to when or I mean and so on?

Ranjit Lala: You're referring to Kilburn portfolio?

Kartik Bhat: That's right.

Ranjit Lala: Right. So, what we are targeting is API market, that's one. Secondly, we are targeting projects where work is to be done at site. We just mentioned about the silos. So this was the first time we had done in the current financial year. We expect to expand that portfolio as well. And apart from that, we are looking at air preheaters market.

Kartik Bhat: Okay. And I think in the last earnings call, you were mentioning about U. S. and Europe markets being serviced through original dryer plant and you were planning to set up your own team. So any update on that or how is that looking currently?

Ranjit Lala: Right. So, wise that is an ongoing process, but we have been very focused on the Indian market since there has been sufficient business and we have to take a call where to put our energies into our resources. So as of now, we are well placed in the local market and gradually we'll also get to the international market. But that's definitely something on the radar.

Kartik Bhat: Okay. And M. E. Energy how much debt do they have in the books currently? Is it substantial or…?

Sachin Vijayakar: No, it is mostly their borrowings are for non-fund base limits, so they have a very paltry bank exposure in.

Kartik Bhat: Okay, sure. And I just wanted to check are we eligible for PLI benefits currently and are we getting PLI scheme benefits currently?

Ranjit Lala: Sachin?

Sachin Vijayakar: Can you please repeat the question, I didn't get to that.

Kartik Bhat: PLI scheme benefits, we eligible for those and are we getting those currently? What's the magnitude if yes?

Sachin Vijayakar: No we are not getting this benefits.

Kartik Bhat: Okay, sure. Thank you so much.

Moderator: Thank you. We'll take the next question from Varun Agarwal.

Varun Agarwal: Thanks for the opportunity. Congratulations, Mr. Lala and team for the wonderful set of numbers.

Ranjit Lala: Thank you, Varun.

Varun Agarwal: Acquisition what we have done, the margin profile of this company is higher than the existing business, is my understanding correct?

Ranjit Lala: Can you kindly repeat your question, Varun?

Varun Agarwal: New acquisition what we have done, is the margin profile in that new business higher than our existing business?

Ranjit Lala: Well, I would say it's in the same range.

Varun Agarwal: Okay. Thank you so much.

Moderator: Thank you. We will take the next question from Kunal Tokas.

Kunal Tokas: From my side, we welcome you. First of all, congratulations for a good set of results. There are a couple of questions. First, in regard to the domestic sales, so I believe we are nearly like 85% of our order book is towards domestic market only. And there 50% of our book is exposed to chemical sector directly or indirectly. We are seeing that there is a good amount of evidence which are seen across the sector and the CapEx intensity with respect to chemical sector, that is going on a different kind of way. So, are we seeing some sort of impact in terms of the overall bits which are repeated in the market? So, there is some sort of impact which is coming in place due do this?

Ranjit Lala: Well, if you see a little bit of headwinds in chemicals, then I can say that the Petrochemical segment has good opportunities. So, in the past also I have mentioned that the growth that we are seeing in the next five to seven years in petrochemicals and chemicals of course is varying from 7% to 10%. But at some point of time, one of the verticals is doing pretty well. So, that's where we keep focusing our efforts. So, these things will happen. Hence the chemical industry will have headwinds. Sometimes there will be a lull in the petrochemical industry. Sometimes there will be few projects in the carbon black but something or the others always there for us to target.

Kunal Tokas: Overall if you look on an annualized basis, the kind of order book which we are maintaining. So we are able to grow it at a CAGR of 25%, that way we are comfortable, right?

Ranjit Lala: As of now, yes, that's how we see ourselves.

Kunal Tokas: And just talking with respect to the strike rates. So eventually I believe ₹4,000 odd crores of tenders are generally floating in market on an annualized basis. I'm talking with respect to the overall leadership. If my understanding is correct. So there's what kind of orders generally we focus upon. Are we focusing on kind of projects where the margins are over 20% or there's some sort of customization which is required or we generally focus on the kind of like across the bits we primarily focus upon irrespective of the margins?

Ranjit Lala: So it's like this Kunal that we definitely focus where we have a niche for ourselves. So when you talk about places like soda ash, carbon black, petrochemicals or chemical industry, we have a niche market. As I said, we tie up with the customers at the pre-project stage right from the engineering stage, and we support them with all the necessary inputs. That's how we keep ourselves strongly with them, in a strong relationship with them.

Now, you are talking about ₹4,000 crores pipeline. We don't target ₹4,000 crores pipeline. We are very clear that we will target around ₹1,000 crores to ₹1,500 crores at any point of time. And there too, we do participate in probably ₹1,000 crores inquiries, but when it comes to focus, we are very clear what we need to choose and pick.

So we always focus on places or on projects where we expect to have higher margins, but not necessarily that it works in that direction all the time, but our focus is on the high margin projects. And if we feel that we have secured enough, then we can also get to the next level of projects where we have lower margins so that we have the economies of scale to help us out. So that is something which we review from quarter-to-quarter, and I think we have been fairly successful.

Kunal Tokas: And the kind of orders we will focus upon. So what kind of the strike rate generally is it for this?

Ranjit Lala: Well, I would say in the range of 30% to 40%, just a ballpark figure.

Kunal Tokas: Also, I just wanted to check, like in terms of our export strategy, what kind of like are we that can handle with some EPC players and what kind of strategy we have in place for those exports?

Ranjit Lala: Right. So currently, if you look at our exports, we have done a lot for companies like Birlas and Tata Chemicals. We are working closely with them. As far as the EPC is concerned, we have not really directly tied up with them. But all the EPC, the international EPC companies in India, definitely we are well placed with them like the Teknuance, then Technip and many others. So once you are qualified with them for the local projects, there is only a little bit of more effort in getting qualified for the international markets. But as I said, right now our focus is to bag as many orders in India.

Kunal Tokas: Just a last bit from my side and that is on the margin side. As you said 20% of the margins you are working upon. So as per my understanding is concerned, we look on a per ton basis, whatever kind of material which we are supplying or whatever kind of equipments we are supplying. The majority of it is commoditized in nature. Particularly the margins we enjoy is finally on the processing front. Right, EBITDA per ton kind of framework we generally work upon, whether we look out for any kind of a bit or it is somewhat different?

Ranjit Lala: So not all of our material is a commodity. We specialized in fabrications of exotic metals like Inconel, Titanium and that's why we have higher margins. So that's also our process capability that we have, which leads to higher margins. And what the customer sees is in totality. They don't see that, okay, so much portion is a commodity or so much of a portion is a high-end material. That's not the way they see. They see our capabilities and that's how we actually maintain our margins. So, our margins are not linked directly to commodities.

Kunal Tokas: And what steps you are taking in terms of migrating further into the value-added side?

Ranjit Lala: Sorry, I beg your pardon, can you repeat?

Kunal Tokas: Sure, sir. I was just asking with respect to the product mix, whatever steps we are taking in order to maintain the margins and particularly is there a change in the product mix? And we are venturing further into the value-added side?

Ranjit Lala: Well, I think we are already well placed in the value-added side. Yeah and that's how we expect the margins to be maintained. On the product mix, I would say we have one more product, which is the tea dryers and definitely the margins are low over there. And then we have the paddle dryers where they are reasonable. But most of our equipment is with reasonably good margins.

Kunal Tokas: Thanks, Sir

Moderator: Thank you. I would like to invite Bharath Gupta to ask his question. He's having some issues with his mic.

Kunal Tokas: Vinay, I think I have already asked.

Moderator: Okay, that was you only, sure, thanks. We'll proceed to Sanchit Chawla. Sanchit, you can unmute and ask your question. Sanchit, we can't hear you. We will go to the next participant, Sarvesh. Please unmute and ask your questions.

Sarvesh Bodani: Yes sir, so congrats on a great quarter. My first question is on the inquiry pipeline. So up till last quarter we used to say we have an inquiry pipeline of around ₹700 crores and now we are certainly at ₹1,000 crores which is a sizable jump of 40%, 45%. So what has led to this, if you could explain?

Ranjit Lala: Well, you have the business happening in the market, you have projects happening. So, that's how we have the inquiries coming in.

Sarvesh Bodani: Okay, so it is only then demand is so good from the market?

Ranjit Lala: As of now, yes.

Sarvesh Bodani: All right. And you said that the value-added mix in our order book is quite high this time. That is why we are able to do 20% plus kind of EBITDA margins. So what is leading to this better value-added mix, anything different in the market?

Ranjit Lala: No, what we mentioned earlier was that the projects that we are currently executing in this quarter or on the last quarter, they were the projects which we had bagged at higher margins. Yeah, so overall mix has given us a 20% margin and we expect this to continue.

Sarvesh Bodani: All right. In previous calls we have said that on a standalone basis our peak revenue could be ₹450 crores to ₹500 crores and according to our projections next year, we shouldn't be around in that ballpark. So do we have any sizable CapEx plans?

Ranjit Lala: Well, first of all, no, if you're deferring to the previous call, I think we had said that our vision is to reach ₹500 crores by 2025. And that time, M.E Energy was not on the cards and we said we are looking at all options of both organic and inorganic growth. Now that we have taken a step forward, we expect that we will meet our vision of 2025. I hope that answers the part of your question. Coming to the CapEx, yes, definitely, I did mention a while back, we are looking at a CapEx in the range of ₹15 crores to ₹20 crores, a part of which would be for the Pune factory, because we have provision for expansion and a part of it would be for our existing factory. And the final details are being worked out.

Sarvesh Bodani: All right, thanks, and all the best.

Ranjit Lala: Thank you.

Moderator: Thank you. We'll take the next question from Richa.

Richa Agrawal: Thank you for the opportunity again. So my question, I think in one of the previous calls you had mentioned that your export margins are a bit lower than the domestic, but if you could help us understand the gap between the two, I think your current revenue mix is 20% from the exports and also what is the mix in the order book, if you could highlight that?

Ranjit Lala: Mix in the order book, I would say right now our export order booking is in the range of 10%. What I had mentioned is that it could vary. It's not necessary that we always have lower margins on the export. It's again, from time-to-time, it changes. You could also, I mean, at some point of time, it's possible that you might have higher margins. But as of now, I think what we are having is an average of 20%. Let me put it that way. It would be difficult to further dissect it as to how much is it exactly and the exports and how much it is for the local market. These are very dynamic things. And we are very much in control of that.

Richa Agrawal: Okay. And going forward, if you could also help me understand what kind of CapEx do we need to put up for a certain order quantum or incremental revenue? Is there a percentage to it?

Ranjit Lala: Well, I cannot give an exact percentage. But what I can say is that we have done our assessment as to what is the kind of CapEx is expected from our end in the next one year and I mentioned it would be in the range of ₹15 crores to ₹20 crores and plus minus I mean it could be even more than ₹20 crores when we work on the final details but most of it would be for the Pune factory.

Richa Agrawal: Okay, thank you.

Ranjit Lala: But we are targeting ₹500 crores for 2025, I mean that's our vision. I think that's something which I have told you in the previous call and I've also mentioned before that when I met some of you in person.

Richa Agrawal: Okay thank you and all the best.

Ranjit Lala: Thank you.

Moderator: Thank you. We will take the last question for the day from Shubham Thorat. Shubham, you can unmute and ask your questions.

Shubham Thorat: Yeah, can you hear me?

Ranjit Lala: Yes.

Shubham Thorat: Yeah, thank you for the opportunity and my first question is that I just wanted to pick your thoughts on what is the current situation on the raw material side of your costing and how do you expect it to be coming couple of quarters?

Ranjit Lala: Sorry, Sachin did you, can you take that?

Sachin Vijayakar: No, I could not get the question.

Ranjit Lala: Yeah, can you kindly repeat your question Shubham ji?

Shubham Thorat: Sure. So, I just wanted to ask what is the current situation on the raw material costing time for the company and how do you expect it to be behaving in the next couple of quarters?

Ranjit Lala: Well we don't see any major changes in the raw material costs. I think they are very much under control and as far as the costing is concerned definitely when we do our costing, we do it at that point of time and at the time of finalization, we review over costs and if we get the orders we immediately book back to back with our suppliers. So that is very much in place now for more than a year, year and a half.

Shubham Thorat: Got it. And lastly, so I believe the current export misses 20% of your revenues. So is there any internal numbers that you want to add on to while targeting the export? Is there any number targeted for the percentage of revenues for the exports?

Ranjit Lala: Currently, as far as I understand, it is 10% of our order booking and it could vary from time-to-time, but we expect that on an average, we would be in the range of 15% to 20% in days to come.

Shubham Thorat: Got it. Sure. Thank you for the opportunity once again and wish you all the best.

Sachin Vijayakar: Thank you.

Moderator: Thank you. So we take one last question that has come on the chat from Mr. Keshav Kumar. Is the waste heat recovery equipment largely catering to greenfield or is there a large conversion demand also present, where the existing plants add these equipments and where is the current demand in this coming from in our acquired company?

Ranjit Lala: Right, so definitely it is both in the greenfield projects as well as I would say the retrofits where people are looking at reutilizing the heat that is generated as a part of process. So that's the reason why you have process boilers and heat recovery systems. So that is something which we, I mean, As of now M. E. energy is offering to its customers even for the brownfield projects or the existing setups.

Now where is it coming from? It's coming from across various verticals and for the best of my knowledge they have some very good customers in the food and beverage business apart from others but they are very strong in the food and the beverage business in the thermal power plants, cement industry. This is they are affording.

Vinay Pandit: Right, thank you sir. That brings us to the end of this conference call. We thank the management for giving us their valuable time and to all the participants for joining along this call. You may all log off now. Thank you.

Ranjit Lala: Yeah, thanks to all of you and wishing you all a very Happy Diwali in advance.

Vinay Pandit: Thank you sir.

Sachin Vijayakar: Thank you.