“Pennar Industries Limited
Q2 FY27 Earnings Conference Call”
November 16, 2026

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Moderator: Ladies and gentlemen, good day, and welcome to the Pennar Industries Limited Q2 FY27 Earnings Call hosted by PhillipCapital India Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after presentation concludes.

This conference may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict.

Should you need assistance during the conference call, please signal an operator by pressing star when zero on a touch-tone phone. I now hand the conference over to Mr. Vikram Suryavanshi from PhillipCapital India Private Limited. Thank you, and over to you.

Vikram Suryavanshi: Thank you. Good morning, and very warm welcome to everyone. Thank you for being on the call of Pennar Industries Limited. We are happy to have with us the management of Pennar Industries here today for question-and-answer session with the investment community. The management is represented by Mr. Aditya Rao, Vice Chairman and Managing Director; Mr. Shrikant Bhakkad, Chief Financial Officer; Mr. Manoj, President, Corporate Planning; and K.M. Sunil, Vice President, Investor and Media Relations.

Before we start with the question-and-answer session, we will have opening comments from the management. Now I hand over call to Mr. Aditya for opening comments. Over to you, Aditya.

Aditya Rao: Thank you so much. Good morning. Thank you to all of you for joining Pennar Industries Quarter 2 FY27 Investor Conference Call for the Quarter ended 30th September 2026. We will cover our numbers for the quarter and take you through each of our businesses. First, I will walk you through the quarter's headline numbers.

The story behind each of our growth engines. Srikanth will then take you through the detailed financials. We will end with a Q&A. So for the second quarter, it has come in quite strongly. The total revenue grew 11.92% year-on-year to INR1,029.25 crores and PBT grew 24.3% to INR50.89 crores.

Profit growth ran at more than twice the rate of revenue growth this quarter. This is operating leverage and the revenue mix doing their work. We also came in ahead of our strategic plan, 2026 forecast on both the top line and the bottom line. With the key revenue drivers, PV India, the order backlog continued to be very strong. We crossed INR1,000 crores last quarter.

We've now sustained above that level. Margins have improved during the quarter on the back of larger orders from controllers and Tata projects. And the productivity output in the business has stabilized. In PEBS, the order backlog stands at $93.1 million. The business recorded one of its highest ever quarterly revenues of $35 million, and margins improved sequentially over Q1

Boilers and order backlog is now INR152 crores, two things worth calling out this quarter, notable retrofit and revamping order for the supply of par pressure parts for TPH or PFBC

boilers. And our first orders in pressure vessels, the new revenue line that opens a new addressable market for the boiler business.

In BIW, the first phase of hot stamping capex has been successfully completed, completed what's called as the LP2 status with Hyundai. Both the projects will be commencing production over the next few weeks. The second phase of hot stamping and cold stamping capex investment is expected to be completed by March 2027.

The business has secured new orders from Hyundai, Sears, TIVOLT and they strengthened the order book and future growth prospects as well. Revenues projected to increase in the fourth quarter. This is supported primarily by new orders and the commissioning of additional capacities. Engineering Services have grown to 36.5% year-on-year, the strongest quarter this business has had.

The U.S. sales team is improving further, higher sales order volumes and has onboarded new customers. Tech Pennar is stabilizing and steadily widening its customer base across Europe, the United States and also, we opened up Australia as a sector. Hydraulics, the order backlog is INR35 crores.

This is one of the issues, one of the revenue streams we need to focus on. The business is focused on strengthening its domestic and European market presence. The U.S. market continues to be -- from a policy point of view, a little confusing. We will look to, over the medium term, continue to build new product development capabilities and bring order backlog up.

But the order backlog for every one of our revenues, all of our verticals is strong, hitting targets, and we are confident of growth. In this one revenue stream, they have to be a little patient. Moving to profitability and margins, PBT margin for the quarter was 5.01%, up from 4.52% in the second quarter last year.

Direction is the same what we've been reporting through FY27, higher-margin businesses like the U.S. and engineering services are growing faster than the rest, and the group margin follows. On capital efficiency, ROCE was 20%, ROE around 11.7%. We are not happy with 20%. We want both to move higher as the business scales.

So it's a teeter-totter for us to get our capital allocation improve. There are root causes to why the capital allocation is higher, but the ROCE is a little lower than what we had expected to be or what we wanted to be. and we will go through that over the call. Srikanth got as some merit on that as well.

But our intent is to dramatically improve that over the next couple of quarters. For closing remarks, this is a quarter in summary, our strategy has not changed. Put capital into businesses where we are the player is trying to play right to win, keep working capital tied and let ROCE guide additions. I will now hand it over to our CFO, Mr. Srikanth, for his detailed analysis. Thank you again for your interest.

Shrikant Bhakkad: Thank you, Aditya. A very warm welcome to all our shareholders and investors joining us today. Q2 FY27 reflects the continued evolution of our business towards profitable and sustainable

growth. The quarter delivered the healthy revenue growth and our operational discipline, improved product mix and better project execution, which translated into stronger profitability across the businesses.

Like we have said earlier, our strategic priorities remain unchanged, expanding our addressable market, improving the execution, enhancing productivity and maintaining disciplined capital allocation. This initiative has helped us deliver double-digit growth in revenue, EBITDA and profit before tax as well as profit after tax in a challenging operating environment that we have.

Taking through the key financial highlights, revenue from the operations has increased to INR1,029.25 crores. This is the first time ever that we have crossed INR1,000 crores in a quarter. and a growth of 11.6%. EBITDA has increased to INR114.8 crores from INR94.4 crores, a growth of 21.6%, reflecting improved operating efficiency and the project that we are moving towards a transforming business unit growing faster than the other businesses which we are exiting.

Profit before tax has increased by 24.3% to INR50.9 crores from INR40.9 crores. PAT is lower due to the corresponding prior year tax, which we had correspond in the last quarter, onetime adjustments of INR1.8 crores. Cash PAT has increased to INR62.2 crores from INR51.7 crores, demonstrating the strength of underlying earnings.

The most encouraging aspect is that the profitability growth remains exceed the revenue growth. This reflects the operating leverage efficiency benefits we have been working towards over the last several quarters, and we are confident of continuing this. Taking you through the segments.

Custom Design Building Solutions revenue has grown from the segment from INR465 crores to INR563 crores, a growth of 21% year-on-year and is also 11% over the last Q1 FY27. The investments of the past year, including the integration of the Telco, continuing to strengthen our platform and customers reach in the United States.

Profitability has started growing from the acquisitions as we continue to invest in the process strengthening. In India, we have adequate capacity as we have strengthened and now we have strengthened the execution team and focused on project delivery. Sequential revenue momentum in this segment shows the efforts are beginning to yield results.

We continue to be the earlier challenges as operational rather than structural. Our order pipeline remains strong, and we expect execution momentum to keep improving over the coming quarters in India as well as the U.S. Diversified Engineering revenue held steady at INR467.9 crores versus Q2 INR468.3 crores despite the businesses that we are exiting.

It recovered strongly from INR385.3 crores in Q1 FY27, a sequential growth of 21.5%. Segment profit depreciation and finance cost has also grown. We remain focused on enhancing competitiveness and the operational efficiency in this business. Coming to margin expansion, our gross margins, EBITDA margins and PBT margins have grown.

While margins will fluctuate quarter-on-quarter, given the nature of our business, we believe the structural measures that we have taken will deliver the results over a period of time. Moving

from revenue to other income. Other income includes INR13.5 crores, includes the interest and bank deposits income of INR2.09 crores, gain on sale of investments, INR1.15 crores, gain on forex fluctuations, INR1.52 crores, rental income and export incentive, INR3.23 crores and liabilities return back INR6.98 crores.

A substantial portion of these items arise from normal business activities and treasury management. Cost management and investment for growth. Employee expenses have increased from INR95.9 crores to INR115.9 crores, up by 20%, primarily reflecting the continued investments in Telco and expanding capabilities in India for our growth operations.

The investments are focused towards sales and business development, project execution capability and growth initiatives that we have taken in the U.S. markets for our engineering services vertical. Capital allocation and balance sheet. Finance cost for the quarter is INR39.5 crores, grew about 3.9% of the revenue and this is within our long-term guidance of around 4%.

Term loan costs are primarily attributable to the Telco acquisition and the BIW acquisition that we -- BIW capitalization that we are doing in the current quarter, which is contributing to our revenue growth also. We expect the cost to remain within this range. As the scale improves, we will have term loan cost reducing and the working capital cost going up.

During the quarter, the promoter warrant holders exercised the options of 550,000 warrants and the company received INR6.93 crores as the balance consideration. Overall, the company has received INR19.53 crores in the form of margin money and the shares allotted. This also has lifted our shareholders' equity from to INR1,259 crores from INR1,163 crores.

Working capital utilization remains elevated, supporting the higher revenue and the order book. We are high here in terms of inventory, but we have taken a conscious call to procure higher inventory for the record order book that we have. Net debt was approximately INR1,062 crores as of September 30, ‘26.

As we move into Q3 FY27, management's priority is to enhance the inventory turns, accelerate the collections and optimize the current assets. We believe this will strengthen our cash generation, improve our return ratios and provide flexibility for our future growth. Taking you through the balance sheet. PPA has increased by INR48.68 crores to INR986.2 crores.

Primarily, this has been driven by two things. One is the BIW capex that we are carrying out and the land that we have acquired in the US. This was relatively earlier sitting in ROU, which was in one of our subsidiary. Now that particular leasehold land was converted into our own land. Hence, the ROU has come down and the PP cost has increased.

Overall, the earlier land which was on lease has now been bought by the company. Equity accounted investments for INR5.86 crores on account of further INR6 crores investments that we have carried out in the joint venture. Inventories, as I said earlier, this to support our order book and execution in the coming quarters.

Trade receivables is higher, and we will be hard at work to get this collection in the coming quarter. Cash and cash equivalents, predominantly the amount has been utilized for working

capital and for the funding that we have done for our capex activity. Moving to liabilities. Borrowings has increased by INR51.54 crores to INR1,193.06 crores.

Long-term amount is close to INR42 crores and short term is INR9.0 crores. Short-term changes are due to working capital requirements that we have carried out. Overall, the short-term borrowings have not increased in relation to the revenue that we have. During H1, the long-term proceeds have predominantly been used for our capex activities.

Trade payables have slightly increased predominantly on account of subsidiaries, which is INR46 crores and offset by decrease in stand-alone liabilities by INR36 crores. Other current liabilities are higher by INR95 crores. This is predominantly due to the higher customer advances that we are sitting on against the large order book that we have.

So we see an upward movement in the other current liabilities on account of customer advances that we have received. Other current liabilities are predominantly INR24 crores paid on account of subsidiaries payout. Gross debt at the debt to equity for us has been improved from 0.95 -- to 0.95 from 0.98. Our stated goal is to reach 0.8 in the medium term.

Operating -- coming to the cash flows, operating cash flows before the working capital changes have been INR280.28 crores. Working capital changes from operating activities at INR29.68 crores. The amount that we have invested is INR201 crores and totally the cash from the financing activities is INR34.38 crores. We are sitting at a healthy cash of close to INR70 crores with a management priority for H2 is to convert the inventory and receivables built into cash.

Before I close, I would like to highlight our order book positions. PEB India order book is approximately at INR1,008 crores. PEB US order book is INR93 million and Boiler division INR152 crores. This provides strong revenue visibility reinforces our confidence in growth outlook for the remainder of FY27.

Thank you. And I would like to hand over the call back to the moderator, and we'll be happy to take any questions that you have.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Nitin Jain from Fair Value Equity Advisory. Please go ahead.

Nitin Jain: Yes. Thank you for the opportunity. And congratulations on a decent set of numbers. So my first question is, our gross margins, we have seen some decline over the last 2 quarters. So can you elaborate, is this due to raw material inflation or product mix or both? And the follow-up to that is like some of our peers, they are putting in place long-term sourcing arrangements to reduce the input cost volatility. So what kind of measures are we putting in place to fight raw material inflation? Thank you.

Aditya Rao: Thank you. Our gross margins, as you have mentioned, have -- there's been a decline. We believe this to be temporary. It is the major factor on this is the RM price inflation. As you are aware, for both in Q1 and Q2, there was a substantial amount of price inflation. We do believe that this increase is now moderating. I think by the end of this quarter, we should reach a stage where there's relative flatness, perhaps even a fall.

So to answer how we are looking to protect ourselves and our margins from this, over the medium term, any short-term increase in pricing is passed through. It just takes a little bit longer time. So what we put in place are price variation clauses for all of our order backlogs. In effect, this solves not for the percentage, but the value.

So the gross contribution value is protected. However, if we want to preserve the percentage as well, that does require renegotiation. So we're using the combination of price variation clauses for orders and negotiation in terms of scheduled orders to ensure that we protect our margins. The other thing we do have is quarterly pricing from some major steel producers, JSW, we have quarterly pricing.

That's protective in nature as well. So we can afford to wait a bit before we pass on costs because our input cost also comes and increases come in a little bit later. And the other aspect to longer-term sourcing, as you said, price negotiations with the vendors so that we close an order pricing for a certain value at the time of booking an order.

So we book an order, we go to the vendors and tell them, for this order, we would like to close up this pricing and the old pricing for the medium term, perhaps not the long term, but for the medium term. So the combination of all of this is protective to margins. In spite of that, because of differences in terms of when these margins are passed, when these price increases are passed on and when PVC clauses do kick in, you do see slight adjustment.

But what we have in place right now is very protective from a dramatic increase or decrease in our margins. So we would not be susceptible to large-scale margin declines. And even if you see a slight quarter-to-quarter decline, we will catch up. And over the medium term, over a year, if you see -- you will see our gross margins stabilizing and in some cases, even increasing.

Nitin Jain: Right. So for H2, what kind of margin trend should we pencil in? Just to follow up?

Aditya Rao: H2, we believe that the dramatic price increase and the price increase was quite substantial. That is mitigated quite a bit. We don't see a repeat of that happening. So you should -- we will definitely guide towards margin stability. What we are working on internally is improvement. Because of all the factors that we have said, that gives us a stability piece.

Renegotiation, some piece preserves not just the value, but also the percentage. And if there's a price fall, of course, they will we have the opposite impact at a temporary improvement slightly in margins. But PVC clauses obviously will then play the opposite role at that point of time. But the other aspects such as the quarterly pricing, then there will be a slight advantage for prices that we don't yet pass on.

So we don't pass on the price decrease as quickly. So in conclusion, I think for the second half of the year, you should not expect to see much margin variability, and we could probably guide you towards internally an effort to improve those margins.

Nitin Jain: Right. That's helpful. My next question is on the employee expenses. We've seen a significant rise this quarter. So is this like we are hiring aggressively for any particular business division? And what kind of trend should we see here going forward?

Aditya Rao: Yes. Our fixed cost increases is on the stand-alone and a consolidated basis is a matter that we've taken up, and we are very cognizant of. We covered this a little bit in the last quarter as well. The salaries were up 21% year-on-year. S M Structural is the primary reason for the consolidated number going up.

We also had a workmen's salary revision in this year in the stand-alone entity, and that too has resulted in an increase. These, you should not see to have these replicated. From the Ascent side, this is in anticipation again of an order backlog and revenue that's increasing, which is why our order backlog and consolidated has increased.

So the costs have increased, fixed costs are 20% revenue and profit is going to increase a lot more than that on a consolidated basis. So, that's for consolidated subsidiaries. In the stand-alone entity, workmen's comp, that's once in 3 years that comes in, you should expect to see further increases of this nature. So overall for the year, we are aiming at in a 10% to 15% range from a compensation increase point of view. And over the next year, it will be much less than that.

Nitin Jain: That's helpful. And my last question is, in your order wins, you have indicated that you have won an order from Epack Prefab, which is another listed PEB company. So could you elaborate more on the nature of this contract and whether this is a common industry practice between PV companies?

Aditya Rao: I believe the order that you referred to would have been received by what we call our legacy businesses. This is not from our PEB businesses. So there's arm's length pricing that we have, that we maintain for our customers. So whether they happen to be a competitor in another field doesn't matter. And a lot of our customer profile is like that.

For example, we compete with Thermax. We are also a long-standing supplier to Thermax, both in boiler tubes and ESPs, Kirby as well and others as well. So these are totally independent revenue streams and the fact that we perhaps compete with Epack in some revenue streams would play zero role in our engagement with them in our other revenue streams.

So the pricing we have for them would be exactly the pricing that we have for them, the margins we get from them would be exactly the same. So no, there's no -- and there's a deliberate attempt to remove our margins. One more point to add on this, even in our US businesses, we compete, as you are aware, in the US market in metal buildings, but every major US metal building provider is also a customer for engineering services.

So it's important for us to maintain these differences in terms of operating Chinese walls, if you will, where one BU acts independently of the other. And we have worked hard to make sure that our compliances, information security compliances are all in place so that we don't have one business in some way compromising any other business' revenue stream.

Nitin Jain: Right. Thank you for the detail answer and best of luck.

Moderator: Thank you. The next question is from the line of Vivek Kumar from Geometric Securities. Please go ahead.

Vivek Kumar: Sir, am I audible?

Moderator: Yes, sir.

Aditya Rao: Yes, please go ahead.

Vivek Kumar: Sir, given the change of political climate in US, how should we look at this order backlog or it's too soon to comment or because our markets are so less, it doesn't matter to us, and we are flexible enough to find our share of growth. And any comment on that? First question.

Aditya Rao: If you're referring to the Democrats winning the midterms in the US. From an addressable market standpoint, we have not seen a decline. Of course, the elephant in the room is, of course, data centers. There seems to be a pretty powerful backlash against them. We do not yet have narrative on this, but I will say that our data center orders have not declined either in India or in the US.

And we are quite confident that for Siemens, for others that we are supplying data centers that we are constructing and we are building in the US, we have not seen a decline in our order backlog in any of them, and we intend to book more as well.

The case in point is, we look at Texas as a bellwether and 40% of all data centers in the US are apparently built in Texas. We are very clear that irrespective of what the political environment is, when it comes to the matter of actually getting down to it, data centers represent a pretty big market.

And I don't think any government, whatever the political innings would in any way take a decision that would harm that in any dramatic way. So short answer, no, we don't expect it to, and it has not impacted our order backlog, and we don't expect it to.

Vivek Kumar: Sir, given that in our AGM, I was in the AGM, so you have guided, I don't know whether it's a vision or guidance that we will grow around 25% for the next 3 years, and we are looking at INR10,000 crores sales by FY30. And we also have seen huge increase in our order booking this quarter. So should we expect this kind of momentum to continue or this is one-off quarter? So that's my first question. Second question is, sir, receivables is growing at a faster rate than sales. So how should we look at it in terms of receivables part?

Aditya Rao: As regards to your question on order backlog, which effectively has a strong relationship with revenue on a medium-term basis. We expect the order backlogs to go up further. We are going to continue adding capacity, and we're going to make sure that we are doing it in a capital-efficient manner. That's the fundamental investment ethos.

And you are right. I mean, currently, our net sales for this year are expected to be higher than ever. We expect that to continue year-on-year, and we have aggressive growth plans over the next 3 to 4 years. Our backlog would be combined with asset. Our asset size increasing, our capacity increasing is the fundamental unit of revenue growth and making sure we do that in a capital-efficient manner is our intent.

You referred to our AR growing faster, a very temporary artifact. Our overall AR growth days for the company was about 4 days. Now I would like you to encourage you to look at this in a different perspective. Sitting in our current liabilities is our advances. Now advances are effectively pre-revenue, pre-collections. That number also has gone up.

So effectively, if you were to look at AR, you should, in my opinion, net off against that because as the course of an order -- over the course of an order, the advance that we have been given by our customers is removed. If you take both of those in, then our AR actually has not increased at all.

Dealer as it may, we do have certain more improvements we are giving in terms of AR discipline. And whatever you are seeing the 4-day increase is temporary. On that, I can absolutely guide you to.

Vivek Kumar: So you're not seeing any problem in receivables from any market or customer, right? That's what my question is not about exactly the quantum more than the quantum?

Aditya Rao: None whatsoever. And we do not have a receivable problem. In fact, we have the provisioning as well. So I'm quite certain that we will not have an issue in receivable collection.

Vivek Kumar: Sir, my last question is on -- if you have 4 divisions, if you see body-in-white, PV, boilers, hydraulics and maybe other small divisions, industrial components. So if we can see -- can you highlight which are subscale in this currently and where you see more capacity? And what are the drivers of ROCE over the next 3, 4 years? I'm not saying 1 to 2 year.

Because if you see many engineering companies to get a sustainable good valuation, I'm not talking about multiple 20 or 30, sustainably good valuations, both our margins and ROCE should be on a sustainably better level. And maybe this is because of some of our divisions being subscale. So if you can go detail where they are subscale and where over 3, 4 years, we can see good scale up in those businesses and drivers of ROCE and sustainably good margins.

Whatever is that margin, sustainable and if you can -- because that's what will actually help us value. Temporarily, we can get valuation temporarily, but to have -- because look at all the engineering companies, most of them trade at much better valuations because of sustainability of ROCEs and margins.

So you can help us understand these 4 divisions which are subscale and which would become better as we achieve the scale in those businesses and drivers of ROCE. I don't know if I've confused or made clear, sorry?

Aditya Rao: No, at all. Thank you. First of all. I believe what you said is a very important question. And to answer your question about which of our businesses are currently subscale, which means that either, A, our capacity utilization is low or the level of market share we have is much lower considering our competitors. The unfortunate truth is that in all of our businesses, you will see one or the other in place.

Now that can be seen as a negative, as you're absolutely right. Only when you reach substantial scale, will you actually see these businesses reach the higher ROCEs, the higher ROEs. And that is exactly our intent. Improvement of ROCE, improvement of ROE is our intent. And over the past few years, just by improving our market share, we have done that.

Even in the context of our legacy business units being deprioritized, so we deprioritized water treatment, solar businesses, even our railways business and others. It isn't because they were bad businesses. It is because we don't have infinite capital and infinite management manners. So our goal for the next few years is, if all we do is increase our capacity utilization in PEB India and PEB US, build up capacities and reach a higher market share there.

Increase our capacity utilization in BIW. We have two OEMs already. If we get two more OEMs, we can easily triple our size. Engineering services, if we are able to ensure we take advantage of the opportunities being represented by AI, which we are hard at work trying to put in place several automation automating of a lot of our workflows in there.

We can expand our addressable market dramatically there. Hydraulics and industrial components, I think a lot depends on some amount of policy environment. So we'll have to look at that. But apart from those, just these three business units that I've mentioned -- four business units that I've mentioned, BV India, BV U.S., Body in White Engineering Services, just expanding our addressable market enough so that -- and making sure our market size gets to a point where we don't need to be about 10% .

Even in the 5% to 10% range, we will have all the growth in the world and our current INR4,000-odd crores in revenue can more than double. That's our plan. That's our intent. Just doing that and ensuring that ROCE stays above 20%, maybe creeps up to 25% and ROE reaches 15% we'll ensure that all of the other metrics fall into place. So you do have these quarter-on-quarter things where would -- sorry, go ahead, please.

Vivek Kumar: No, sir. My question was like you said your market shares you chose to go to 5%, 10%. So what are the drivers because engineering is a highly oligopolistic, -- why do clients -- why will clients shift to you pushing in boilers or why are you getting the room to grow in those segments where and why are you so confident that you'll be able to garner some market share? Is the end growth so high that there's a room for players or is it some other dynamic playing out that is helping you garner market share?

Aditya Rao: Gaining market share does mean that you have to grow faster than the market allows for. I think the bedrock of why we are saying we will gain market share faster than our or we will gain revenue faster than our competitors in each of these businesses is predicated only on the fact that our core engineering talent covering all of these sectors is quite strong.

We have the largest structural engineering team in the country. We just need to leverage that and ensure that we bring out growth in engineering services and pre-engineered buildings, both in India and in the U.S. and which is why we have -- this is the exact same policy philosophy we've been on for the last 4 years.

So what you're seeing today is it won't it be hard to gain market share? Absolutely, it would be. But the advantage for us is our large pool of engineering talent, our large execution history. And of course, the basic standard model where all of these business units have a common core, metal forming technology, fabrication technology, engineering technology.

All of that is -- and our presence in the sector that we are present in I think, puts us in a better place to gain market share. And that is, I mean, also what we've seen being playing out over the last 4 years as well. I mean we've doubled revenue, increased market share in each of these verticals that we are present in.

I'm quite confident that since we are not aiming for a market share above 10%, it's not actually cannibalization of the market. There's a natural amount of growth that the market itself has. We'll capture a portion of that and existing market also, we will capture. And I'm confident we can achieve that.

Vivek Kumar: So our INR10,000 crores is not a vision. It's more of a reachable goal in the next 3 years, by FY30, not 3 years, 3.5 years. So the INR10,000 crores revenue that you are sharing in the AGM?

Aditya Rao: It's stated ambition sir and we have done the hard work of converting that into what needs to happen at each business vector, business vertical and also build risk management in place so that in case 1 or 2, like hydraulics, what's happening, we -- while it is a short-term issue, we should have enough strength in our modelling that even if something like that happens, our overall strategic plan stays in place and it has stays in place. We are tracking above it right now.

Vivek Kumar: Sir, why I'm asking this question because then you're almost it's about 20%, 25% growth, which we have not seen in the last -- at least last 4, 5 years. So that's why I'm repeating that question, like are you so confident because we have not done in the recent past. Maybe I'm not saying that doesn't mean it won't happen. Just so I'm just asking twice that is the thing?

Aditya Rao: It's a very fair question. And part of the reason is that the non-prioritized BUs, you're right, you need to have that 20%, 25% growth rate. Now if you remove the non-prioritized BUs, we actually have that growth rate. We are growing above that. But the non-prioritized BU, which comprise about INR1,300 crores in gross sales, tends to make the denominator longer.

So the 12%, 13% revenue growth you're seeing this year, do keep that in the back of mind that, that is on the pace of that INR1,300 crores, not only not growing, but actually declining a little bit. Both steel and railways, our non -- our legacy business units have declined in revenue. So in effect, if you were to factor that in, then you are seeing a number where we are achieving those higher percentage revenue growth rates and also profit growth rates.

Vivek Kumar: Thank you sir and all the best. Thank you very much.

Aditya Rao: Thank you so much for your questions.

Moderator: Thank you. The next question is from the line of Dilip Kumar Sahu an Individual Investor. Please go ahead.

Dilip Kumar Sahu: Yes. Hi, regarding the USD90-plus million of backlog in U.S., is it possible to give the breakup between Telco and Ascent in that business?

Aditya Rao: We can. Ascent is at 62 and 21 is -- I'm sorry, 31 is structurals.

Dilip Kumar Sahu: Yes. So structurals, which we were expecting around INR200 crores, INR250 crores business has done much better, it looks like in the order backlog. Any specific tailwinds in structural business? You talked about data centers in the U.S, is that really helping us to get into and what kind of cycle time you are talking in Telco? I understand Ascent is around 6 months. What is the cycle time to convert them to revenue?

Aditya Rao: So Ascent Structurals is dependent on data centers for some work, about 50% of the order backlog. So a good amount of the increase has been data center driven. We expect this to continue. We do not -- as I answered a previous question, I do not see any moderation in the data center market. Push comes to shove, practicalities or practicalities. They will find answers for it, but I don't see any change in the macroeconomic data center outlay environment.

If anything, it might be faster. That's as far as Ascent Structurals is concerned. Ascent Buildings has also done quite well. They've had a healthy quarter and the revenue base for that revenue stream also is growing, just not as fast as Ascent Structurals. But from a growth point of view, if you look at last year, this year and the next year, both those revenue verticals are expected to do very, very well.

Dilip Kumar Sahu: Yes. And cycle time in terms of conversion of this backlog in terms of Telco, are they like in Ascent 4 to 6 months or is it higher?

Aditya Rao: It is around 6 months and that is an average. Some of them convert a lot quicker. For example, if you are building -- there's a lot of work we do for GCs who spin out dollar center stores, small warehouses, those tend to go a lot quicker. So it's not -- the spread is quite quick. Some of them are as low as 3 months and some of them can take up to 9 months as well. And data centers tend to be the longer duration ones.

Dilip Kumar Sahu: Great. So Ascent has moved on the last 4, 5 years has grown at around 25%, 30% CAGR from 30-odd million to -- I'm looking at backlog, 30 million to 60-plus million in the last 3-odd years. So is this -- so are you comfortable with the sales team and market-making team that you have in place? Is it like the optimum configuration or you see some changes in the team?

Aditya Rao: We are dramatically expanding our business development teams. It's done differently for the buildings business and the structurals business. For buildings, you have to go through DMs. We are expanding our DM capacity. And for structurals, it's different. A lot of it is repeat revenue schedule revenue.

And the sales team we have for that, we are also ramping that up. So this is a continuous process of understanding our sales funnel. So yes, we will need to invest further in our sales funnel. In fact, as more and more engineering work and other work gets automated, the killer app here is it's -- I wouldn't say it's a totally relationship-driven business.

You do have a lot of value comparison, but it's not a commoditized business as it is in some other geographies. You do have to have a very -- you have to feel a very good sales team. Frankly, that's true in India as well. You have to have a very good sales team in order to maintain large order backlogs.

Dilip Kumar Sahu: Great. My second question is regarding India business. We had in BIW 2.5 years back, we had one customer, Stellantis. Now you are talking about Hyundai, Kia and a couple of others also are there. But the business hasn't really grown to that extent in that similar fashion. So is it that we are not in -- you are in very selected programs like in Stellantis, we were in one or two programs. When it comes to domestic brands like Hyundai, Kia, how widespread within that organization we are? Why is that business not growing multi-fold?

Aditya Rao: You are correct. I think we've -- over the last 3, 4 years, we've just -- we have nearly doubled in sales in BIW and that's right. And we have, obviously, as a prioritized BU needs to grow a lot faster than that. Yes, we just had Stellantis and we have now brought in Hyundai, Sears, TIVOLT and several others.

And Hyundai itself is a massive opportunity. As I mentioned in my opening comments, we need, I think, two more OEMs to reach the higher numbers. But you are right. And the reason that the growth hasn't been higher than the number that you see is Stellantis, we've not had the off-take it wanted to.

For whatever the reason, our ability to scale revenue with programs from Hyundai and others, we believe is going to be vastly superior. They're much larger volume. So, and the difference is also in domestic supply versus export. So as it is right now, we have an extremely high degree of confidence that over the next few quarters, you're going to see our BIW revenue expand dramatically.

And all of that is based on our new projects, which for which trial production has been done, testing has been done. We are quite confident that the next few quarters, we'll see a pretty large expansion. So yes, growth, not very, very high, but over the next two quarters, you would see much higher growth in BIW.

Dilip Kumar Sahu: Yes, particularly because we both expanded capacity as well as in terms of competency, I think we have scaled up in value chain, but somehow it's not reflecting in the numbers. So yes, hopefully, we will do better. My this is regarding the comment you made about pressure vessels, if I heard correctly, is it for data centers that you are manufacturing pressure vessels?

Aditya Rao: I do not have that exact data point right now.

Dilip Kumar Sahu: Yes. Regarding boiler business, you made some comment about...

Aditya Rao: I did, yes. Yes. Yes, I did. As to the end use of that, I don't exactly have that data point. I will come back to you on that. But the boiler business, entire order backlog is at INR152 crores and growing quickly. That was the narrative I was able to provide in my opening comments. The composition of that, I don't have right now. Yes.

Dilip Kumar Sahu: Okay, thank you. If it is pressure vessels for data center, I would like to know about if it is for that, and I'll revert back to the IR team if they can answer that because that's a very large business coming up in the data center space and not many players are there. So hopefully, you have made an entry there.

My last question is any guidance on the profitability because gross margin this quarter has been really erratic and it is actually not a very pleasant surprise. So FY28, can you give some guidance in terms of profitability? What do you mean by stable? Will it be stable at this point? Or is it going to be stable at what we used to do earlier? That's what I was asking. Thank you.

Aditya Rao: So from a quarter, from a year-on-year comparison basis, our PBT margin has increased. From a quarter-on-quarter sequential basis, it has declined, primarily owing to the impact of raw material prices where we were able to pass on the increase in the pricing, but that plus margin is what is ideally intended to be passed on, and that takes a little bit of time further time than that.

So we don't have value declines in terms of operating profit, but we do have percentage slight declines. From a going-forward point of view, we will get back to those and cross those from a gross margin point of view. From a PBT point of view, as I stated on my previous conference calls, we, our long-term goal is to hit the 7%.

We are at about 5% right now in this quarter. But if you take the year, I think from a yearly comparison picture is probably a better way to look at it than a quarter-on-quarter because the revenue mix changes sometimes from a quarter-on-quarter basis. There's also other attribution allocation methodologies that we follow in terms of how we would put, what cost would we put in what center.

So my suggestion would be that gross margins we taken on a yearly basis, PBT we take on a yearly basis. Our goal, which we had articulated is that our PBT should reach 7%. We are well on our way to doing that. We were at, to give you a comparison, we were at 3% 2, 2.5 years ago. We've reached 5%. We're quite confident we'll be able to reach 7%. It's not extremely difficult as a task.

We just have to have discipline and ensure that our revenue goes faster than our costs, and that's what we are intending to. We have a, we have agreed to do it. To look at the yearly picture and from, on behalf of management, I'll definitely commit to our 7% target being achieved in the medium term for the year.

Dilip Kumar Sahu: That’s great. Thank you, Aditya.

Moderator: Thank you. The next question is from the line of Malhar Bijlani from Equity. Please go ahead. Malhar, you may unmute your line.

Malhar Bijlani: Hello, am I audible?

Moderator: Yes sir, you’re audible. Please go ahead.

Malhar Bijlani: I just had one question with regards to the legacy business as it was referred. What is the plan and guidance for that for steels, railways? And also is tubes included in that?

Aditya Rao: So legacy businesses, we are not, I mean, there was a decline in this quarter. We don't expect further declines. Foundationally, I think it's at a place where we expect it to do well. We don't expect further declines in the sequential quarter.

We expect stability, perhaps even moderate growth in future. As to a longer term, what we can do with that, at the Board level and we are looking at options on what we can do, what can be done, we will get back to you on that. By nature, these things are medium term in nature. I wish I had more news on you on that, about that for you.

But we are working on the problem. We can't just keep it there as a company and not grow it. So we are looking at what options are available on the table. We'll have more for you over the medium term. So the next couple of quarters, I'm quite confident that we'll give you more narrative. Request your patience on this.

Malhar Bijlani: Thank you for that. Just in terms of the legacy business, what is the difference on the margins in the legacy business for steels and tubes and the high-growth business such as PV, hydraulics and such that?

Aditya Rao: Correct. So I think it's kind of a drag on the business. If you were to remove that, then the numbers, the ratios look a lot prettier, but that doesn't mean these are bad businesses. I do want to stress that they are profitable businesses. We can grow. We just need to figure out what we need to want to do with these businesses because capital, as I said, is a constraint. We can't continue to operate subscale businesses.

So we picked these five vectors, four vectors manufacturing wise, and they consume capital, they consume management man, we grow those. We'll find a pathway so that there's good value realization for the legacy business. We'll give you more on that in the next few quarters. At this point, I'm not at liberty to tell, to give any more further narrative on this. But it's an important question. I agree with you it's important.

Malhar Bijlani: Thank you. That's it from my side.

Moderator: Thank you. The next question is from the line of Vivek Kumar from Geometric Securities. Please go ahead.

Vivek Kumar: Sir, am I audible?

Moderator: Yes sir.

Aditya Rao: Yes, please.

Vivek Kumar: So you said we will be at much better scale if we can add 2 more customers in our BIW business. How confident are you it will happen over the short term or it's a long-term thing?

Aditya Rao: So the process of adding new customers in BIW, you're invited to participate in RFQs. You are then technically shortlisted. You go through a bidding process. And after you're shortlisted to development and then you start doing part supply. That's a process that typically, that workflow typically takes about 1.5 years to work out. As of right now, we have several OEMs that are already working on them on this, and we are quite confident that we will be able to close with a few of them, and that will be enough for us to ensure that we are able to continually grow and scale this business.

Vivek Kumar: Sir, and there was no presentation in the BHE. So if you can put presentation a day or because anyway, we are connecting a call on the next day, most of the time. So if you can help us with the presentation, detailed presentation, it would be helpful, sir.

Aditya Rao: Correct. So let me explain that a little bit. The reason for that is that we decided in this quarter, we are going to make some of the changes that have been requested by some of our investors and others to the presentation. We want it to be a true reflection of it reflecting what our strategy is, what's happening quarter-on-quarter.

Some of you have requested segmental EBITDA and ROCE as well. That's something a lot of numbers we've developed internally. while we are working at this and part of the reason we had not wanted to put that out there is that specifically the segmental EBITDA and ROCE require consistent allocation of capital overheads.

There's shared services across business units, which has to be dealt with whatever way we deal with it has to be dealt with the same way across multiple quarters. We also have the drag of the legacy businesses and how we allocate capital there and how we describe that quarter-on-quarter, especially as if there are corporate action spending in that regard.

Putting all of that together, we felt we want to work out a format and come back to you on this. It is the first quarter where we have decided not to put the presentation up, temporary from next quarter onwards, the new format will be live. Both our Sunil, our Head of Corporate Affairs, our CFO, Shrikant, have been working hard at this.

They will ensure that we put this up before, but we had decided at this juncture that the new format needs a little bit more patience from our side. And I know I have been given some rope on the segmental EBITDA and ROCE front. A lot of you have been quite patient on that. Again, last quarter, I said there would be progress on this. There has been internal. I do request for one more quarter, and we will get our ducks lined up and get that across to you.

On an overall basis, effectively imagine in your minds a table, all of our BUs listed, all of that revenue listed, the EBIT listed next to that, the capital employed in the business and you have your ROCE for that. We won't go below that. We won't be going to ROEs that we have found is more complicated.

But this we will start with, and you have our word that this will be a consistent treatment, a consistent mechanism of how we are allocating costs and capital, and that will give a lot of clarity. So that's the reason why the presentation wasn't there do give us this quarter. And I do thank you for your patience. You have been very patient. I just request a quarter.

Vivek Kumar: Sir, outlook on the boiler business and how should we see our positioning and the way we want to scale that business, boilers? There's a lot of capex happening like there's a capex boom. So how are we going to benefit from it kind of thing?

Aditya Rao: So our focus on boilers is twofold. One, physical capacity augmentation, a lot more capacity to system integrate, fabricate at our factory. That's point one. Point two, from a technology standpoint, we find AFBC, RG, DG grade, CFBC to be the core technologies, which can drive us to well, essentially revenue that we want. I mean the market leaders are reaching thousands of crores, the market leader per se is INR10,000 crores across all of these vectors.

So we are quite confident that once we add capacity, the revenue will grow up. We are also doing a lot of team augmentation. We have new business development team capabilities, people that have joined us from some of the best. These are going to -- we are going to have dramatic order backlog growth. Our order backlog growth has grown by last year this time to now also, there's been a substantial amount of growth.

There will be further growth, and that will drive up revenue. Just like I had guided in BIW, even in our boilers business, you should see extremely aggressive growth over the next couple of quarters. We are predicting this and a very high double-digit growth is what I would guide you to for both boilers and BIW. The same growth story for both.

Vivek Kumar: In terms of market share, should we think in the market share and markets where are we more present in boil when it comes to just boilers? Or should we think like are we more of India specific? Or how are we going? If it is then what is our market share kind of thing? Or it's not the relevant way to look at it? Sorry, if you can?

Aditya Rao: At this point, it would not be relevant. It would be too low. The plus side on that, we have plenty of headway to grow. The minus side on that, we are not a relevant player at this point with that revenue base. We have two sectors, industrial boilers and power boilers. On both of those, we have tremendous references in place now. I think it's a simple story of our order backlog going up, which has happened. That dragging into revenue growth is something you will see play out in the next few quarters.

So I know the 12% growth isn't on the overall base is not reflective of what these business verticals are doing, but you will see that kick in. Even with the legacy business stream, you will see the higher double digit come in, in the next few quarters. Our market share would not be an appropriate measure.

But one of the questions you asked, what's our addressable market? It is India. We have also picked up orders in our order backlog right now from Thailand, from Southeast Asia as well. So those are the 2 markets right now.

Moderator: The next question is from the line of Rahul Kumar from Vaikarya Fund. Please go ahead.

Rahul Kumar: Hi, just one question on the order book. Can you give us a sense of the order book for the India PEB and the U.S. PEB segment?

Aditya Rao: Yes. The India PEB is about INR1,008 crores and the U.S. PEB is around $93 million.

Rahul Kumar: Okay. So we have seen a strong recovery in the order book for the India PEB, but the execution seems to have still been a bit slow. So what are the challenges over here?

Aditya Rao: I think overall basis, you would have seen the revenue for metal for PEB growing quite well. I mean, if you combine both. But you are right that India hasn't seen yet that growth, but we are getting there. I think the large order book translating into revenue is there. We had in the previous few quarters, some labor issues, execution issues. All of that is in the rearview mirror now.

So we are still not at peak capacity utilization. There's plenty of headroom to grow. And our order backlog is there assets are there. U.S. has picked up quite well. India also in the next. But overall, yes, there has been growth, but not quite what it should have been. A quarter-to-quarters away. I think by the end of the year, you are looking at both firing.

Rahul Kumar: Okay. Actually, if I just compare the India PEB segment versus the PEB business for the other peers of yours, I mean, over the past 4, 5 years, if you have seen they have actually grown 2x, 3x kind of a number, right, versus what we have delivered is more of a -- I would believe that it's more of a flat business for the whole past 5 years. So I mean, clearly, the demand is there in terms of industry demand is there. So what are the challenges for us in terms of why are we not able to grow in this?

Aditya Rao: As I said, if you look at all aspects of our PEB coverage, we also have more than doubled in the last 3, 4 years. But the point I mean but that is dodging the question. Your fundamental question is let's say, why PEB India? Why has it not grown by 2x and 3x? I think a lot of that has to do with what we prioritize for growth. The market was always there clearly because the competitors have grown.

So we have now articulated that we want this business to grow. I am pretty sure we will see doubling in our India business as well within the next 3 years. I have absolutely no doubt that the market will not prevent us from doing that. We will put our execution piece also right in India. And over the next few quarters, I hope to demonstrate this to you as well. And it's not just a projection, but you actually see not just the entire PEB revenue growth for us as a company, but also each of the components individually growing.

Rahul Kumar: Okay. And in the diversified Engineering segment, what is the share of the legacy business, let's say, in the quarter 4 out of this INR468 crores revenue, what is the legacy business in this?

Aditya Rao: I will request Shrikant because I am not familiar with the exact attribution, Shrikant, if you could answer.

Shrikant Bhakkad: Yes. Diversified engineering represents railways and businesses kind of thing and close to around 30% comes still from the legacy business.

Moderator: The next question is from the line of Vikash. Please go ahead.

Vikash: Hello. Actually, I just read to the AGM annual report, you have committed about 20% sales growth in the FY27. Right now in H1, you have concluded it as INR73 crores whether it is possible for another INR95 crores in the H2 because the H2 FY26 also is a INR75 crores PAT is there. It's one. And another thing is there is a EBITDA. It's fallen in a drastic -- so whether it's -- we expect to normalize conversion in future or not?

Aditya Rao: So I am sorry, your voice is a little muffled, but I think I got the broad gist of it. So let me answer it this way. As far as H1 is concerned, H2 is always less than H1. We expect, as always, our second half revenue and profit to be substantially higher than first half. So I wouldn't just double it. I would apply a higher number, but we are looking at achieving our own internal strategic goals as far as profit before tax is concerned.

You should see substantial high double-digit growth in our profitability for the financial year, which is what we have guided to. So what was your second question, sir? I may not have answered your second question. My apologies. If you could send that to our Investor Relations team, we will be glad to work on that with you. My apologies.

Moderator: The participant line has dropped.

Aditya Rao: Fair enough, ma'am. We will reach out.

Moderator: Ladies and gentlemen, that was the last question for the day. And now I hand the conference over to the management for the closing comments.

Aditya Rao: To all of our investors, thank you. Your candor and support has been essential to us getting here. On behalf of management, I want to assure you that we are extremely confident that we continue on the path we are on, continued revenue growth, continued profit growth, but not at the expense of ROCE and ROE. If there's one metric that I want you to take back is that we will improve ROCE. We will ensure that we achieve that goal.

And I look forward to your support. All the promises we have made, we have listed it down. We will ensure that we answer those. If there's any questions which you have that we have not answered, please, I would love for all of you to please get in touch with our Investor Relations team. We will attempt to engage with you and answer these questions offline as well. Thank you so much for your support, sir. Thank you.

Moderator: On behalf of PhillipCapital India Private Limited, that concludes this conference. Thank you for joining us, and now you may disconnect your lines.