

**“Pennar Industries Limited
Q3 FY '26 Earnings Conference Call”
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Moderator: Ladies and gentlemen, good day and welcome to the Pennar Industries Q3 FY26 Earnings Conference 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 the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as of the date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. I now hand the conference over to Mr. Harshil Shah from PhillipCapital India Private Limited. Thank you, and over to you, sir.

Harshil Shah: Thank you, Anoushka. Good morning, and a very warm welcome to everyone. Thank you for being on the call of Pennar Industries Limited. We are happy to have the management of Pennar Industries here today for the Q&A session with the investment community. The management is represented by Mr. Aditya Rao, Vice Chairman and Managing Director; Mr. Shrikant Bhakkad, CFO; Mr. Manoj, Vice President, Corporate Planning; and K.M. Sunil, Vice President, Investor and Media Relations. Before we start with the Q&A session, we will have opening comments from the management.

Now I hand over the floor to Mr. Aditya for opening comments. Over to you, sir.

Aditya Rao: Yeah, your voice is still muffled, as I told you. You will have to speak a little slower and louder.

Harshil Shah: Should I go again?

Aditya Rao: No, no, it's okay, but I'm just saying your voice is not very audible. Okay, so I'll get started. If my voice isn't clear or if it's inaudible, please do let us know. All right, good morning, and thank you for joining us for Pennar Industries' Q3 FY26 investor conference call. Happy to have you here with us to have this opportunity to share our recent performance and provide an update on the strategic direction driving our continued growth.

We'll begin with an overview of our Q3 results. We'll highlight key metrics including revenue, PAT, working capital, and our primary growth engines. Following this, Mr. Shrikant Bhakkad will provide a detailed financial review. We'll then move into a Q&A session to engage with your questions. We're pleased to report strong performance this quarter. Revenue increased by 13.3% to INR959.02 crores. PAT grew by 10.14% to INR33.55 crores, reflecting sustained momentum across several of our core business segments.

Our PAT was impacted by certain one-time costs during the quarter, including provisions related to labour code implementation, wage agreements, among others. Excluding these non-recurring items, PAT growth would have been approximately 20%, demonstrating the underlying strength of the business. So, we'll talk now about the key revenue growth drivers.

Our PEB division's capacity utilization has improved, manpower challenges have eased, and inventory also has reduced by about 4,000 tons.

Our order backlog is strong and holding, and we expect it to grow further over the next few quarters, driving revenue growth here. In Ascent, our US subsidiary in metal buildings, we have delivered strong double-digit growth in both revenue and profitability. The order backlog has increased to \$52 million, and we are in a good place for sustained double-digit growth in revenue and PBT through the remainder of the fiscal year.

Ascent Structural, our acquisition, also has started booking orders and will be contributing very meaningfully to our revenue in Q4 and following quarters. Engineering services, our structural engineering business, continues to perform very well. BIM growth was more modest, but we have strengthened our sales and business development teams in the US to support future expansion.

Overall, again, we expect healthy double-digit growth in revenue and PBT for the full year. Hydraulics, our order backlog is more than double. The reduction in tariffs for the US will now help this business grow even quicker. We are expanding our presence in domestic and European markets, and this segment, while modest in revenue contribution, remains on a very stable path, and we expect minimal impact for FY26. The boilers division saw a very strong increase in our order backlog to INR123 crores this quarter.

We received a lot of strong export orders from Australia and Sri Lanka, Saipem, and Browns industry. With strong execution in place, we anticipate very robust revenue growth in Q4. This will become a major growth lever for us for the next financial year. Our Q3 PAT margins were at 3.56%. After including the one-time events, we would have been at 4%. So our revenue and profit trajectory continues to shift towards higher-margin businesses, and this positive trajectory will continue to grow our PAT at double-digit rates.

Capital efficiency, our ROCE stands at 21.3%, and return on equity is at 12.1%. We're quite confident of achieving these returns as performance continues to scale through the year. Working capital at 76 days reflecting timing-related impacts from revenue perhaps not coming in in some of the segments.

With stronger Q4 projections, especially in PEB and other key segments, we expect good improvement on this number in this quarter and the next quarter, Q4 and the next quarters. This concludes my performance overview for the third quarter of FY26. I will now hand over to our CFO, Mr. Shrikant, who will walk you through the detailed financials. Thank you again for your interest and support.

Shrikant Bhakkad:

Thank you, Aditya. A very warm welcome to all our shareholders and investors joining the Q3 FY26 earnings call. Let me take you through the key financial highlights, and I will go slowly so that the numbers are clear. Key metrics: total revenue has increased to INR943 crores from INR839.72 crores, an increase of INR103.34 crores.

Overall 12.31% increase in the revenue. EBITDA has improved from INR88.3 crores to INR98.54 crores, a growth of 7.2%. PAT has increased by 10.14% from INR30.46 crores to

INR33.55 crores. This PAT growth reflects the impact of certain one-time employee-related costs. Excluding this, the underlying PAT growth would have been substantially higher.

Detailed commentary on the financial results: revenue from our operations, the consolidated revenue, as I said, it has an increase of INR103.34 crores. This predominantly driven by two reasons. One, increase in our standalone and in our subsidiary businesses. So INR61.47 crores has increased from our standalone business and INR41.87 crores in increase from our subsidiaries.

Within these segments, the diversified engineering revenue has increased from INR415.6 crores to INR520.31 crores, a growth of 25.19%, primarily driven by our strong performance in the steel BU sector. Custom designed building solutions revenue remains stable at INR441 crores to INR440 crores at a consolidated level. The growth of INR42 crores is in the US business driven by the Telco acquisition.

This was offset by lower PEB sales in India due to the challenges that we have, and we are confident that this will improve in the coming quarters. The order book stands at INR810 crores for the PEB India. PEB US, the combined Ascent buildings and Ascent structural order book is now at 60.6 million.

Now coming to other income, the other income has increased by INR9.23, crores predominantly the factors include foreign exchange and translation gains, income from mutual funds and deposits, and collection of old receivables, write-back of creditors, plus the rental income. To give you a detailed explanation, INR2.71 crores comes from Forex transaction and translation gains. INR3.72 crores comes from interest income from mutual funds and deposits.

INR8.4 crores is from collection of old receivables and write-back of creditors. Moving on, the employee benefit expenses have increased by INR17.31 crores, which includes INR3.6 crores due to one-time costs which are on account of labour code compliances, order from Chennai High Court on union employee settlement, and the wage agreement revision that we had. The balance INR12.16 crores was an incremental cost in subsidiaries due to our Telco acquisition and the normal increase due to revenue.

Explaining on the finance cost, finance cost has increased by INR2.85 crores, which is in line with the expectations. This increase is attributable predominantly from the acquisition of the assets from Telco Enterprise, higher working capital utilization in line with the revenue growth. Finance cost stands at 3.56% of our net revenue, which is better than our guidance of 4%. Our guidance break-even breakup still remains the same: 1% on long-term loans and 3% on our working capital.

We remain within the limits on the long-term loans. Working capital is high, and we are hard at work to reduce the quarter, and we plan to reduce this by using our inventory turns and accelerating the sales. Depreciation, amortization has increased by INR4.25 crores. At a consolidated level, INR1.33 crores comes from standalone, which is on account of primarily capex and other repair and maintenance capitalization that we had, and INR2.92 crores comes

from subsidiary on account of Telco acquisition and robotic machines that we have installed at our US operations.

Moving on to other expenses, the other expenses increased by INR39.79 crores comprising INR26 crores from standalone and INR14 crores from subsidiary. On standalone, the job work and the manpower costs have increased by INR19 crores, which are aligned with our higher order executions and increasing the manpower rates for our higher sales. Other costs are broadly in line with the revenue growth. We expect manpower and subcontract costs to stay at this level while we aim to moderate the expenses to maintain the overall fixed-cost discipline in the coming quarters.

Subsidiary level increase reflects the higher turnover and associated job work and operational costs, which we expect to stabilize in the coming quarters. Tax expense has been lower due to the credits that we have received relating to previous assessment years. A provision of INR1.4 crores was reversed based on the assessment order. We continue to guide to a consolidated tax rate of approximately 25.5%.

Overall summary, revenue growth has been strong this quarter, predominantly on account of diversified engineering, custom designed building solutions in the US, and overall operations both in India. The revenue expansion has translated into an improvement in our profit for the quarter. With this, I will hand over the call back to the moderator for the investor community questions.

- Moderator:** We take the first question from the line of Aniket Nikumb from ABN Capital. Please proceed.
- Aniket Nikumb:** Sir, my first question is, we seem to have a strong growth that we have shown in diversified engineering. So can you tell us a little bit about what has worked for us, what business segments have worked?
- Aditya Rao:** I'm sorry, you're saying diversified engineering, what is the growth?
- Aniket Nikumb:** Yeah, what has worked? Because it seems like just a little bit all of a sudden we are growing at, you know, 25% broadly. So.
- Aditya Rao:** Excuse me, your voice is not very audible. Can you speak a little slower?
- Aniket Nikumb:** Yes, sure. Sir, I was saying that can you comment a little bit about what segments in the diversified engineering have worked for us given the strong growth we have shown in this quarter?
- Aditya Rao:** Okay. I can tell you what, which growth vectors for us are growing strongly. I mean, the, the attribution of it to diversified engineering versus PEB versus others, I think I'll request Shrikant to answer. But for the third quarter question, we had pretty strong growth in our core business verticals, which is our revenue in boilers, in engineering services, in process equipment grew. In our PEB US business also there was a substantial amount of growth.

India too, as you would recall, we had some issues, but those issues have now been addressed. So we're at a good place to deliver growth on all five key verticals right now, which includes PEB, India, we should see very strong growth in the next few quarters on the back of us having resolved the labour issues that we had and also on the back of stronger order backlogs.

The acquisition of Telco plus our US order backlog also being strong will drive that business quite strongly. Ascent has also done quite well last quarter. Engineering services, our structural engineering is doing extremely well. We are in some sense capacity locked again, but we are quickly expanding capacity and this quarter we'll see very strong growth.

Hydraulics, because of the removal of duty from 50% to 18%, we already had some initiatives underway to scale those, scale that business vertical in the absence of the US market. But now with the US market coming back, I think we are, we're quite confident that several of our customers are going to restart. In fact, this morning itself I had a very encouraging conversation with one of our primary customers in the US and we're quite confident again of that business scaling well.

Boilers as I had mentioned, the order backlog now is at INR123 crores. And double-digit from a quarter-to-quarter basis with double-digit growth is what we expect. So all of that will drive our, our growth over the next few quarters.

Shrikant Bhakkad:

Yes, to answer your specific questions on the, the increase in the diversified engineering business, it comes from three angles. One is the steel business, boiler and BIW. The combination of steel business, boiler and BIW has given us the increased growth.

Aniket Nikumb:

Okay, sir. Appreciate that. I think my second question, sir, is on the PEB business segment, or the, you know, as you report it in segment reporting, the custom design building solutions and auxiliary segment. We've reported a flat number. So can you tell us what proportion of the business was from the acquisition because I guess that is not there last year? And why the business was flat given that we already had a strong order book and we had new capacity and so on?

Aditya Rao:

So, the acquisition didn't really come in in the last quarter, though we completed it in late September, early October. Putting our new systems in place, getting our order backlog back up, transferring order backlogs, all of that took a little bit longer than we thought since this is an asset purchase and not a company purchase. So, but however this quarter it is extremely strong.

Our order backlogs are higher than they've been and from a revenue run rate point of view also, the rate we're at right now, from a production output point of view that we're at right now for our acquisition, it's higher than it's ever been, even prior to the acquisition for them. So, very quickly growth has come in. Very quickly we have been able to scale.

A very short one-time issue which resulted in the PEB business not being a major growth vector, but we feel that's reversed quite strongly in this, in this quarter. Everything is looking really good for as far as we can tell for our PEB business. India order backlogs are up. The labour issues have been resolved. In the US, the acquisition is now starting to contribute quite strongly and our order backlogs are also up for the regular metal buildings business in the US.

So combine all that and we are very, very confident that this is going to scale. So, that narrative should give you an idea about what we're expecting this quarter and what we saw for the last quarter.

Aniket Nikumb: Got it, sir. Sir, typically we typically give the order book in the US and India, but I don't see it in this presentation. Would you be, would you be willing to share those numbers, sir, on the call?

Aditya Rao: Sure. The US, let me break the US up into two pieces. The US order backlog for buildings is \$52 million. The US order backlog for Telco is about \$10 million. The US, the India order backlog is about INR820 crores.

Moderator: We take the next question from the line of Deepak Poddar from Sapphire Capital.

Deepak Poddar: Sir, just wanted to, can you quantify what's the one-off, I mean, you mentioned your adjusted PAT is 4%, right? So can you just quantify the one-off in terms of labour code or any other one-off?

Aditya Rao: Okay, Shrikant, do you want to take this?

Shrikant Bhakkad: Yeah, the one-time cost from an account of three things, which comes in salaries and wages. One is on account of labour code compliance implementation. Second, we have received a Chennai High Court order for the union employees settlement, which, for which we need to have made a provision. Third, there are wage agreements that have been finalized with the workers. So all inclusive, close to around INR4 crores is the impact that we have one-time cost.

Deepak Poddar: INR4 crores is the total cost. So, so this will not reoccur. I mean, these all are one-off, right?

Aditya Rao: Correct. All of these are one-time recurring cost. One-time non-recurring cost, my apologies.

Deepak Poddar: Yeah, INR4 crores around. And, and in terms of the Telco acquisition, I think the contribution has started coming from this third quarter, right?

Aditya Rao: Not really, sir. Fourth quarter. We couldn't really get anything in the third quarter because though we had completed the acquisition, putting our systems in place, an asset purchase, the order backlog transfer took a little bit. I think you saw a little bit come in in December, but nothing that material. But this quarter, I think, I'm quite sure we will be able to give you some very good news on that for Q4 from Telco, from PEB India, and Ascent.

Deepak Poddar: Understood. And, and that's about what INR100 crores per annum revenue, right? That's the business?

Aditya Rao: It'll be higher than that, sir. It would be substantially higher than that.

Deepak Poddar: Okay. Okay. Would you be able to quantify, I mean, what contribution annually that company can bring?

Aditya Rao: I mean, we can't give revenue guidance, but we can definitely tell you that from an order booking point of view, we are doing about \$2 million, about INR18 crores - INR20 crores per month. So

typically over the medium term, short term to medium term, your revenue and your order booking tend to converge. So, we're not giving guidance for the year, but it'll definitely be substantially over INR100 crores.

Deepak Poddar: Understood. And in terms of issue you mentioned on PEB India, right? So is the labour issue is still, still kind of haunting us? I mean, what's the issue we are talking about here?

Aditya Rao: No, we've resolved it. It was an issue we had for the last couple of quarters. We have now resolved it. We've undertaken many initiatives including building our own labour quarters, including increasing our contract manpower, including increasing our skilled manpower which is sourced from other verticals as well. So now the issue is resolved. I don't, we're not labour bottlenecked anymore. So the combination of a large order backlog will see this revenue get back to full growth. So, yeah, with that issue solved, but you'll see it in this quarter.

Deepak Poddar: Okay. So what was the issue which led to third quarter lower growth in PEB India, right?

Aditya Rao: In PEB overall, as I had mentioned, there was a dip and the rationale reasons for that was what I mentioned. Telco did not come in the way it wanted to. The US also I think Ascent buildings also, we didn't have a lower quarter, but we had a moderate growth quarter. And PEB India because of those reasons.

We, as I had mentioned in the last time we had spoken, which was mid-October, we were well on our way to a solution, but by that time half the quarter was done. So from a run rate point of view right now, what we're seeing every month, what we're seeing happen, this issue is behind us.

Deepak Poddar: Okay. Okay. Understood. And I, I think you mentioned something on consolidated PAT of 25%. I, I was not able to understand. I mean, what we are trying to say here, I mean, consolidated PAT of 25% something?

Aditya Rao: I think the narrative we've given that matches those numbers is, if the one-time labour costs are removed, then our PAT growth and our cash PAT growth are around those numbers, I think. But what's relevant, I think, is what we have to declare.

I think there's, we can -- they may be one-time items, but they are cost items which the company had, so we just wanted to give some narrative and clarity on why our revenue growth is 13%-14%, but our profit growth was only 10%. That was the reason why it would have been higher.

Deepak Poddar: Okay. Understood. And then just final thing from my side, I think in the last call we mentioned a floor of 20% PAT growth that we are looking Y-o-Y, right? So that we continue to hold, I mean, for this year and coming years?

Aditya Rao: That remains, that definitely remains. This was a surprise one-time thing, quite frankly, even the new Labor Law regulations we should have perhaps anticipated that coming, but we have to follow accounting law, and that is the reason why we couldn't compensate for that quickly enough.

But with the revenue growth plans that we have, we will absolutely maintain our double-digit profit growth commitments. And if you look at what's been happening over the last few years also, that is absolutely what we intend to achieve.

Deepak Poddar: Okay, okay, okay. Yeah, I got it. That would be it from my side. Would like to wish you all the very best. Thank you so much.

Aditya Rao: Thank you so much, sir.

Moderator: Thank you. We take the next question from the line of Nitin Jain from Fair Value Equity Advisor. Please proceed.

Nitin Jain: Yeah, thank you for the opportunity. So can you please clarify what was the exact impact due to the change in Labour Codes only? Like that part of the one-time impact?

Aditya Rao: We don't have the exact precise breakup as of right now, but we will, we will make sure we give that to you. Overall, the combination of three issues, which was the court case which was from, I believe, 10-12 years ago that went against us, plus the Labour Code, plus wage revisions together we have that. The exact because of the Labour Code we will, we'll get that to you. But it was a substantial number.

Nitin Jain: Okay. So my next question is, in Q2 management had indicated that the unexecuted order book was around INR880 crores in the PEB business, and this quarter we have won orders worth INR780 crores. So even if I consider the PEB revenue for Q3 and the unexecuted order book as of December, which is, I guess you mentioned around INR820 crores, so it is not reconciling exactly. Can you please help me with that?

Aditya Rao: Sure. Yeah. So the reason that number wouldn't match-up is what we have given. We've given you a few numbers for order backlog. The INR780 crores number is order bookings for that quarter. It doesn't represent the situation as it is right now. As it stands right now, we're well over INR800 crores in the PEB India order backlog as well.

And from a revenue recognition point of view, there's a lot of what we follow effectively is when the risk has passed. So we have shipped, it debits our, our order backlog, but it won't show up in revenue because our auditors will not allow us to, to take that revenue in until we have received some measure of confirmation from our customers about goods that are shipped.

So those differences will give you a thing where you, if you look at the number that was quoted to the last time we spoke in November, that would have been the order backlog at that point of time. The order booking number that we have given you INR780 crores is a lumpsum number for that quarter.

The situation as it stands right now is one where the order backlog is very strong at well over INR800 crores, and, and that's only PEB India I'm talking about. If you add the entire PEB space then it's much larger.

Owing to all of those reasons, you will not see those numbers line up where order booking, opening order book minus revenue plus new order booking is equal to current order backlog. That equation will not work because of the reasons I just mentioned.

Nitin Jain: Right. No, I'm not saying as of today. Obviously, there might be more order wins as of today. But I was hoping to reconcile as of the end of quarter 3?

Shrikant Bakshi: Yeah. See, the order book that we've given as part of our press media release, that includes multiple businesses. So that includes India business, our diversified engineering business plus the boiler and the hydraulic businesses as well. So that INR780 crores is for the entire company, the order book, while the PEB order book, INR810 crores specifically is for PEB India, and INR52 crores plus INR10 crores what we have is for the US.

Aditya Rao: Million.

Shrikant Bakshi: So, yeah, in million, USD52 million and the USD10 million is for the US business. So the order books are different, and this quarter orders that we have received is INR780 crores. Hope I was able to clarify.

Nitin Jain: Right, right. So just a follow-up to that. Out of the INR780 crores, you mentioned that this is for different verticals altogether. What portion would be attributable to PEB?

Aditya Rao: That exact number we do not have right now, but we'll get that, we'll get that number across.

Shrikant Bakshi: We can give you the exact number for PEB India as well as the PEB US.

Aditya Rao: And just so, to make sure that this is something that's been clearly understood. Typically when we give you order backlog numbers, they're as they are right now. So in the month of January, for example, we had well over INR200 crores in order booking in PEB itself, in PEB India itself. So I think the best way to understand this, especially from a revenue foreseeability, revenue projection standpoint, is what our order backlog is at this point of time. The INR780 crores is just the major order booking that we have that we are, we have to comply with reporting.

That's why we go ahead and do that. But it is not by any means a holistic revenue projection indication for what we're going to be doing. It's a blend and it is not intended to be the way we project revenue. It, it only covers significant major orders. So, and as I had mentioned, there's a lot more of that that came in, in January.

So I think we'd be best served if the point of this is to look at revenue foreseeability, what's going to happen in the PEB business in India, in the US, the best way for us to accomplish that is to look at current order backlogs. But yeah, that's, that's my, my two cents.

Nitin Jain: Right, right. Maybe, maybe I can take this offline. Thank you so much.

Aditya Rao: Absolutely. Thank you so much, sir.

Moderator: Thank you. We take the next question from the line of Shubhankar Gupta from Equitree Capital. Please proceed.

- Shubhankar Gupta:** Hello. Hi, Aditya and team. Just one question from my side, which I wanted to deep dive into. So we said that PAT growth is 10% from 30 to 33 roughly, right? But if we exclude the other income, it is roughly landing at 17.5 and 23.7. Actually roughly down 26%.
- And even if we, let's say, include the one-time expense, the PAT will be at around 21.5, which will still be at around 10% lower than on a Y-o-Y basis. So just wanted to understand what has led to this de-growth in PAT?
- Shrikant Bakshi:** If I can explain the PAT through the other income is part of our regular income only, which is basically -- yeah. The income from deposits or foreign exchange translation reserves and others.
- Shubhankar Gupta:** It's not, it's not operating income, right? Like I am talking about operating income basis we're down 10% Y-o-Y?
- Shrikant Bakshi:** Yeah, see out of that close to around, as I've explained in my conversations, the other income includes INR3.72 crores approximately on foreign exchange translation gains and other things. That's part of the operating income, but the rest of the things which is like the mutual funds and other things, they are not.
- Aditya Rao:** To explain that a little bit better, the -- I mean, the assumption for us is we, the model we follow is contribution operating margin targeting. And when we have these things where there's a gap between whether it's forex gains or other gains, we do take that into account when we're mapping out what we want our operating contributions to be.
- So to Shrikant's point, while I understand your question and what you're trying to say, we would take those things, take those in our operating cash flow, because we target our overall an overall operating margin is what we including these items is what we target.
- Shubhankar Gupta:** Okay, let's consider that even foreign exchange is a part of, let's say, income, right? Now that would be around INR4 crores. Roughly our PAT growth will then be roughly 3%-4%. Right, if we include of that, that part of the other income?
- So even then it is like grown very, very less like compared to what we were targeting few quarters back. So I just want to understand like broadly in your view what has led to this underperformance and then how do we foresee it for FY27?
- Aditya Rao:** So we don't necessarily see it, because of the reason that I mentioned, we don't necessarily see it as underperformance. As I've mentioned, there's a certain profit number that operating margin that we target and we have multiple levels in order to achieve that. So the output that you see is effectively because of these one-time costs.
- If those one-time costs were put back in, then we do see a number which is completely in line with our long-term stated objective, which is to get double-digit profit growth north of 20%. And that is what we see. I do get your narrative that, look, if you were to exclude the other income and other items, but these are very much in line with our overall, with our stated objectives of.

We also -- I do want to also state that a lot of provisionings that we make, we're very conservative in our accounting. I mean, we follow accounting law, of course, but there's, for example, a lot of provisioning that we've made that we assure will come in for us as well. So what we're trying to give you is what the output is based on our operating margin controls. But if you are asking us whether this is something that is sustainable that can grow, 100%.

So we're quite confident of achieving and growing our revenue and profit growth targets and we are quite confident of committing to you as we have before that we expect our profit growth for the year, for the following quarters to be double-digit and north of 20%. So, yeah, that's the best way I can answer your question.

Shubhankar Gupta: Okay. Fair enough. And on the debt number see certain rise in that. So Shrikant, if you can probably help me with like how is the debt like what is the debt number currently? And like at what interest have we, like have we are currently paying for that?

Shrikant Bakshi: Specifically in terms of total overall borrowing cost has been increased in line with the increase in the revenue, as I narrated in my discussion. And the, the second, the increase on account of long-term is on account of the acquisition of TELCO. So overall 3.56% of the net sales is what our borrowing cost is.

Shubhankar Gupta: Okay. So to understand this clearly, you're saying that 13% revenue growth Y-o-Y, so even that has been the increase in the total borrowing. Is that what you're say?

Shrikant Bakshi: In terms of absolute number, yes. In terms of percentage, there is a decline by 0.04 basis.

Shubhankar Gupta: Okay. Got it. Okay. That's helpful. Thank you. And at what cost is this? Like the whole total borrowing at, weighted average cost?

Shrikant Bakshi: A blend of 9.5%.

Shubhankar Gupta: Okay, no, that's fine. That's helpful. All right. Thank you.

Shrikant Bakshi: Yes.

Moderator: Thank you. We take the next question from the line of Vinod Krishna from Avendus Wealth. Please proceed.

Vinod Krishna: Sir, can you give us 2 to 3 year guidance on in terms of sales and PAT? Because you have been saying 20% you can be maintained, so if you can a little bit elaborate on the drivers of sales growth? And my second question is regarding PEB dynamics in India. See, how, how is the competition shaping up and how do you see we, we doing better in PEB going forward?

Aditya Rao: So growth drivers as I said are five core growth drivers that we had mentioned, which includes our boilers and process equipment, hydraulics, pre-engineered buildings India, pre-engineered buildings US, and engineering services are all firing and we expect growth in each and every one of those of those business units in revenue and profitability.

So that's our core strategy that the addressable market for these is quite high. So in this quarter, which is Q4, for the financial year and for the remaining quarters, you will see growth in all of those vectors. This year we had a substantial issue with PEB India, but that's in the rear-view mirror. We've solved it last quarter towards the end itself, it was solved, and we're quite confident that we bring in, we hit our numbers.

Vinod Krishna: So when will we hit our 5% PAT margin that we have been guiding, sir? And what would be long-run PAT margin that we can settle at once we read, like, all the legacy business is gone and then you reach scale in your most of your businesses because you have been telling that you want to have a 10% share in this steel product businesses, so then will we, what will be our, when will we reach 5% and what will be our, once we reach our desired market shares in each of our segments what will be our PAT margins?

Aditya Rao: You will be at -- we're right now at 4%. You will see consistent quarter-on-quarter improvements. As to when we'll reach five and I think the better way for me to answer that so that this doesn't become some form of guidance is for me to say that our long-term sustainable PAT margin is at 7% levels and we're quite confident we'll achieve that in the next, within the next 2 to 3 years.

And that not happen at one time. It will happen quarter-on-quarter. You will see improvements. I mean, 3 years ago our PAT margins were 2.5% change. So that consistent is what we have done over the last 2 years. We'll continue doing that and that will ensure that -- that we get there.

Vinod Krishna: And sales growth of 15% to 20% we can take. I'm not just asking for a guidance, but given the drivers and multi-country, multi-product and both geographies of US and India, so we can assume a 15% sales growth at least with 7% in 3 years -- 3 to 4 years?

Aditya Rao: I will say double-digit sales growth. 15, we can definitely say is one of the targets we have in mind, but double-digit sales growth will come in too.

Vinod Krishna: And then PAT of 7% over a 2 to 3 year or 4 year?

Aditya Rao: That is what we have guided to in our previous calls and we're quite confident of not achieving.

Vinod Krishna: Sir, sorry, have you reached our market shares of 10% in those products, sir, that you were mentioning that we want to take a small market share in all those products, boilers and all those...

Aditya Rao: We have not achieved 10% market share in any of our business revenue streams. So that's a good and bad thing. It's a bad thing in the sense that we're not the largest player in any of those fields. It's a good thing in terms of we have tremendous amount of headroom to grow. So that is, and we like it that way. I think once we reach 10%, we'd be happy, but in none of those business have we reached 10% as yet...

Vinod Krishna: And there's no challenges to reach you. It's just a function of time and systems and people?

- Aditya Rao:** I don't think our model calls for us to reach -- I mean, if you look at, let's look at the PEB space. The largest player in the PEB space has 20% market share, right? And they, that's the business model and growth for them from a revenue standpoint would be harder going forward, right?
- Because they already have 20% and unless the business, the market itself is growing at double -- high double-digit rates sustainably over years, it would be difficult for them to grow. Our model is a little more nuanced. We pick five large addressable markets and we pick those. Our market share is low. So sustained growth on that is what we're trying to achieve. So there's two things we try to do to ensure our revenue grows.
- One, yes, our moderate -- our market share grows moderately, but most importantly, the addressable market itself also should grow. That's what we've picked, and we're quite confident that based on where we're at right now, we should have each one of these business units that I've mentioned can deliver double-digit growth and that's our goal to grow them.
- Vinod Krishna:** So what I'm asking is the path to 10% is not like you're seeing that there's a path and you can see you going there, there's no big obstacles that will not allow us to go there. You don't see any new challenges that will stop us, like you can see it that we can go there with time. That was what my question was, like I know we were not at 10%, but do you see...
- Aditya Rao:** I think in general terms, the market would not prevent any player from achieving 10% provided they have good assets and, good capital availability. I mean, they commission their assets and they have good assets from a team, technology know-how. The market will not prevent them. I do believe we're one of those players, yes. So nothing should prevent us from getting to 10%.
- Vinod Krishna:** Thank you very much and all the best, sir.
- Aditya Rao:** Thank you.
- Moderator:** Thank you. We take the next question from the line of Rahul Kumar from Vaikarya Fund. Please proceed.
- Rahul Kumar:** Yeah, hi. So Shrikant, actually, can you help us understand the monthly run rate for the PEB in India now versus what it was in Q3? And also can you help us understand the impact of the steel price increase on the PEB in India?
- Shrikant Bakshi:** Overall INR442 crores is what we have done in terms of the custom design building solution company, which is close to around INR145 crores kind of a thing and the in terms of the overall number. That's where -- coming to your second question in terms of steel prices, I think steel prices as we have -- as we have alluded in our calls and other things.
- The price increase directly do not impact us in any way. There are short-term contracts and there are long-term contracts. We have the quarterly pricing with JSW wherein we are protected for the next quarter rate and what we have the indication from them.

And in the long-term contracts, we are -- the increase margin is, is there as part of the contract. So any increase or decrease we'll have to pass on to the customers. So that's how the contracts are worded. So I hope that answers your query.

Rahul Kumar: Okay, okay. So what's the mix of these long-term and short-term contracts in our overall in this PEB?

Shrikant Bakshi: On a quarterly basis we receive, as we said, close to INR780 crores of short-term contracts and long-term, the overall the PEB cycle itself is 6 months. So on an average certain contracts can be higher than 6 months and there are a lot of contracts which are less than, less than 6 months. So maximum the order book that we have is executable over a period of 6 months.

Rahul Kumar: Okay, okay. No, actually on the monthly run rate, I think sometime back you mentioned that, our PEB India business is back on growth, target growth, trajectory and the monthly run rate has improved. So I was wondering what is the monthly run rate of the India PEB now versus let's say October or November when it was impacted?

Aditya Rao: I'll come back to you with the exact precise number on monthly revenue.

Shrikant Bakshi: Yes, we'll give you the exact number because that's the revenue number we're at right now in a month. I, we want to make sure that's something we can communicate with. But what we can tell you is that the monthly run rate right now compared to what it was 2 months ago, 3 months ago is higher by double-digit numbers. You can say north of 20% higher. So it's, it's growing and growing quickly. PEB India.

Rahul Kumar: Okay. Understood. Understood. Second question is on the...

Moderator: Sorry to interrupt you, Rahul. I would request you to join back the queue as there are several participants waiting for their turn.

Rahul Kumar: Okay.

Moderator: We take the next question from the line of Prateek Bhandari from AART Ventures. Please proceed.

Prateek Bhandari: Yeah, hi, sir. Thanks for the opportunity. You mentioned that with the removal of duty from 15% to 18% in hydraulics, that would enable you to grow substantially, right? So can you, quantify the numbers with which you can grow there in the hydraulics division? This was my first question.

So my second question was you mentioned that you have an order, your the hydraulics division order book also has doubled. So if you can quantify the number of the same and what has been the monthly run rate for the boilers division in terms of revenue? So these were my three questions?

Aditya Rao: Okay. So we do not as yet provide revenue breakup across all five of these revenue verticals right now. Once we start doing that, I'll be able to provide that data for you. Let me get as close

as I can to answering your questions. So hydraulics order booking because of the change in the US duty structure, it's still something that we're fully mapping out.

All I can commit is that our order backlog will grow a lot more. But please do give us this quarter, next quarter onwards, we will provide an exact number for how much our order backlog is going to grow because of the -- because we're still mapping out the impact.

And as of right now, it looks extremely encouraging, but I don't have an exact impact number for you. I can tell you, however, that the order backlog is projected to more than double in the next few weeks. So that I can tell you...

Prateek Bhandari: No, so you mentioned that it has already doubled, right?

Aditya Rao: That's correct.

Prateek Bhandari: So but then if you can quantify the numbers, I mean, I wanted to understand as to, the numbers -- the base numbers and compared to as where we stand at the moment in hydraulics?

Aditya Rao: Okay. So as I had said, revenue breakup for hydraulics we don't provide. If you want an order backlog number for hydraulics...

Prateek Bhandari: Yeah, order backlog, yeah.

Aditya Rao: Don't believe we've declared that. Allow us to come back to you. I want to give you a number that is there right now. We will get back to you and give you this number.

Prateek Bhandari: Okay. And in terms of boiler business, what was the order inflow for us during the quarter? We, you mentioned that we stand at INR123 crores of order book at the moment and what typically is the execution timeline for the boilers?

Aditya Rao: So, we source in our boiler business two kinds of orders. One is the power boilers and one is process equipment boilers. For process boilers, the order execution cycle is much smaller, much shorter. It's about 3 months to 4 months. For power boilers, it tends to be a little higher than that, about 9 months. So the what you see is a blend of both of those sectors, but as a blended average, this INR123 crores is something we expect to be able to revenue out within the next six months.

Prateek Bhandari: So, for power boilers you mentioned order execution timeline, one to four months and what was the second one?

Aditya Rao: Sorry. Process is the shorter duration execution cycle, which is around four months. Power boilers is longer duration, which is about as I'd mentioned, about nine months. The weighted average you can take about six months, sir.

Prateek Bhandari: Okay. So the higher execution timeline is the power boiler?

Aditya Rao: That's correct.

- Prateek Bhandari:** All right. Okay. Thanks a lot.
- Aditya Rao:** Thanks.
- Moderator:** Thank you. We take the next question from the line of Nitin Jain from Fairvalue Equity Advisor. Please proceed.
- Nitin Jain:** Yeah, thank you for the follow-up opportunity. Sir, last quarter you had mentioned that you are able to commit to minimum of 20% PAT growth and this call you have lowered it to around double digit. So is there -- can you provide any color on that what foresight do you see in the business which is, 00 which is making you retract from the 20% growth commitment?
- Aditya Rao:** Thank you for the question. My comment on that is there is been no retraction. We have absolutely have plans in place, which will allow our profit to grow at 20% per quarter. As I had mentioned for one of the questions of a previous caller, we are quite confident that our ability to hit 20% is dictated by our operating margin being what it needs to be.
- And but for these one-time costs, I think we would have hit it. It came in quite late in the quarter, I think only in the month of December or maybe even January would be when we realized this. So that gave we had tools in place in order to make sure that we hit that 20%. There's a tremendous amount of leeway we have on our operating margin on what we can, what we can pass through.
- Steel price increases we can pass that in. There's a certain time frame we do. We target operating margins and operating margin growth. So from what we have on our plate right now, our order backlogs the revenue streams our customer and our capacity utilization. We are quite confident of delivering 20% growth in profit.
- So there's no -- we are not -- there's no correction that we're offering on that. These plans that we have are long-term, they're not dictated by any short-term event such as steel price volatility or even things such as markets, for example. So we would like to commit that and recommit that we are committed to that number. Double-digit profit growth and yes, what you mentioned 20% is, is absolutely the stated target for us.
- Nitin Jain:** Right. And my last question is specifically to the PEB business. It seems that like maybe due to some a new reason every quarter, we are consistently underperforming every quarter compared to what commitments you have made in the previous call and I think somewhere it is reflecting in the market's strong reaction to the price as well this morning. So is there any particular reason why we are consistently overpromising and under delivering in that business?
- Aditya Rao:** I mean, I would hesitate to -- to attribute short-term share price movements to any particular aspect of it. I think our duty is to make sure that we are communicating exactly what we are going to achieve from a revenue point of view, double-digit revenue growth, exactly what we are going to achieve on a profit. And that's what they're going to continue doing. We've executed on that plan and the most important thing for us is that we say what we do.

Coming to the PEB space, we had highlighted the concern we had on labor which led to lower capacity utilization. There was nothing wrong with the market per se, our order backlogs remain strong. We have now fixed those issues. So that will continue to deliver growth. and I, I think our – I cannot comment on what the share price does on the short-term basis.

But what I can commit to is as our profit growth it is I believe our expectation that the P/E multiple holds up, which drives up our market cap, which drives up our share price. So we'll continue to execute on that. What we as a -- as the executive team can commit to is that what we promise you we will ensure we have achieved.

We will make every effort that is possible to achieve and we are very confident most importantly that we will achieve these numbers. So as far as PEB is concerned, we had highlighted an issue and we have solved that issue. So that, that would be my, my comment, sir.

Nitin Jain: Okay. That's all from my side. Thanks.

Aditya Rao: Thanks.

Moderator: Thank you. We take the next question from the line of Chetan Kumar from Coheron Wealth Limited. Please proceed.

Chetan Kumar: Yeah. Thank you for the opportunity. So my question was on terms of capacity utilization. Could you just give us a number on what was the utilization for this quarter?

Aditya Rao: So capacity utilization is a blend across many businesses. There's some businesses, for example, our tubing business in steel where we are near extremely high levels of capacity utilization. As I'd referred to on a previous thing, for the last couple of quarters our PEB capacity utilization has been on the lower side, but that's something we've now fixed and that will trend up above 70%. As a blend overall, we still at about 70% capacity utilization across all of our revenue streams.

Chetan Kumar: Right. Okay. Thank you. And my second question was in terms of which sectors are we seeing growth in the PEB side, like where are we getting the orders from and which industries are looking for this space?

Aditya Rao: Apologies, could you repeat that question, please. It was a little muffled your voice. If you could repeat the question, please?

Chetan Kumar: So I just wanted to understand which industries in the PEB segment are growing, whether it's the data centers, infrastructure, oil and gas. So which sectors have we seen some traction coming from in the PEB space?

Aditya Rao: Okay. I think the question, correct me if I'm wrong, your question was in which, from which sector are we seeing PEB order inflow coming in.

Chetan Kumar: Yes.

- Aditya Rao:** We are primarily seeing it in the process engineering space, the automotive space and the high-rise building space. Those are the three growth vectors where we've received significant order inflows.
- Chetan Kumar:** Right. Perfect. Thank you.
- Moderator:** Thank you. We take the next question from the line of Miraj Shah from CJ Shah. You may proceed.
- Miraj Shah:** Thank you for the opportunity. Most of my questions were answered, but for my couple of questions that are still remaining, if you can, sir, just once again touch upon how steel prices are impacting the increase in steel prices or the decrease in steel price, that impact in the PEB space?
- You did mention that you have some short-term contracts and some long-term contracts. So if you can just highlight it a bit more, a bit more, so that I can understand how the long-term contracts will work over here. That's my first question and on the second question on PEB side, if you can explain what exactly do we do in a high-rise building, what exactly is the component that we service over there?
- Aditya Rao:** I'll request -- let me answer the first question. I'll request a little bit of clarity on the second question. So as far as steel prices are concerned, we are not a perfect, but a near-perfect pass-through. And as Shrikant had mentioned, the way this happens is we have quarterly rate contracts for steel. So any steel price increase typically we have one and a half to three months to pass on what we need to, depending on when that price increase comes in.
- So that's an advantage. More importantly, a lot of our contracts have price escalation clauses. So it's effectively a pass-through. What we do need to be careful about when there's massive steel price increases is that we retain not just the spread, but also the percentage, so that our -- and that's something that we're very clear with our customers on that our -- that we are going to request and demand a certain operating margin in these businesses.
- A certain margin after variable and on that basis we tend to pass through everything that we get. That's as far as steel pricing is concerned and the impact of that on our revenue and our margins. Your second question that you'd mentioned, could you just clarify that, sir, please? if I wasn't sure I understood it well enough?
- Miraj Shah:** No. So I wanted to understand in a high-rise building that we do, compared to any other building because in PEB it's usually you're doing, we don't do extremely tall structures. So I wasn't sure what exactly is a high-rise building that we make over here. If you can just explain what is the high-rise building and do we do the entire building or do we do only selected components of that structure? If you can just explain on that?
- Aditya Rao:** It's a -- fine. The scope of services we provide in the high-rise building sector is very similar to what we provide in the pre-engineered buildings sector, which is we provide design, manufacture components and shipping to site. And these are primarily the structural framework on the -- of the building, so building shells if you will.

So we don't do interiors, we don't do lighting, we don't do HVAC, we don't do any of that. The difference between what we would do in the pre-engineered building space and what we do in the high-rise space is that it tends to have more floors. So incorporates elements such as structural decking and in the design itself, for example, we would be taking into account the compressive load which is much higher.

So traditional PEB very, very seldom goes above four floors, even with intermediate mezzanines and structures, ground plus four. High-rise buildings we've done as high as ground plus 16 and it's the same model, it's a very similar timeline and we come in after the civil's been done, we erect the structures, we erect the intermediate floors and typically about three to six months is the duration of the project. That's, that's the scope and the timeline and the value proposition we provide in the high-rise building space.

Miraj Shah: Understood, great. Thanks a lot for answering the questions. I think, sir, you mentioned in the pass-on, you've mentioned that you pass on with a percentage as well, right? So you'll be benefiting with increase in spreads, absolute spreads?

Aditya Rao: That is correct. And this is -- this stands for India, the US, even in the US you do tend to see these price swings. So we pass on margin and we pass on percentage. In the case of price decrease, we try to -- and a lot of this is automated, it's not really that we have to go ask our customers, whether it's a price escalation contract or SIAM automotive index-linked pricing.

These price increases come in automatically, they're contractually baked in, so we don't have to do much. Most importantly is from a risk management point of view, we are not exposed to dramatic issues with our margins in the case of raw material price increases. That's what we aim for.

Miraj Shah: Understood. But in falling prices we would have to pass on the benefits as well, right? Our spreads would contract?

Aditya Rao: That is correct. And we have seen that happen historically where steel price falling, precipitous steel price falls. We retain as much as possible, we try to retain the value at that point and not the percentage because then, but we found that it wouldn't be fair of us to demand a percentage when it's going up and then say, no, it's only value-added. So there is that element to it. But as it stands, I think commodity price crashes are quite, quite rare. So I wouldn't see it as a high-end risk, as a high-value risk for us.

Miraj Shah: Great. Thank you so much for answering my questions.

Aditya Rao: Thank you.

Moderator: Thank you. We take the next question from the line of Ashish Soni from Family Office. Please proceed.

Ashish Soni: Sir, what's your capacity utilization of Raebareli plant as of 31st December and currently?

- Aditya Rao:** So that's, Raebareli has gone up. As of right now, we are at about 60% capacity utilization. We'll get to, we'll get to 70% by the end of this quarter.
- Ashish Soni:** Okay. And second question on the Ascent US, their order book is like hovering between like USD50 to USD55 million. So are we not able to scale that or are we not able to get more orders in Ascent US business?
- Aditya Rao:** Not at all. I think, I think we're at a place now, especially with our new express line getting commissioned, we're at a place now that we are going to be increasing that order backlog as well. So I see with the addition of new DMs, and I'm speaking specifically for Ascent buildings and not for TELCO, that's a different business model.
- But with the addition of our express line and a new sales team also that has come on board, I see absolutely no issues with us being able to scale our order backlog. The, the one nuance here is that in India you can keep these 6-month, 8-month, 9-month even, even longer than that sometimes order backlogs. In the US, it's much shorter generation. I mean, six months is the max, really. You ideally should not hold much more than that because customers expect quicker delivery in the US.
- Ashish Soni:** And any plans to, because you're 70% utilization in Raebareli will happen by end of this quarter you're saying, so any plans for any more plants in PEB in India?
- Aditya Rao:** We will get back to you on that, sir. There are, there are discussions we are having on this, but I think once we, we now put the labour issue behind us, once we reach an high capacity utilization in PEB, we will, we will look to further expand capacity. But as of right now, I don't have the numbers for you on that. Next quarter we'll, we'll put something in front.
- Ashish Soni:** And one last question, any plans for the land bank you have...
- Moderator:** I'm sorry to interrupt you, Mr. Ashish. I would request you to join back the queue as there are several participants waiting for their turn.
- Ashish Soni:** Okay, fine.
- Moderator:** Thank you. We take the next question from the line of Parshav Shah from Mehta Equities. Please proceed.
- Parshav Shah:** Hello, sir. I want to ask about repeat orders of our PEB orders?
- Aditya Rao:** So a significant component of our order backlog is repeat. Sometimes it trends above 50%. Right now I don't have an exact number, but I'm quite confident it's a high number because all of the large customers that we have, whether it's JSW, whether it's Godrej, whether it's a, all of those are repeat customers. So the proportion of repeat customers in our order backlog is, is high, and it, and it has always been high.
- Parshav Shah:** Okay, okay. And on the same line of as per our the repeat orders stage is good so existing order, but do you see another side of the coin that we have a lower bargaining power and high dependency on these kind of a customer base?

Aditya Rao: No, I'm sorry, could you repeat that question? You said lower buying power, is that -- could you elaborate?

Parshav Shah: Yes. High dependency on this, this kind of a customer?

Aditya Rao: Oh, no, I wouldn't say that. No customer contributes more than 6% of our revenue. It used to be higher, 7%-8%, and our, that's actually come down. As we grow, the diversity of our customer base is quite high. So we're not very dependent on any customer. And we don't do any government revenue either, so it's entirely private sector. It's very diversified. So customer risk is, is quite, quite low. I, there is no possibility that exposure to a limited customer base reduces our revenue. We, we don't see that happening.

Parshav Shah: Perfect, perfect. All the best, sir.

Aditya Rao: Thank you.

Moderator: Thank you. We take the next question from the line of Avnish Tiwari from Vaikarya. Please proceed.

Avnish Tiwari: Hi. Can you give some mix or color on your US PEB order book in terms of whether it is construction related, manufacturing related, warehousing, data center, whichever color you can give on current order book or ones you are bidding off right now?

Aditya Rao: So the 52 is a blend. It's geared more towards warehouse and data centers. Data centers is doing quite well in the US. A major driver of our US order book and why we are very confident that can scale also is the discussions we're having on this. So, yes, so primarily it is that.

Avnish Tiwari: Okay. Last question to Shrikant. This, do you have, did you have any acquisition-related cost as well in Q3? You have largely booked in Q2, but was there anything in Q3 also? Or Q3 was clean out of that?

Shrikant Bakshi: Slightly. I maybe a INR1 crores or INR2 crores additional cost would have come, but it's nothing more than that. I think majority of the cost was recorded in Q2.

Avnish Tiwari: Okay. Thank you and wish you very best.

Moderator: Thank you. We take the next question from the line of Vinod Krishna from Avendus Wealth. Please proceed.

Vinod Krishna: Sir, can you throw more light on competitive landscape in both US and India in terms of PEB? Like in US, I know you're a very small player, so what is giving us the confidence that we can scale up and as the previous participants asked, they were, are we are just, I won't use the word stuck, but the order book looks around it remains at the same 55 million, 60 million, 50 million.

So how many, how can we scale and why do you think we can scale in US? On India, how is the competitive landscape changing? Are there new players entering or how is our market share trending in India? So if I, if I make myself clear? Thank you.

Aditya Rao:

So let me first clarify the 52 number. As you're aware, if you look at the total order backlog in the US, which includes TELCO plus US buildings, perhaps I have not been clear on that. If you combine both, it's at 62 million. And that's at a 30% growth over the last six months. So I wouldn't say that we are unable to grow our order backlog in the US, I would say it's quite contrary and we expect this to grow even further.

So I don't see a challenge in scaling our US business revenue. In fact, double-digit growth, as we keep saying double-digit growth and that sometimes that's a quite a big range, but our US business is in a great place to grow quite strongly, and that's on the back of a fast-growing order backlog and new capacity that's been commissioned.

So that's as far as the US is concerned. And the competitive intensity in the US, you're right, we are a smaller player. We are not in the top five. We're probably not in the top 10 either. But I think we've made a great beginning. And the market size in the US is so massive that all we have to do is to keep pushing out our market envelope from the Midwest and the South where we are right now, little more towards the West. We don't do a lot of deep South either. I think that will ensure that we have enough to sustain a high growth rate for the foreseeable future.

So that's how we see the US. As far as India's concerned, the competitive intensity in India we would be either number three or number four depending on who you ask. With Raebareli having been commissioned and with these issues that we're having on labour, I think our capacity utilization increasing helps us scale as well. As the rest of the market is growing, I'm quite confident we can grow as well. So our competitors seem to be doing well.

We will intend to grow and scale our business as well in line with them. We're not really curtailed by order backlog from what I'm hearing, it's INR810 crores, INR820 crores going to even INR900 crores is not something that's prohibitively difficult to do, but we needed to fix our capacity utilization issues and that's what we have focused on.

I'm quite confident both US and India from a metal building space is in a good place for the next not just for this quarter and next quarter this year, but over the next few years as well. So I don't see a market challenge.

Vinod Krishna:

Sir, my question on US was, what is allowing us to grow when we are such a small guy and it's an established industry? What are the factors or the headwinds that we -- tailwinds for the market is there, but what is that is allowing us to grow?

Aditya Rao:

So I think what dictates anyone's ability to grow in a market is a large addressable market and good quality assets. So in a B2B business, if you have B2C is harder of course, I mean, let me not speak of B2C, we have no knowledge of those business verticals, but in the B2B space what our philosophy is is that if you have good quality assets, which is not just production capacity but good engineering talent and good DM relationships, which is what we tend to focus on in the US.

So just these focus on these issues, in fact, just having good, good quality DMs itself, sales itself puts us in a position where we can very quickly take market share. So that's what's driving our growth in the US. We're now present in the US over for five years. We started off at about a

\$20 million level and now in the US our revenue streams are this year we expect it to be much higher north of \$110 million, \$120 million. So I don't see if the narrative is we're a small player we're competing with much larger players will not be able to grow, that is a, I am 100% confident is not the case.

Vinod Krishna: Thank you, sir. Thank you very much, sir. All the best.

Aditya Rao: Thanks.

Moderator: Thank you. We take the next question from the line of Prateek Bhandari from AART Ventures. Please proceed.

Prateek Bhandari: Yeah, hi, sir. Thanks for the opportunity. So, sir, if I exclude your other income which was relatively INR16 crores during the quarter as compared to almost INR7 crores during the same quarter last year, then there is a de-growth in the EBITDA as well. So when you say about your EBITDA margins and when you guide for the EBITDA margins, you know, do you guide inclusive of other income or how should we take it as?

Aditya Rao: Inclusive of other income, sir. Inclusive other income and again, I don't want to belabour the one-time expenses point too much, but what we're committing to is one-time means one-time. I shouldn't come back to your next quarter and say there's more one-time costs, right? I mean, that doesn't make sense. So I think what we're guiding you to is sustainable EBITDA, EBITDA margins all growing year-on-year for us.

Prateek Bhandari: Okay. And also, sir, one request, if you can, you know, in your presentation, if you can give some detailed data about the different aspects in terms of order booking, in terms of the growth of those verticals, it would help us understand the business verticals better and as to see understand which are the verticals are growing and which are lagging behind. So just a request at that end?

Aditya Rao: Understood, sir. So, for these five verticals, all of which tend to be order backlog-based or schedule customer-based, we will submit a table soon. Give us a quarter or max two quarters on this. We're getting our ducks lined up on this. I am quite confident that in the near term itself, we will be able to give you what you're asking, which is for these five growth vectors, give you an idea every quarter on what the market size is, what our order backlog is, what our projected revenue is going to be, and the operating margins we're functioning at. I think that should go a long way towards explaining how what we're going to grow and how those vectors are growing. So point taken and I agree with you.

Prateek Bhandari: Absolutely, because those would be self-explanatory because, you know, you would also be seeing that there comes repeated questions on those verticals and the trajectories and how we are growing and in terms of order book. So that would really be helpful for the, you know, for everyone's sake. Thank you.

Aditya Rao: Understood, sir.

Moderator: Thank you. We take the next question from the line of Vedant from MAS Investments. Please proceed. I would request Mr. Vedant to unmute and then speak.

Vedant: Hello? Are you able to hear me, sir?

Aditya Rao: Yes. Go ahead, please.

Vedant: Sir, I want to know how will your US business landscape change with the sectoral tariff that is being discussed in a few sections?

Aditya Rao: Could you repeat that, please?

Vedant: Sectoral tariff in US is around 50%, right? Sir, I wanted to know if that is reduced, so how will our US business cope up with that?

Aditya Rao: I think our major growth vectors are India and the US. India's about 60%, 35% is the US, 5% is Europe. More or less that proportion will sustain. So the growth rates we're seeing in the US and the growth rate we'll see in India, there may be quarter-to-quarter differences, but over the 2, 3-year timeframe, I think both are poised for extremely aggressive growth and we're quite happy with what the base we've set up in the US. So the landscape remains positive for the time being.

Vedant: So our margins will remain same or increase or decrease in the US business, if the US sectoral tariff is...?

Aditya Rao: No, margins in the US tend to be remarkably stable. It's to some extent, I think, the claim can be made that it is a less competitive space, but it is a geography where you want to invest a lot of time. I think one of the advantages we have is that we've been in there directly with assets, with factories and others for five years through the pandemic and through other periods of economic stress as well. So we understand the market well, but I think it's a market where you have to invest a lot of time. But once you do that, margins tend to be stable. There's less price gouging and aggressive pricing, all of that doesn't really happen. It is very stable as a market.

Vedant: Okay. Thank you, sir. That's it.

Aditya Rao: Thanks.

Moderator: Thank you. We take the next question from the line of Rahul Kumar from Vaikarya Fund. Please proceed.

Rahul Kumar: Yes, hi. Just last question, this is on the US business. If we can just quantify how has the order pipeline moved now versus what it was last quarter?

Aditya Rao: So we've had strong order booking in the last few months. I think as I had mentioned on a previous caller's question, we've increased our DM team and we've also added a new line of sales team. We call it Express Plus, which is faster cycle time buildings. A lot of automation also in the manufacturing.

So combination of all of that, the overall order backlog has grown. I think if you combine both revenue streams in buildings and structural buildings, if you add Telco, you get to about 62 million. That's our order backlog right now. We have every expectation that this will grow further.

Rahul Kumar: No, I was actually referring more to, you know, the bid pipeline which is there based on which the success rate gives you this USD52 million and USD10 million. So I was wondering more what is the bid pipeline in the US?

Aditya Rao: By bid pipeline, do you mean lead generation, quote activity, order booking? Do you mean that sales cycle?

Rahul Kumar: Yeah.

Aditya Rao: Okay, yeah. So I don't have those numbers for you right now, and we'll work to give you -- I can tell you it's healthy, but I think the best way to illustrate that is what is our quote activity? I will come back to you with that number.

Rahul Kumar: Okay. The second question, Shrikant, can you help us understand in the diversified engineering segment, how much was the tooling sales in this quarter versus the last quarter?

Shrikant Bhakkad: Overall, there's the BIW sales, tooling sales have not been not been major change in the current quarter from last quarter to this quarter. Overall increase has come from steel business, boiler, and BIW, but yeah, tool is not one-time event which is triggered now.

Rahul Kumar: Okay. Understood.

Moderator: Thank you. We take the next question from the line of Aniket from CRK. Please proceed. I would request Mr. Aniket to unmute and then speak.

Aniket: Hello? Sorry, sorry, really sorry. Almost all of my questions were already answered, but I would still like to ask more upon the PEB part. Like, can I know like what sort of like order book we have once again because I missed the earlier given number.

Aditya Rao: The voice isn't clear, but I think -- yeah, I think it is a repetitive question, but I'd like to clarify. The PEB order book stands at INR810 crores. The Ascent company's order backlog stands at - - Ascent buildings specifically 52 and Ascent structural 10 million. So if you're asking what's the order book, that's the answer.

Aniket: Thank you. Thank you. I missed the previous given number. Thank you. Thank you for that.

Aditya Rao: No, the voice isn't clear, Aniket-ji. Okay. Thanks.

Aniket: My most of the questions were answered already. Thank you.

Aditya Rao: Yeah.

- Moderator:** Thank you. We take the next question from the line of Ankit, an Individual Investor. Please proceed.
- Ankit:** Yeah. Thank you for taking my question. Sir, in terms of, as in people have already asked this question, but let me rephrase it. In terms of our EBITDA because if you are including other income, I think you also said there is INR8 crores of receivable which we have received in this quarter which logically should be one-off. So if I exclude just that number, I think our margins have gone down. So can you comment why is that and what is your outlook for the coming quarter and years?
- Shrikant Bakshi:** Yeah. It includes write-back of creditors, discounts, as well as the receivables. Those are all other income which are basically the provisions which we make, write-back of those provisions kind of a thing. So as I've said, as we've explained in our earlier calls, when you when you look at us, look at other income as part of operating income and go through it and remove those one-time expenses that we have.
- Ankit:** Sorry, on this INR8 crores of receivable, do you expect this number to kind of continue going into future or how should we look at it?
- Shrikant Bakshi:** Some portion will continue to come into picture. But some portions such as which are one-time of write-back of receivables and other things that we have, that is not. And write-back of receivables and other things is not a substantial number.
- Ankit:** Got it. And so what is our outlook for Q4?
- Moderator:** Sorry to interrupt, Mr. Ankit. I would request you to join back the queue as there are several participants waiting for their turn.
- Ankit:** Sure.
- Moderator:** Thank you. We take the next question from the line of Sudarshan Bajoria, an Individual Investor. Please proceed.
- Sudarshan Bajoria:** Yeah, hi. Just wanted to -- can you hear me?
- Aditya Rao:** Yes, please go ahead, sir.
- Sudarshan Bajoria:** Yeah. Last call also you mentioned that labor issue is behind our course, and Q3 should have been better compared to what we have done. Obviously, that doesn't seem to be, but can you assure us now that Q4 will have no impact of any of your past issues?
- Aditya Rao:** We have solved the labor problem. We've solved it late last quarter. To the impact, the positive impact from that would not have been seen in the full quarter. However, in this entire quarter, you will see -- in fact, let me make it clear. You will see much higher levels of revenue in PEB India this quarter compared to last quarter. So that I can -- we are absolutely putting on the table.
- Sudarshan Bajoria:** Great. And the second point is with the current capacity of PEB, what could be our maximum monthly revenue we can generate?

- Aditya Rao:** If you were to combine India and the US both for PEB and structural, at peak capacity let's say 80% I think is fair. I don't think we should go much higher than that. We will absolutely be able to hit a revenue number closer to INR200 crores to INR220 crores per month.
- Sudarshan Bajoria:** Okay, great. I hope that we give better results this quarter onwards because last quarter has been bit of a disappointment. But we keep our fingers crossed, and we hope no more one-time expenses come in the picture in the future.
- Aditya Rao:** Thank you so much, sir. We will take it to heart and ensure that what we have committed we deliver.
- Sudarshan Bajoria:** Okay. Thank you.
- Aditya Rao:** Thank you, sir.
- Moderator:** Thank you. As there are no further questions from the participants, I would now like to hand the conference over to the management for closing comments.
- Aditya Rao:** Thank you for your questions and thank you for your support, and we look forward to deliver on everything that we have communicated today, and we're quite confident that we have a great quarter and a great next financial year ahead of us. Thank you. Thanks to all of you again for your support, sirs.
- Moderator:** Thank you. On behalf of PhillipCapital India Private Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.