"The Anup Engineering Limited

Q1 FY '24 Earnings Conference Call"

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MANAGEMENT: **MR. REGINALDO DSOUZA – CHIEF EXECUTIVE OFFICER – THE ANUP ENGINEERING LIMITED**
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Moderator: Ladies and gentlemen, good day, and welcome to the Q1 FY '24 Earnings Conference Call of the Anup Engineering Limited. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded.

Before we proceed to the call, let me remind you that the discussion may contain certain forward-looking statements that may involve known or unknown risks, uncertainties and other factors. It must be viewed in conjunction with our business risk that could cause actual results, performance or achievements to differ significantly from what has been expressed or implied in such forward-looking statements.

Please note that the company has uploaded the results, press release, investor presentation and also the outcome of the Board meeting on the website of the stock exchanges and the website of the company.

I now hand the conference over to Mr. Nilesh Hirapara, CFO. Thank you, and over to you, sir.

Nilesh Hirapara: Yes. Thank you so much. A very warm welcome to everyone. We are happy to report the Q1 FY24 results and the number of this quarter are very, very encouraging. We have clocked a revenue of INR125 crores, a 142% increase over Q1 FY '23 with an EBITDA of INR28 crores at 22.4% compared to INR9.4 crores in Q1 FY '23, which is roughly 3x of EBITDA last Q1.

PAT stands at INR18.6 crores at 14.8% which is 259% higher than in Q1 FY '23. On our balance sheet front, we have a net debt of INR4.2 crores only as on 30 June '23. If I mention about today's position of our net debt, then we are approximate INR20-plus crores cash surplus.

On a working capital front, as on 31st March, 2023, we were roughly 2.8x to 2.9x. We have now achieved our 3 tons. With this, I'm handing over the call to Reginaldo Dsouza, our CEO, to share his opening thoughts.

Reginaldo Dsouza: Hello. Good evening, everyone. Greetings from team Anup. I thank each one of you all for being on this call. It is always a pleasure to connect and have a conversation on our company's performance. So happy to say that we have finally broken the grims of not so good quarter 1 with this INR125 crores revenue that we have clocked in quarter 1. The last historical best quarter 1 being INR52 crores. So it's a substantial jump and a substantial improvement on our quarter 1 performance.

Also, I would like to make a note that now we have 4 consecutive quarters of INR100 crores plus, which surely should give us a lot of comfort on the consistent execution and the quarter-on-quarter performance. On the industries that we serve, oil and gas and petrochemicals still remains the dominant portion with 85% of our revenue coming from these sectors in quarter 1.

On the product portfolio, again, heat exchangers contribute to about 76% and vessels, reactors and columns at 21%. Of course, this 21%, we'll see an increase as we dispatch our goods from the new Kheda facility, which is strategically placed to build vessels, reactors and columns. So we will see that 25% to 21% going up in near future.

Our pure exports stood at 15%, which we should see going up to 30% by the year-end. On the order bookings side, of course, there is an very encouraging progress. As aware, we opened the year with an order book position of INR530 crores as on 1st of April.

In quarter 1, we have a historical best new order book of INR240 crores, INR240 crores. An interesting fact in that is that 70% of this is pure exports, which definitely augurs for us in the direction of exports. So what this means, the INR240 crores order booking in Q1 is that we have an order book position of INR651 crores at the end of Q1.

If we consider the plan for FY '24 as per our guidance of INR520 crores to INR530 crores, what it leaves is about INR240 crores to INR250 crores for execution in FY '25, which will further build on as we progress into the year. So this definitely should give us a good confidence even in the year FY '25.

On the capacity expansion, I'm very happy to inform you all that our new manufacturing facility at Kheda which is approximately 40 kilometers from our existing facility in Odhav, Ahmedabad was inaugurated on 1st of June. And we expect the first dispatch from this plant coming in quarter 2. So with this, we are on track on our guidance of approximately INR50 crores to INR60 crores from this new facility in Kheda in FY '24.

On our product expansion, as I mentioned in my earlier calls, centrifuge, which is a rotary equipment and which is our own design. We wish to now consolidate our position in the market on this product. Mr. Ganpat Chowdhary, who is our Independent Director, is guiding us on this journey. And I'm sure with his experience and we can make good inroads in considering our capabilities and a strong reputation in the market.

On the people front, we've made some good consolidation in the organization structure. And we have a very -- strong team now of right capability to execute our plans. I can confidently say that I'm blessed having brilliant talent and taskmasters in my team. So with a very good beginning, good order inflow with the necessary capacity built in to execute and a strong team to execute the order intake, we should be confident of achieving our plans for the year of INR520 crores to INR530 crores and an EBITDA of 22% to 23%.

We will continue to stay focused. I take this opportunity to sincerely thank each one of you for being with us and trusting on our capabilities. Thank you, and happy to have a conversation.

Moderator: The first question is from the line of Ravi Naredi from Naredi Investments.

Ravi Naredi: My name is Ravi Naredi not Ravi Reddy. Anyway, Mr. Dsouza, sir and Nilesh, you did well. So first congratulation to both of you, along with whole team. Sir, my question is what margin we get in exported, what margin for domestic sales?

Reginaldo Dsouza: So if you compare the export and domestic, we would not say that the margins are drastically different. But of course, there are inherent advantages of exports. Number one is the winnability is better for us because there are limited players that we play with in the export market. Sorry?

Ravi Naredi: Yes, yes. Continue, sir, please.

Reginaldo Dsouza: Yes. So since there are limited players, our winnabilities are better. On the costing side, because of the forex, we are always a little conservative. So there's always a margin for us over there on actual realization. And also the advances in exports are much better as compared to domestic. So we are better on our working capital as well. So all in all, I would say at the order book position level, the margins may not be drastically different. But yes, there are opportunities towards the end.

Ravi Naredi: Okay. And by end of financial year '24, how much total order book should we expect sir, just outline we need only?

Reginaldo Dsouza: So we expect, as per the guidance, we expect the order book position to -- total new order book for in this year to be INR600 crores to INR630 crores around that number.

Moderator: The next question is from the line of Divya Daga from Vijit Global Securities Private Limited.

Divya Daga: My first question is, in last con call, you have mentioned that company is in discussion for 3 to 4 proprietary products which will help increase in value chain. So can you tell me the status and what are these products?

Reginaldo Dsouza: Yes. So as we mentioned in our guidance point, we wish to -- since our capacity is now in Odhav are built in and also we have built the Phase 1 in Kheda. For us to now grow up our revenue, we need to move up the value chain in terms of metallurgies, number one, and also in terms of complexities of the equipment. So metallurgy is, of course, we are doing much better in a sense that if you look at our revenue growth from the Odhav facility, the capacity remaining the same in terms of tonnage, we've been able to churn out much higher revenues, which clearly suggests that our metallurgies are going up, and that's the reason we are getting better revenues from the same capacity.

In terms of complexity of the equipment is where the licenses for our proprietary item comes in. As you know, it takes a long time to convince the proprietary licenses and get inroads into their vendor list. We are in discussions. In fact, we had a couple of discussions, very strong discussions with the client, and it will materialize soon.

So we'll have to wait for that time period for us to get onboard their vendor list for us be to able to make that claim that we are a licensee or registered for our proprietary equipment. It takes a substantial time for us to make the visits because every licensor unless they come and visit and see our facility and conduct the audit and then make a report, it takes somewhere around 6 months to 1 year. That's 6 months to 1 year is kind of a timeframe that we are looking at. So we'll come back to you momentarily through with the process.

Divya Daga: Okay. And my second question is, as you have mentioned earlier that in Kheda Phase 1, company is expecting capex of INR47 crores in FY '24. So how much we have done already or how much is still pending? Sir, can we expect any additional capex other than this in this financial year?

Reginaldo Dsouza: Yes. So thank you for this question. On the first part, let me clarify the guidance was INR50 crores to INR60 crores of turnover from Kheda Phase 1 in FY '24, which is this year, and we are on track for that. As I said, the first equipment will be dispatched in Q2. And most of the substantial portion should come in Q3 and Q4.

On the capex front, the Phase 1, we've already done, we have commissioned the plant except minor capex that we will be needing for fine tuning some of our investments. But otherwise, the major investments have been completed in Kheda.

Divya Daga: Okay. Thank you so much sir.

Reginaldo Dsouza: And then one, in case if I have not answered your first question that you asked, the type of prosperity of the items, I would not be able to disclose the actual item because of confidentiality clauses that we have with our licensors. But I can tell you that it's in the ammonia field, where we are targeting towards the hydrogen circuit.

Moderator: The next question is from the line of Chetan from Abakkus Asset Management.

Chetan: Sir, a few of the questions and the order book which has now gone up to INR650 crores. What is the timing or period by which you will be able to execute this? And at what process these orders are bidded at?

Reginaldo Dsouza: Yes. So most of these orders are INR651 crores executable in this financial year itself. So that's where we are saying it will form the part of INR520 crores to INR530 crores. But of course, about 20% of it for next financial year. That's the reason we are saying about INR220 crores will move to next year. And on the margin front, it would be around that same guidance margin of 20% to 23% EBITDA.

Chetan: Great. And whole Kheda coming into the picture, how is the bid pipeline has got changed because now we will be able to offer any more core products, which were earlier not possible. So how that has got changed if we compare to last year? Our bid pipeline?

Reginaldo Dsouza: Yes. So as I mentioned earlier too, Kheda is strategically placed on the National Highway, Baroda, Ahmedabad highway. So that gives us the ability to make much larger products than my current facility in Odhav. So obviously, your question is relevant that it would give us more inflow in terms of the inquiry bank. So if you want a number to be put at, it would be about 20% of my inquiry banks have gone up.

So as we speak today, I've got roughly about INR1,000 crores kind of an inquiry bank on my hand. And around 30% to 35% would be reactors, vessels and columns, which are meant for Kheda.

So as I mentioned earlier, strategically, we are moving with a road map that heat exchangers will be made in Odhav facility and the vessels, reactors and columns will be made in Kheda facility, not because of anything else, but only the logistical constraints that we have in Odhav, being in the city limits the flyovers restrict us for moving larger diameter equipment. So that's the only reason why we have strategically made this choice.

Chetan: And sir, lastly, one bookkeeping question, salary during the quarter has gone up from INR5.5-odd-crores to INR8.8 crores just from the March quarter. Can you elaborate the reason for that?

Reginaldo Dsouza: Yes. So what we have done, Chetan, this time is, we've set in a new process in place that normally, we have these performance bonuses and the salary revisions also coming in. Going forward, and this year, what we have started a practice is that the performance bonus we would pay out and the salary revisions will do it in the first quarter itself. And also make the provisions of the year into that quarter.

So that's the only reason you are seeing. Otherwise, if we had not done that, if you see last year, we paid it in somewhere in quarter 3. So we've made that process change for better motivation of people and also to roll out bonuses at the -- immediately after the year is ended.

Chetan: So on a yearly basis, what should be the employee cost?

Reginaldo Dsouza: So on overall, at the end of the year, which we are looking at about INR26 crores to INR27 crores. At a 5 -- 20 to 30 top line.

Moderator: The next question is from the line of Kunal Shah from Carnelian Asset Management.

Kunal Shah: Yes. So congratulations to Regi and team for a good set of numbers. I have two questions. One was we had mentioned in our annual report of capability enhancement, where you mentioned about polymerization reactors, high thickness reactors, orders in Floating LNG Offshore space, etcetera. And also you mentioned about increasing the query bank that we have. So two parts to this question.

One was, how does the opportunity type increase for us with the introduction of the new products? That was the first question. The second question was also, does it help increase the per unit average saving value with all of these new products, which can help us increase sales.

Reginaldo Dsouza: Yes. Thanks, Chetan -- Kunal for that question. Yes. So with the introduction of Kheda, surely, it increases our opportunity pipeline in a sense that earlier, whatever we had to regret because we couldn't make it in Odhav now we are able to address the full basket of inquiries from the customer. So as I mentioned earlier, it gives us an opportunity increase of about 20% overall in terms of the bidding pipeline.

These polymerization reactors and others that you mentioned, yes, surely they were the first that we made. So this polymerization reactor was the first polymerization reactor ever made in India, for an Indian project, of course, through our licensor in Europe. So it's a very critical piece of equipment. So what it does is that it sets us one level higher in terms of the capability benchmarks since the equipments are so very critical.

And as you know, we do not, per se, have a standard product, we sell our -- basically, sell our capabilities. Based on that, we make customized equipment. So when we move one level up in terms of our capability index, by making such critical equipment, the opportunities for such critical equipments go up. And whenever such polymerization reactor plants come up, we surely have these opportunities when those projects hit the ground.

So overall, I would say a 20% increase in the opportunity pipeline or the opportunities that we would regret earlier would be at our disposal. With the -- I'm saying with the limited capacity right now in Phase 1 that we have, of course, when we start and then venture into Phase 2 and Phase 3 of Kheda that will lend up into bigger capacities for us, and we would be able to address much larger basket of the inquiries.

Kunal Shah: Okay. Interesting. And when do we plan to do capex for Phase 2 in Kheda, and of what amount?

Reginaldo Dsouza: Yes. So as you know, in Phase 1, we have built a 1.5 days to be precise. The overall master plan was for 7 days. So in Phase 2, we have a plan for 2 more days and the balance number of days in Phase 3. Now, as I said in the last call as well, with the capacity that we have put in Odhav now, plus the added capacity in Kheda with Phase 1, we should be good to go with INR700 crores to INR750 crores kind of a turnover from this capacity.

So what does this means for us is that the decision on building a new bay, considering that it would take about 11 to 12 months for us to build. FY '25 early is where we will make a decision of investing into the Phase 2 because that is the right time for us to get going. And then we'll take a call at that point in time. So early FY '25 is the right point for us to take a call on further investment in Kheda. One each day should cost us since now we have built all the utilities around the company, what we need to now invest is only in the manufacturing base. So each day would cost us anywhere in between INR50 crores and INR60 crores to set up with a time line of 11 to 12 months.

Kunal Shah: Okay. That's really helpful. And just one more question that's more of an accounting question. The contingent liability as a percentage of network is at almost 45%. So there is a nature of the industry where we give guarantees for advances that we receive. So if you could help understand how does this work? And with the increase in the scale of business that is going to happen in the next 2, 3 years, how should one look at this particular aspect?

And historically, has there been any performance guarantee that has been crystallized or anything of that sort would also be very helpful.

Nilesh Hirapara: Right. Good question, Kunal. So right now, we have a total limit of INR325 crores. Of which INR315 crores is a limit for a nonfund based, right? Of which -- as on 30th June, INR145 crores is ABG, advance bank guarantee. So right now, the average life of advance bank guarantee is INR1.23 crores -- it's 1.23 years.

So generally, what happen the project cycle would be the 7 to 8 months, so along with the order we generally get a 10% to 20% advance, which is against the order. As on 30th June, receipt on the advance of INR82 crores against the INR143 crores ABG, which is on the advance of INR82 crores. Roughly INR84 crores ABGs are such which is submitted to the customer, and we are expecting advance to be received in the next 1 or 2 weeks. And there are INR38 crores worth BG, which is expired and we are awaiting the same to be received from the bank once receipt will submit to the bank and that will get canceled. So this one portion is ABG.

Second would be the performance bank guarantee, since the average life is 3.5 years. So generally, these products have a warranty. I mean, customer ask us to submit the performance bank guarantee, which would be in the range up to 1 year to 5 years. But in the past, there is not a single incident where customers invoke without bank guarantee. There would be some minor issues with the equipment, which can be sold through a back charge.

If you go to a P&L then this -- last year, we had a INR36 lakh of back charge charges. Other than that, there is no incident related to invocation of those bank guarantees. And the third portion of this limit would be the LC. So most of materials we buy would be from the Jindal, then Nippon Steel and some other good companies where they ask us to give them an LC at site or LC of 90 days. So we sit on the LC of roughly INR20 crores.

So out of that INR315 crores of limits, we have already utilized INR355 crores limit. And that is the reason, right now, we are going ahead with the resolution of increasing this limit from current INR350 crores to higher limits through shareholder approach.

Kunal Shah: Okay. That was pretty helpful. But do we make any provisions on a regular basis for the guarantee that we provide or we provide for it in P&L only when it incurs?

Nilesh Hirapara: No, we provide a 0.5% provision that includes the healthy back charge and warranty. So of a top line, we provide this provision for 0.5%.

Kunal Shah: Okay. Fair enough. And just one last question, if I may squeeze in. Now we are focusing on exports as well, right? So are we having any hedging strategy in place to hedge the currency movements? Or how do you plan to kind of hedge that? Because if I understand correctly, with this current order intake also, we had a significant, a good part coming in from export. So are we having any plan to kind of hedge or how will you look at that?

Nilesh Hirapara: Regi, correct me if I'm wrong, I could not find that in annual reports pertaining to hedging anything.

Reginaldo Dsouza: Yes. So until last year, we haven't hedged any of our forex exposure. From this quarter, we have started considering the possibility of hedging the foreign exposure, especially USD currency. But our first strategy would be to safeguard the denominator, which we have taken while giving quotation to the customer. So right now, when we see the dollar between INR82 and INR82.30. So we are in discussion with our treasury team and probably by end of this month or next month, we'll hedge the portion, which is receivable in next 2 quarters.

Kunal Shah: Okay. Okay. Fair enough. I think that would be fair because that protects us, if anything, adverse just in case has to happen and can protect our margins as well. I think that helps answering all of my questions.

Moderator: The next question is from the line of Saket Kapoor from Kapoor Company.

Saket Kapoor: Yes, thank you for the discussion sir, it's in-depth and covering all the points. For the bid pipeline, you did mention that with Kheda now being operational, we will have a -- we can target now which is about INR1,000 crores bid pipeline that we were not able to do, that is what you commented, sir, earlier.

Reginaldo Dsouza: Sorry, I couldn't get few of the words. Could you please repeat the question, please?

Saket Kapoor: Yes, sir. In the earlier conversation, you mentioned that now with the commissioning of the Kheda facility, we could now bid for orders to the tune of INR1,000 crores, which was not earlier in our ambit. So this was the -- your remark that now the bid pipeline through Kheda is to the tune of INR1,000 crores?

Reginaldo Dsouza: No. So let me clarify. So what I said -- mentioned was that as we speak, we have an inquiry bank of INR1,000 crores. That includes both Odhav as well as Kheda. But with the Kheda now 20% of this about INR200 crores, which we normally would have regretted because of the size limitations in Odhav. Now we are able to quote for that and probably win that order. So it gives us approximately about 20% better inquiry bank. And then, of course, the strike rate depends on the profitability and how well the negotiations going on.

Saket Kapoor: Right sir, earlier conversation, you would also like to -- you had also explained the point about exotic products, wherein we would be having incremental margin than what the regular margins have been in the vicinity of 22% to 23%. So how much of the order book -- do we have any of that exotic product? Or what is the status on the same, in terms of the re-gardening and executing those products?

Reginaldo Dsouza: Yes. So on the order book that we have today, we roughly have about 5% which are nonlinear materials which we call as exotic, 5%. Of course, we wish to increase it further. But those products you very well understand they are not too many in the market, they become limited, but of course, they get better winnability for us because only top 2 or 3 players can participate in those. So the direct answer about 5% of the current order booking would be in the bracket of that exotic products. And then we wish to increase it as we move forward.

Saket Kapoor: Okay. And then taking into account the talk and the feel which we get from the European market in terms of the recessionary trends prevailing there, how would that impact the -- our trend in the business going ahead? So if you could give us some understanding of how are you visualizing '25, '26 going ahead, sir?

Reginaldo Dsouza: Yes. So as you know, we definitely, we all would agree that we are definitely having a good tailwind as compared to as we speak about the market. The capex cycle is really, really good. So it augurs well for manufacturers like us into the capital goods segment.

Having said this, domestic, of course, still poses a lot of potential for us in terms of picking up orders. On the export side, as I mentioned earlier also in my call, we are a little matured right now because of the geopolitical situations around.

There are two reasons we are mainly focusing on today. One is United States of America and the other is Middle East. Now these are the 2 prominent geographical regions where we are focused on because we are a little cautious of doing business as well.

Of course, in the European side, largely, if you see, if you look at our order book and the execution you will not find much projects of this oil and gas and petrochemicals in Europe. It is more of the EPC contractors who are in Europe are the licensors who are in Europe. So they would release the order for us, but it will be for a project in some other regions. It could be Middle East or United States of America. So per se, we are not impacted too much by that. And largely, our focus market is also United States of America and Middle East for now.

Saket Kapoor: Correct, sir. And for the domestic market, sir, the pillars are from the refinery segment that is the private -- as a public sector, refineries only that the main tranche is from them or the private participation is also there. If you could split the order book for the domestic segment between public and private?

Reginaldo Dsouza: Yes. So last year, it was more dominant on the PSU side. But this year, I can tell you that even it could be a 50-50 kind of a mix. Based on the projects that we are bidding, which should be finalized in a couple of months, there are pretty large private players also who are expanding their petrochemicals and refining segment.

Saket Kapoor: Okay. And you mentioned, in the last point, you mentioned that we will be closing this year order book at what we have closed for now INR600 crores plus would be the expected order book as on 31st March '24 with an execution cycle of INR535 crores for FY '23, '24 which is what the number is?

Reginaldo Dsouza: Yes, that's correct. So we will be booking an overall order book -- new order book into this year of close to about INR600-plus crores. And the revenue for this year, FY '24 will be INR520 crores to INR530 crores as per our earlier guidance.

Saket Kapoor: All the best to the team, sir. Once again and we hope sir, that quarter 2 also we will get an opportunity to call and interact with the management team.

Reginaldo Dsouza: 100%. It's our pleasure to be talking to you.

Moderator: The next question is from the line of Atharva Bhutada from Purnartha.

Atharva Bhutada: I just wanted to understand what the replacement cycle for your product, sir? And have we seen customers coming back from maintenance of vehicles or replacement of their older vehicles?

Reginaldo Dsouza: Yes. So thank you for the question. So the answer to the first question is the average age of our equipment would be anywhere between 15 to 25 years kind of a thing. Depending, of course, on the service, it varies based on the service. Heat exchangers it is more of a replacement of bundles. So there is something called as a bundle inside, so in heat exchangers, you get frequent maintenance during shutdowns. And that is the product which is more dominant to us.

If your question is what is the kind of business that we get from replacement, it's not too heavy right now. It's about 5% to 8% kind of a business comes from replacement most of it comes from expansion or a new greenfield project.

Atharva Bhutada: Okay, sir. And one question was that more thickness brings more margin because they are difficult to make, right?

Reginaldo Dsouza: In one way, you're right, yes.

Atharva Bhutada: So what is the thickness for most of our products? And will we increase it multifold?

Reginaldo Dsouza: Yes. So the higher thickness that we made, which I -- which is there in our report as well, was 185 thick, 180 base thick with some cladding on it. So that is the highest thickness that we ever made. Of course, we have capacity to roll, we have the rolling machines, which can roll even 200 millimeters. But of course, as of now, we made 180.

Average thickness, since our larger portfolio is on the heat exchanger side, you will find average thickness varying between 50 to 80 millimeters thick. That's the kind of thicknesses that average out over our product portfolio. And when you say that larger the thickness, the better the margins?

In a sense, what I would put it is that, yes, as the thicknesses go up, the competition is limited. That means you play with 2 or 3 players in India. So obviously, your probability of getting higher margins is higher.

Atharva Bhutada: And sir, in quarter 2 FY '23, we've got an order of 36 heat exchangers for INR100 crores. So I just wanted to understand if that order book has been completed and because it was a big order, was it a low margin model?

Reginaldo Dsouza: So we've largely completed, except -- so you would say, almost done, we have closed that order. That was for INR100 crores.

Moderator: The next question is from the line of Abhilash Shah, an individual investor.

Abhilash Shah: Good evening. This is Abhilash. I'm an individual investor. First of all congratulations to the team Anup for executing -- and my question is that, what is the road map for FY '26 and FY '27?

Reginaldo Dsouza: So as we mentioned in our guidance, we wish to grow year-on-year at a 25% to 30% kind of a growth level, for the next 3 years, that's the kind of guidance.

Abhilash Shah: Okay. So you tend to maintain the 25% to 30% growth for the next 3, 4 years?

Reginaldo Dsouza: Yes, next 3 years.

Moderator: We have the next question from the line of Ajay Surya from Niveshaay.

Ajay Surya: Yes. Congratulations on a good set of numbers. So my question is more on the heat exchangers side. So if I look at the heat exchangers private market, so if I assume that INR1 lakh crores of capex is happening in refinery industry. So what is the opportunity size for heat exchanger as a product? And how much of that caters down to Anup Engineering? If you can throw some light on that.

Reginaldo Dsouza: Yes. So thanks, Ajay. So if you look at the proportion of exchangers in a project, depending on the investment, it largely, would Ajay, I'm sure you would appreciate that it would depend on the type of project that coming in. If it's a refining the proportion would be completely different. If it's a petrochemical, it would be completely different. But our ballpark number averaged out from the perspective of a project of an average size in nature, the exchangers would be anywhere between 40% to 50% and balance would be reactors, columns and vessels.

Of course, again, I'm saying it would vary drastically depending on what kind of project it is. But average it out, you could take this sort of number.

Ajay Surya: No. But my question is more on like what is the opportunity size for the number -- ballpark numbers like INR1 lakh crores kind of capex happening in refinery. So would that grow down to INR4,000 crores, INR5,000 crores of the heat exchanger kind of demand in the industry or not? That is more what I would like to know.

Reginaldo Dsouza: Okay. Okay. So I would respond from the perspective of Anup's interest in that kind of a range of exchangers because there would be a lot of other heat exchangers, which are very small in nature, where we don't wish to participate, and we do not even track those kind of orders. But what is relevant to Anup's product portfolio, it's average about INR9,000 crores kind of an opportunity every year in the global market.

Ajay Surya: Got it. Sir, my next question is on like basically, if I look at the overall heat exchanger market, majority is obviously is shell and tube heat exchangers. But again, air cooled heat exchangers are also gaining a lot of traction in the refinery side. So is that any trend in the industry where refineries are preparing a mix of both air cooled and shell and tube, and not just preferring shell and tube. So is it like air cooled are replacing the demand of shell and tube? Can you share -- just throw some more light on that? Like what's happening in the industry? And what are the trends towards the product mix which is happening in the industry?

Reginaldo Dsouza: Thanks, Ajay. I sincerely appreciate you tracking this market so closely. So as you rightly said, yes, air cooled heat exchangers are also gaining traction. Largely from the perspective of water scarcity because air cooled condenser heat exchangers could work without fuel.

Now if the question is why? When the traction is there, Anup was not in the picture. We didn't venture out into this product is. Air cooled heat exchangers need a large space. So it actually consumes a lot of floor space for you.

Now with Kheda in picture, and with further land available for us to expand. We are, I wish to say that we are simply looking at it. We've had some great discussions over it. We will make a decision soon on that particular product. But you're right. It is a product which is gaining traction. But I would also make a point that knowing the product, we know it's not a very high-margin product.

Ajay Surya: And last question would be like -- we have mentioned in the presentation that we've gained 3 new customers, that is like Graham, Indorama and ITT. So can you just throw some more light on like are these -- what time does it -- did it took for us to gain these customers? Or what are the approval cycles that we have to pass through to gain new export customers?

Reginaldo Dsouza: No. So these three, as we mentioned, are very strategic customers for us, and it's on our strategic direction that we want to gain traction into a larger geographical base. So that's where the whole process of connecting, as I mentioned earlier, of getting the customers to audit your facility because finally, our capabilities are more important to customer. So it takes anywhere between -- depending on the licensor and the customer and the stringent requirements, it would take anywhere between 6 months to probably 2 to 3 years to get them on board.

And of course, once they qualify then you've have to bid for the inquiries, you should be in a position to win with a better price and of the right quality. So we are happy to have these three customers on board, we've been trying to get orders from these customers for probably a year, 1.5 years.

Ajay Surya: All the very best for the coming term.

Moderator: We have the next question from the line of Atharva Bhutada from Purnartha.

Atharva Bhutada: Actually, I just had one question regarding the raw material that is majorly used in the contracts -- that are given in the contracts for heat exchangers?

Reginaldo Dsouza: Yes. So on the contract for heat exchangers, if you look at the raw material content, Atharva, it is largely on the tube side. So larger portion would be tubes. Of course, we have a larger sourcing within India for tubes, we have very good sources in tubes. And it would be place, which are the next buying where we have good reputed suppliers in India, like the ArcelorMittal, Nippon Steel and Jindal.

Moderator: The next question is from the line of Ankit an Individual Investor.

Ankit: Congratulations for a great set of numbers. Just wanted to clarify in one of the earlier questions, you said that out of the INR600 crores order book, which the company has currently as of Q1, most of these orders will be executed in this fiscal year and only around 20% would get like rolled over to next year.

So that implies like almost INR500 crores will be booked this year, and we have already reported like around INR120 crores in Q1. So -- is my understanding correct? Like, so -- it would be like INR120 crores plus INR500 crores or am I missing something here?

Reginaldo Dsouza: Let me clarify. So the order book position as we opened up or recent if you take the Q1 -- Q1 is showing roughly INR650 crores, right? That's the order book position as on today. We have already clocked INR125 crores. What we are saying is FY '24, we will be INR520 crores to INR530 crores kind of a revenue. So what does that translate? That translate as we speak, INR220 crores for FY '25.

Of course, that will further build on as we book orders in the coming quarters, which will be largely for FY '25. And overall order book, new order book in this year, which is INR240 crores now in the quarter 1, we wish to take that to about INR600 crores plus in this year, new order book.

Ankit: Okay. Understood, sir. And like -- if we look at the trailing 12 months revenue, it's like already at INR485 crores. So which implies not -- I mean, not a very significant growth for the next 9 months. Any reasons like to be like conservative and not revising the guidance at first or you just want to wait for like one more quarter before like giving us like more update on the guidance?

Reginaldo Dsouza: So, Ankit, what we are saying is based on the workings, based on -- because every project has got a time line of completion and the revenues are generated. So we don't go by POC method. We go by actual dispatch method.

So based on the dispatch dates, when the customers would pick up the equipments from our side, based on that, we have a firm understanding that we would be around INR530 crores in this quarter, which surely means the earlier guidance that we have given, so we would be in that bracket of 25% to 30% growth. And that's what we wish to continue in the next 2 to 3 years.

Ankit: Okay. And sir, last one for me. Are you seeing any impact from the higher interest rates from your like customer size? Are there any delays in the capex? Anything which you are seeing or the order inquiries are like very good and very strong, given that the higher the rates?

Reginaldo Dsouza: So we are not seeing that, Ankit. Of course, having said that, there are specific projects where we see a little bit of fall back, not because of the interest rate or because of anything else, but because of their end product done, there are a little bit of doing research on that.

So but largely, if you see, the capex cycle is really, really at the peak today. And we expect next 2 to 3 years to be continuing this trend, mainly because, as you know, I'm sure you're tracking the steel prices. This is the best time for any projects to be invested because the steel prices are at a lower base as compared to what you've seen probably a year back.

Moderator: As there are no further questions, I would now like to hand the conference over to Mr. Reginaldo Dsouza for closing comments. Over to you, sir.

Reginaldo Dsouza: Yes. So as we have now announced the quarter 1 numbers, I'm extremely pleased of this performance. And as we have the guidance for the year of INR520 crores to INR530 crores, we and with an EBITDA of 22% to 23%. So we're off to a great beginning, I'm pretty sure and confident that we are on track for this particular plan.

So I once again thank you, everyone, for a very interesting and interactive session. We were quite happy responding to all the queries and clarifications that you had. And I'm sure going forward as well, we will have your understanding, support and guidance as we take this journey to a glorious future for Anup Engineering and a win-win position for all our stakeholders.

So once again, a big thank you. Happy to interact with you and stay safe and take care. Thank you so much.

Moderator: Thank you. On behalf of the Anup Engineering Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.