"The Anup Engineering Limited Q4 & Year-Ended FY'24 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day, and welcome to Q4 and Year Ended FY'24 Earnings Conference Call of The Anup Engineering Limited.

As a reminder, all participant lines will be in 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 "*"and then "0" on your touch-tone 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, performances or achievement to differ significantly from what has been expressed or implied in such forward-looking statements.

Please note that the Company have uploaded the Results, Press Release, Investor Presentation and also the Outcome of the Board Meeting on the website of Stock Exchanges and Website of the Company.

I now hand the conference over to Mr. Reginaldo Dsouza. Thank you, and over to you, sir.

Reginaldo Dsouza: Hi. Thank you. Hello, everyone. Warm greetings from team Anup. I am Reginaldo Dsouza – CEO at Anup, and I am glad to be part of this call to share our Quarter 4 and the Financial Year '23-'24 Performance.

I must say, the year has been very eventful, challenging, rewarding and also very encouraging for our future. All thanks to our committed employees, especially my hardworking operators on the shop floor and also our supplier partners. Indeed, it has been a fairly decent year.

Coming to the Performance on our Quarter 4, please note that all the numbers quoted by me are in INR:

The revenue clocked is Rs. 156.9 crores against Rs. 144.2 crores in Q4 of the previous year, means a growth of 8.8%. EBITDA at Rs. 37.3 crores as against Rs. 30.2 crores in the previous year, a growth of 23.7%. And a PAT of Rs. 43.0 crores against Rs. 19.5 crores of the previous year, a 121% increase. If you discount and without the tax reversal, PAT is at Rs. 28.5 crores, again a 46.5% growth.

Looking at the Year-End Performance of FY'24:

The revenue clocked is Rs. 550.4 crores against Rs. 411.3 crores of previous year, that means a growth of 34%. EBITDA at Rs. 126.8 crores as against Rs. 82.7 crores in the previous year, a growth of 53.3%. And a PAT of Rs. 103.5 crores against Rs. 51.4 crores, which is double that of the previous year. Without the tax reversal, our PAT is at Rs. 89 crores as against Rs. 51.4 crores of previous year, which means a 73% growth.

On the Working Capital:

It has been good, and we are at our best average working capital of 4x. The cash was also managed well, ending with a net cash positive of Rs. 114 crores. Our on-time delivery performance, which has been the key focus for us over the years, was above 95%, which meant that we were able to meet most of our contractual delivery dates, thereby making our customers happy.

In terms of the Product Mix:

Exchangers still dominated in FY'24 at about 70%. Exports, including deemed export, was at 41% and pure exports stood at 31%. In terms of the industry, Oil & Gas and Petchem still dominates the industry we serve, followed by Hydrogen and Fertilizers sectors. On the order booking, I think this has been one of our best. We booked new orders worth Rs. 853 crores for the year, which meant an opening balance of approximately Rs. 854 crores, of which around Rs. 700 crores plus will be executable in this year, FY'25. Interestingly, about 50% would be for exports.

We have had a few other strategic developments in the year, FY'24. Our new Kheda plant was made operational in June 2023 and has been doing well over the last 3 quarters. Further, we have also started the construction work on the extension of our existing bay in Phase-I. This will be operational in Q2 of this financial year, which will mean that we will have completed Phase-I with 2 complete manufacturing bays at Kheda, delivering about Rs. 150 crores plus revenue for this year.

As informed earlier, to increase our capacity for growth, we acquired a Company 100% down south in Tamil Nadu named Mabel Engineers Private Limited, which is predominantly into manufacturing of vessels and silos, thus complementing our existing product portfolio. We also started our design office in Vadodara, Gujarat in the month of March, with a strategic intent of being close to our customers since we have a large customers base out there. Also, on the sustainability initiatives, we completed our 1-megawatt rooftop solar at Ahmedabad.

And along with our windmill, we now have 60% of our power requirements at Ahmedabad facility through renewable sources. This year, again, we have planned for installation of rooftop solar at Kheda facility also.

On the future market outlook:

We see some interesting projects, especially in Petrochemicals and also Fertilizers and Hydrogen globally. On the Hydrogen business side, we are currently witnessing more opportunities coming from blue hydrogen, especially from the western part of the world.

On the Supply Chain:

We are keeping a close watch on the geopolitical themes around and monitoring very closely and building our strategies around to derisk. So, indeed, FY'24 has been very eventful, exciting and quite encouraging. So, considering our decent performance in FY'24, we have issued a dividend of Rs. 15 per share and also a special onetime dividend of Rs. 5 additional since we have crossed a PAT of Rs. 100 crores for the first time. We are happy that we could do this.

Please note that in the financial results, we have shown EPS after considering the bonus issue shares, which was declared on March 20, 2024, and allotted on April 26, 2024. This was as per Indian Accounting Standard, that is, if number of shares increased as a result of bonus issue, the calculation of basic and diluted EPS for all 3 periods presented shall be adjusted retrospectively. As prices of shares are now ex bonus, we are required to show EPS considering bonus effect, that is, 2x of the number of shares.

As a result, you will find our EPS half of what it should have been if bonus shares were not issued.

So, to conclude, we had an eventful and encouraging year and the momentum created with a good pending order book of Rs. 854 crores and with a very healthy inquiry pipeline of close to about Rs. 1,000 crores, augurs well for achieving the growth plan of financial year FY'25 with a 25% to 30% growth and with an EBITDA of 20% plus.

I am confident that with the complete visibility into the year and at the strength of a strong capable team at Anup, and with the continued support from our reliable partners and suppliers, we will be able to deliver on our plans. My sincere thanks to all our hard-working, committed team members, our partners, our suppliers and all our shareholders for standing by us and trusting the brand, Anup. We are ever indebted for your trust and support.

Thank you all for attending this call and for your patient listening. Now I am happy to have your questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Chetan Vora from Abakkus Asset Managers.

Chetan Vora: Would like to understand from a 3-year perspective now everything is getting into the place. So, how do we foresee to reach that Rs. 1,000 crores which we were earlier anticipating by the erstwhile management team. So, what are our views on that, sir?

Reginaldo Dsouza: Yes. So, Chetan, we stick to our plans that we had articulated last year that we should be an Rs. 1,000 cores Company in FY'27. So, this year, as you know, with the growth plans that we have and the visibility, we should easily cross the Rs. 700 crores mark. Next year, we should be close to over Rs. 900 crores and the year after, we should be Rs. 1,000 crores Company. So, we maintain our guidance of 25% to 30% growth with a decent EBITDA. We have done all the groundwork. As you know, we have put the capacities in place. And with the acquisition of Mabel, it gives an additional capacity buildup geographically and also to grow our turnover towards the Rs. 1,000 crores mark.

Chetan Vora: So, that Rs. 700 crores what you mentioned this year, that includes the Mabel numbers also? Or it will be organic growth? Rs. 550 crores to Rs. 700 crores plus Mabel?

Reginaldo Dsouza: Yes, it will be an organic growth.

Chetan Vora: And plus, Mabel, whatever they do, Rs. 50 crores, Rs. 60 crores, correct, for FY'25?

Reginaldo Dsouza: That's correct.

Chetan Vora: So, you are saying that by FY'26, you will be seeing a revenue to reach Rs. 900 crores and basically, the quarter rate should be able to give us the confidence that we should be doing Rs. 1,000 crores of revenue, right, sir?

Reginaldo Dsouza: That's correct. So, in FY'26, we will be very close to that mark, but we will touch that margin in FY'27.

Chetan Vora: And how should we think on the margins front, sir, because Mabel is having margin profile which is close to likes of Anup, so how do we see the margin on a blended basis?

Reginaldo Dsouza: So, even as we grow, Chetan, we would be targeting the (+20%) kind of an EBITDA, though as we move up the metallurgical complexity, there would be increase in the raw material pricing, but our whole game plan is to grow at that rate with a decent EBITDA margin of 20% plus.

Chetan Vora: Right. And did you say today that Kheda will be contributing Rs. 150 crores of revenue in FY'25, right, sir?

Reginaldo Dsouza: That is correct. Because we don't have the full year, next year, that will contribute Rs. 200 crores.

Chetan Vora: Okay. Next year, it will be Rs. 200 crores. And that will be at full capacity, right?

Reginaldo Dsouza: That's correct. Because next year, we will have the complete 12 months at our disposal.

Chetan Vora: And then what about the next level of expansion of the third Bay and fourth Bay?

Reginaldo Dsouza: So, once we have done this extension, which will be commissioned in Q2 of this year, we will be initiating the next plan of expansion somewhere in end of this financial year, which will be either 1 way or 2 ways as the case may be, but surely one way.

Chetan Vora: In the presentation, it was mentioned that the second Bay will be commissioned in quarter 1, but it is Quarter 2, yes?

Reginaldo Dsouza: Yes. So, it will be completed in quarter 1, but production with all the machineries and other set, we will kickstart in Quarter 2. Production will kickstart in Quarter 2.

Chetan Vora: Right. Wish you all the very best.

Reginaldo Dsouza: Yes thanks. And just in addition. As you know, in Kheda, the advantage for us is that we have set up all the utilities around in the first Phase-itself. What we need to add now going forward is only the pure manufacturing bays. So, that's the reason we are timing it correctly.

Moderator: Next question is from the line of Abhishek Singhal from Naredi Investments. Please go ahead.

Abhishek Singhal: Regarding CAPEX, how much of CAPEX was done in FY'24 and what is CAPEX plan for FY'25?

Reginaldo Dsouza: Sorry, what was your second question, if you may please repeat?

Abhishek Singhal: How much CAPEX was done in FY'24? And what is CAPEX plan for FY'25?

Reginaldo Dsouza: Yes. So, in the earlier expansion of Phase-1, as we said earlier, we had done a CAPEX of approximately Rs. 120 crores. This extension would cost us about Rs. 18 crores to Rs. 20 crores, which we are going to commission in Q2. We don't have any further expansion plans, except the small CAPEX for this year. Maybe that once we initiate Phase-2 construction, which will be the CAPEX, which will impact us next year. So, this year, we do not have any large-scale CAPEX plan yet.

Abhishek Singhal: And second question, what is effective tax rate for FY'25 because in FY'24, our tax amount is low?

Nilesh Hirapar: It will be 25%. It may have credit of tax charge of earlier years subject to admissibility of various claim on account of demerger (not a refund). If allowed, it will reduce to that extent.

Abhishek Singhal: 25?

Nilesh Hirapar: Yes, 25.

Moderator: Next question is from the line of Neerav V. from ASK Investments. Please go ahead.

Neerav V: Would it be possible for you to help me understand how big can be the opportunity for us coming from the Hydrogen segment? If you can help me understand the opportunity size?

Reginaldo Dsouza: Yes. So, just to give you a perspective of the pending order book of Rs. 854 crores, roughly about 20% to 25% comes from the Hydrogen business. When I say Hydrogen, largely, these are blue hydrogen projects, not huge on green yet, but largely on blue hydrogen projects. And what we foresee in the next couple of years, we can see this trend moving forward, close to about 20% of our business coming from Hydrogen, especially blue.

Neerav V: Sir, my question was if Rs. 100 of CAPEX was being done for blue Hydrogen plant, what can be our scope of work?

Reginaldo Dsouza: So, on the overall project value, roughly about 2% would be our scope of work. And out of which, depending on the competition, how much we can win will be based on our win rate.

Neerav V: Would it possible for you to help me with the order inflows that you have booked in FY'24?

Reginaldo Dsouza: Rs. 853 crores.

Neerav V: You mean to say order backlog and order inflows is practically the same at around Rs. 850 crores?

Reginaldo Dsouza: Almost the same, because if you remember, we opened the year at Rs. 530 crores. Of course, that was on a costing rate than we have. So, that's how you see the opening almost the same as our order book. And that's how we target also every year. Whatever is our plan for the next year, we try to book it into this year. So, as on 1st of April, when we open up a year, we have the full complement of order book on our hand.

Neerav V: Sir, my other question is pertaining to margin trajectory. You stated that the targeted EBITDA margin is 20% as you are aspiring for Rs. 1,000 crores revenue. My question is that if I look at the Hydrogen CAPEX, this is the CAPEX which is done by the largest industrial houses of India. And these companies are very tight in terms of ordering, and they have a history of not allowing their vendors to make higher margins. So, on what basis are we able to, I can say, demand higher margins of almost 20% from these really large conglomerates who really have a very strong handle on the project cost in part?

Reginaldo Dsouza: So, when we look at our business potential, we look at global. So, when I said that 20% of our pending order book is blue hydrogen, and this is almost, I can say, 100% is exports. So, what we are seeing largely on the hydrogen intake is the blue hydrogen coming from global market, especially on the Western side, U.S. and Middle East. India, I think as per our understanding, it will be more focused towards green hydrogen, which will take some time because there are lot of pilot projects coming up right now. So, when we talk about the margin profile and the business potential, it is global. And as I said, of this pending order book of Rs. 850 crores, close to about

50% of this year's execution will come from exports. So, that's where we have an edge in terms of margin profile.

Neerav V: Sir, do we also have to ship our products to the plant location? Like what I am trying to understand is there can be a potential impact on the elevated or higher logistics cost?

Reginaldo Dsouza: No. So, most of our projects, the POs are ex-works for domestic largely. If it is exports, it is freight onboard FOB up to the Indian port. We do not book orders at site for exports.

Neerav V: Sir, my last question. If I broadly look at our gross margin profile, it has continuously hovered around 50%. So, I wanted to understand the order backlog that we have of Rs. 850 crores, is this order backlog with a fixed price contract? Or there is a pass-through clause in it?

Reginaldo Dsouza: Thanks for the question. So, these are all fixed price contracts. We do not have any price variation clauses in our contracts. So, these are all fixed. We estimate and that's the reason more so the gross margin profile almost is a certain deal.

Neerav V: So, do we hedge material? Or how is it?

Reginaldo Dsouza: Yes. So, what we do is, as you know, since it's a project environment, we have to buy materials specific to our project. We can't have anything in stock. So, what we do is before preorder, we largely, for critical projects, have sort of an understanding with our supplier base. And the moment we receive the order, within 6 to 8 weeks is where the POs are released to our sub-vendors. So, it's a question of 4 to 6 weeks where between our PO to the PO to our sub-vendors, where largely, we don't see that kind of a fluctuation in normal circumstances. Of course, we had our challenge during COVID times, which were uncertain, unpredictable. But in normal circumstances, we are fairly good on ordering.

Moderator: Next question is from the line of Kunal Shah from Carnelian Capital. Please go ahead.

Kunal Shah: Just a few questions. One thing was our order book of Rs. 850-odd crores comprise good amount of orders on the export front, almost like Rs. 500-odd crores. So, if you could help understand in the first place, how is the market scenario looking like both on the export and the domestic front? And within the export front, any particular geography where we are seeing a lot of tailwinds, which is helping us build this order book would be really helpful on the order book side.

The second question is on the cash. So, while our CAPEX requirement is only to the tune of Rs. 20-odd crores, Rs. 25-odd crores, you have a cash of about Rs. 100-odd crores. So, I would like to have your thoughts on how do you go about deploying this cash? And the third question was for Nilesh ji on tax part. So, if you could help understand what was this adjustment that has happened in the current quarter and whether the tax rate would continue going forward to be at

25% odd rate? Or since it is everywhere, we have some kind of benefit out there, how would the total tax rate look like in the coming years?

Reginaldo Dsouza: Thanks, Kunal, for the questions. I will answer the first part and then hand it over to Nilesh. So, on the export and domestic, so being frank, in domestic, we see a little bit of low traction. We see more traction on the export currently. So, the export order backlog that we have, this comes largely from United States of America. Some in the Middle East, especially Saudi and Abu Dhabi. These are the two regions where we see a lot of projects coming in. And a big chunk of orders coming from Nigeria and Australia. So, overall, I would say, U.S. and Middle East is a focus area for us because we see a lot of traction on new projects in these areas.

Kunal Shah: And this is largely to do with the Oil & Gas industry or even the order pipeline, which you mentioned largely comprises of exports? Or if you could give a general sense on that also would be helpful really.

Reginaldo Dsouza: Yes. So, largely, we see the traction on Petrochemical side. And in terms of the order book position also, if you see, more of the pending order book is coming from the Petrochemical side as compared to Oil & Gas.

Kunal Shah: And it will be right to understand that basically the exports market will have much better margin profile compared to the domestic market. So, generally, as the execution of the exports market kind of pick up, right, the margin profile probably will be better further from here on? Or how should one look at that? While you did allude to looking at EBITDA margin of 20% plus, but we have clocked 50% gross margins in the current quarter and 48% gross margins for the whole year, with the EBITDA margin at 23% for FY'24 ?

Reginaldo Dsouza: Yes. So, on the margin profile, see, when we go at the booking stage, we don't see that kind of difference between the export or domestic. This I've been mentioning in the past. What happens is when we book the order, we are a little bit conservative on the FOREX side because we need to build that risk into our costs. But over the years, we have seen that more than many we found that we benefit on the FOREX side.

And that's how at the end of execution, the export orders tend to be more beneficial. And to add to that, it also helps us on the working capital side because the exports order, we generally see better advances as compared to domestic. So, that gives us a little bit of an edge in terms of our working capital.

Kunal Shah: And any thoughts on cash utilization, maybe how do you see that?

Nilesh Hirapara: Yes. Out of Rs. 100 crores, we will be paying a dividend to the tune of Rs. 40 crores, Rs. 30 crores, Rs. 35 crores will be paid to Mabel and the rest of CAPEX. So, like these are the three items where we will consume the entire Rs. 100 crores.

Kunal Shah: And Nilesh ji, on the tax side?

Nilesh Hirapara: Tax rate, we will have a general rate of 25% as a tax percentage. These are the refunds which are pertaining to the aspects of certain claims we know as a demerger of Anup from Arvind originally. So, a bit conservatism would build where the expenses provided in the P&L and refund claim was filed with the government. And we have just received the refund, and this would be probably the last tranche of refund which we were supposed to receive from the government. Going forward, the tax rate would be in the range of 25% to 25.2% as a percentage of PBT. It may have credit of tax charge of earlier years subject to admissibility of various claim on account of demerger (not a refund). If allowed, it will reduce to that extent.

Kunal Shah: Just one question if I may pull in. On the domestic side, you mentioned that you're seeing a little bit of slowdown. If you could just allude a little bit pertaining to the domestic side slowdown?

Reginaldo Dsouza: No, that's largely because we have seen the last 2 years, lot of projects are hitting, hitting, hitting the ground, especially from IOCL, from Nayara Energy, lot of domestic projects. So, what happens is these are long commissioning kind of projects. So, once they hit the ground and commission, then the next cycle of project. And that's the reason you always see the cyclicity in terms of project investments. So, I am sure that by the end of this year, investments are going to restart again with a lot of projects already outlined. We know 3 or 4 projects, which are already going to hit the ground probably in 3 to 4 months of time. So, this is only a short phenomenon that we are seeing. It will surely be up and running probably 6 months down the line.

Moderator: Next question is from the line of Bhavya Sonawala from Samaasa Capital. Please go ahead.

Bhavya Sonawala: Just have 1 question. You've spoken about us getting in the skids and modules going ahead as a longer-term vision. Just wanted to know if you can speak a little about it? And if there is any kind of already technology or design already there, just like how in the heat exchanger. So, is it similar like that? Or do we have to make our own design and where are we in this whole process right now? If you can just throw some light on that.

Reginaldo Dsouza: Yes. So, I did mention on the previous call that we see a visibility of getting into skids and modules in 2 to 3 years kind of a time frame. That is precisely where the Kheda Phase-3 construction is going to help us. That is designed for those kind of equipments. These are nothing, but these are the equipments that we already make. But rather than supplying these equipments to the site and getting installed at the site, these are fabricated in the shop, they are attached to a structure in the shop and the whole structure moves along with the equipment to the site for quick fix kind of an installation.

So, what it means is broadly the installation and commissioning cost at the site, which is generally very high, tends to reduce when you have these modules built in the shop. So, as I mentioned earlier, we need to build our capabilities for being able to make the skids. We are already in that process. We had recruited a couple of engineers 6 months back. We are into that process. It is going to take some time before we actually start making them. And our plan on the growth journey is to be making skids and modules 2 to 3 years down the line, and we are on track for that.

Moderator: Next question is from the line of Prateek from Subh Labh Research. Please go ahead.

Prateek: I was just curious to understand since the slowdown in our domestic order book has been continuing probably since last 7 quarters. I was trying to understand in this Rs. 1,000 crores order book pipeline, how much of it is domestic? Because last quarter, we had this understanding that probably the domestic market will also pick up. But I think that has not happened yet.

Reginaldo Dsouza: Yes. So, of the total inquiry pipeline, approximately Rs. 350 crores is for the domestic, which is much better than what it was. So, it is improving. And as I said, 5 to 6 months is where we see a clear push on to the domestic projects. So, as I said, we were in the execution phase. So, if you remember, last year, we executed the largest order of Rs. 100 crores for an IOCL job, single order, which just got completed and we dispatched all of them in the last financial year.

And those are the kind of large-scale projects which once get commissioned, then the next phase of investments come in. So, we are very confident that the domestic market is going to pick up. And more so, you will have seen our focus has always been, I mentioned in the call that we would like to keep exports also much higher than our historical percentages. Our historical percentages used to be about 10% to 15% of exports. We wanted to have that geographical spread and take exports to about 40% to 50%, more importantly, because we wanted to beat this cyclicity in terms of investments in a particular region or a country. And that's, I think, precisely where things have worked for us. That focus of a strategic shift in having sort of 40% to 50% exports is actually yielding benefit and showing in the results of our order booking.

Prateek Giri: Certainly, Mr. Dsouza. I would like to congratulate you there because the kind of pickup we have shown in our exports order book is quite appreciable from Rs. 100 crores to probably Rs. 488 crores this quarter. My second question, Mr. Dsouza, is given the slowdown in domestic order book, do you find enough order pipeline to take care of our growth for at least FY'25 or FY'26 even because FY'25 is already taken care of. So, if this slowdown continues, do you see enough opportunities in the exports market?

Reginaldo Dsouza: Yes. So, FY'25, as you rightly said, we already covered for FY'25. Over and above that we have Rs. 150 crores plus already booked for FY'26. As I said, we have an inquiry pipeline of close to about Rs. 1,000 crores, of which about Rs. 650 crores are on the exports side. And then given our strike rate of close to about 20%, that's what we wish to maintain and not go ahead for the profitability sake. So, we see this Rs. 900 crores to Rs. 1,000 crores kind of inquiry pipeline rolling at a real-time basis month-on-month. So, the kind of project visibility that we are seeing, we are very confident that this inquiry pipeline will continue. And given our strike rate, we should be able to book the orders.

Prateek Giri: Lastly, on this Mabel acquisition, which is in Tamil Nadu, I was curious to check, are we getting any technical capability there? Or is it just land and the CAPEX, I mean, the capacity expansion is what we are getting from there?

Reginaldo Dsouza: Yes. So, Mabel is predominantly into manufacturing pressure vessels and the silos. Now silos is something which has enough engineering we are not qualified into making. So, that gives us an added product portfolio to make silos for our Oil & Gas and Petrochemical sectors and the geographical spread also helps us to do execution at site. So, in short, Mabel engineers has got 2 pluses. One is silo manufacturing, and second, they have the site work expertise, which we do not have. And that was the strategic intent with which we have acquired that plant.

Prateek Giri: And sir, in silos, the margin profile is similar to what we are currently working upon, I mean, 20-plus percent? Or is it a high margin or a lower margin?

Reginaldo Dsouza: No, it's not (+20). It's in between 15% and 20%, depending on the customer base and the kind of equipment profile, meaning metallurgy when I say equipment profile. So, it will vary between 15% to 20%.

Prateek Giri: Just one last if I can squeeze in. In this domestic slowdown, there's no market share loss for us. I mean, we are still more intact with the market share we have, which is not public, I understand.

Reginaldo Dsouza: Yes, absolutely. In a sense, it has not impacted us at all because earlier we were focused only on domestic. Now with this export focus, 50% of our order booking is taken care of by that. So, I would say, it is more of a choice to be a 50%, 50% kind of a business profile to derisk ourselves from cyclicity.

Moderator: Next question is from the line of Abhineet Anand from 3 P Investment Managers. Please go ahead.

Abhineet Anand: The first being on Mabel numbers. Can you help us with the numbers for the last few years, how has it grown in the last 3 years on the revenue side?

Reginaldo Dsouza: So, in the last financial year, they were about Rs. 50 crores plus with an EBITDA between 15% to 20%.

Abhineet Anand: And any growth numbers that they would have done in the last 3 years? I mean, is it steady at 50%? Or was it a 15%, 20% growth type of story?

Reginaldo Dsouza: They've grown between 10% to 15%. Largely, I would say that they've been operating in a single shift an environment. So, we have a larger potential to grow it quickly. So, once we get into the real drive, we will be able to book more orders for those particular product portfolios that they are into and also add the product portfolios of Anup, which are smaller in size, which we normally would not be able to do it at Ahmedabad or Kheda facility, we would be targeting at Mabel.

So, the whole strategy going forward is to continue making silos the special products that they have, plus add Anup's product portfolio suitable for that particular plant. So, that's the reason for this year, we have a plan of about Rs. 50 crores to Rs. 60 crores, which is going to continue from where we bought it and then probably we will get into expediting the growth from next year onwards.

Abhineet Anand: And secondly, you see your medium-term plan of Rs. 1,000 crores by FY'27. And then you have talked about skids and modules that capability that you will develop over the next 2, 3 years. So, that skids and modules part that you're talking about, is it surely beyond the Rs. 1,000 crores, which can still give us a 15% or whatever percent type of growth, right? Is it a fair assumption to be made?

Reginaldo Dsouza: That is correct.

Abhineet Anand: And last one, I mean, your EBITDA margin this year was around 300 basis points higher than last year, out of which, 200 basis points has come from gross margin. So, obviously, while you always come in 20% plus and now 23% that we have done this year, but I mean just as the '25, '26, which side will it tilt towards, whether it's 20% or 23%, any qualitative will work as well?

Reginaldo Dsouza: No. Actually, what happens is, see, as we grow and book orders, right, with the same capacity, as I explained in the past, too, with the same capacity, when I say capacity, it's tons of fabrication that we can do from a plant. If we have to grow the revenue, the only way to do it is gone up the metallurgy or complexity chain of the equipment. And when we start doing that, the raw material content as percentage keeps moving up. So, it's all about how good or how well your procurement strategies work, how well are you able to save on your estimated raw material.

So, it all depends on the favorable conditions in terms of commodity pricing, too. And while we say always that we want to grow at a 25% to 30% rate, along with an EBITDA percentage of 20% plus is because we could pick up orders, - as I said, our strike rate is only 20%, we could make that strike rate to 30% by compromising a little on margin. But we are very watchful that as we grow, we are also remaining profitable.

Moderator: Next question is from the line of Darshil Jhaveri from Crown Capital. Please go ahead.

Darshil Jhaveri: A lot of my questions have been answered. Just so on a different side of mode, I wanted to ask that around Rs. 750 crores of orders we are hoping to execute this year. So, would it include Mabel order book? Or how would it be?

Reginaldo Dsouza: So, as we said earlier, Rs. 700 crores is something that we are looking from Anup, and that is our Ahmedabad and Kheda facility, and Mabel would be over and above that. So, roughly, we are expecting anywhere between Rs. 50 crores to Rs. 60 crores from Mabel.

Darshil Jhaveri: So, just asking because you have given a very good guidance of 25% to 30%, but just the way I look at it, are we being a bit on the cautious side, and I feel we could maybe overperform our guidance. Is that a fair way to look at it? If that is the possibility of doing that because we have a good order backlog and a new acquisition coming in. So, will that be fair?

Reginaldo Dsouza: So, this guidance broadly is based on the execution philosophy that we have and the execution capability. So, this Rs. 850 crores of pending order book could have been much larger if we wanted to. So, we have been calibrating our order intake very, very carefully and cautiously because, as I mentioned earlier, too, our business mantra is very clear that we should deliver on time because 70% of my orders come from repeat customers, and I need happy customers to be on our side.

So, we calibrate even in good times when there could be a large amount of order inflow possible. We calibrated suitable to our execution philosophy of ensuring that every project is delivered on time. And that is how we have done it in the past and that is how we are projecting the future of 25% to 30%. The market was fantastic over the last couple of years. It is going to be good for the next 2 to 3 years we know.

So, from the order booking side, it shouldn't be a challenge, but it is more about execution because, as you know, this is a project environment and every order that we take has to start from ground zero, that is starting from design. No 2 equipments are standard or common. And that's where the challenge is that the whole value chain, right from design to procurement to manufacturing and delivery is always starting from zero for every project. And our experience says that this is the rate at which we'll be able to maintain the execution philosophy intact and keep happy customers. So, that's the reason we are growing at this very cautious pace.

Darshil Jhaveri: Thank you so much for the detailed explanation. That's it from my side.

Moderator: Next question is from the line of Naysar Parikh from Native Capital. Please go ahead.

Naysar Parikh: Just a couple of questions. One was broadly, can you give the sector mix for this quarter? And what sectors domestically are you seeing doing well relatively?

Reginaldo Dsouza: So, this quarter and probably the answer would remain same even for the year. The Petrochemical sector is something that we are seeing is coming a big way. Of course, in the exports side, it will be more on the hydrogen side. But for domestic, it's more on the petrochemical and fertilizers side.

Naysar Parikh: And just going forward, obviously, you mentioned the domestic sector, and some obviously, weakness there. But are you seeing that it's increased competition, that is why in order to maintain your profitability that there's some weakness in our order book? Are you just not seeing those many orders flowing through?

Reginaldo Dsouza: It's more about, I think, calibrating our order intake and our aspiration of moving more into exports. And that's what is manifested in our pending order book position as well. So, this little bit of slowdown that I've spoken about, that's nearly because the large scale of projects was in the implementation Phase-from IOCLs and other PSUs. And now gradually, we are seeing lot of other projects now being announced. And 5 to 6 months, as I said, we see a large junk of projects coming up our way for bidding.

Naysar Parikh: Okay. And on the exports side, it's all direct to clients or are there any distributors? And the net working capital, does exports need more investment in NWC?

Reginaldo Dsouza: What we get the orders are mostly from EPC contractors. EPC contractors are like, I will name a few, just for your understanding, Tecnimont, Technip, Air products, Toyo, so all these are EPC contractors. And we have years of relationship with these EPC contractors. So, we get direct orders from EPC contractors to be supplied to the end user.

Naysar Parikh: And NWC is any additional investments generally needed in exports?

Reginaldo Dsouza: No, absolutely not. In fact, as I said earlier, working capital is a little better when it comes to export because we have larger advances to the tune of 35% to 40% advances as compared to domestic. So, we are better off on the working capital side.

Moderator: Next question is from the line of Ajay Kumar Surya from Niveshaay. Please go ahead.

Ajay Surya: Sir, my question is, sir, can you provide a breakup of your export between the geographies, between U.S.A., Middle East, Nigeria and Australia? And further question on that, sir, what is the global competition intensity between players like us and Alfa Laval or Kelvion or Escher? So, how is the competition intensity currently over there, if you can provide a view on that?

Reginaldo Dsouza: Yes. So, answering your first question, of the total export orders pending, roughly about 40% comes from United States, around 30% would come from Middle East and balance 25% would come from Southeast Far East. Southeast Far East, when I say, I would include Australia in that.

Ajay Surya: And sir, on the competition intensity level playing between players like Alfa Laval, Kelvion, so how are we competing against them? Like is it because of the cost advantage that we have or is it because of the better technology? And how is the competition intensity among those players and us?

Reginaldo Dsouza: So, on the competition profile that you mentioned, we hardly compete with these competitors. So, there are a different set of competitors in India and global, largely because we are on to heavy fabrication side. So, we have a product portfolio, which is in a mid-segment. If you put it as Tier-1, Tier-2, Tier-3, we are in the Tier-2 kind of a product segment, which are upwards of 30 tons kind of fabrication. So, we don't deal largely on the lower side.

Ajay Surya: So, sir, who are we competing against?

Reginaldo Dsouza: So, in India, as you see, it would be more about AZTEC, L&T, Godrej. That's the set of competition that we play with.

Ajay Surya: No, sir, my question is for the export side. Like in the export market, who we would be competing against, like Indian players or local players from there or any global MNC and if you can name them?

Reginaldo Dsouza: So, for exports, largely today, we see in this static process equipment, most of the orders are released in India, Indian manufacturers. So, we see these competitors even for exports. Also, there are European competitors in Italy and others. But now because of the heavy energy cost, we don't see too heavy competition from there. China, yes, in limited regions and for projects, we see competition. But largely, I would put it as that whatever inquiries that we get as Anup Engineering, we see large competition only from Indian players. We hardly compete with foreign players.

Ajay Surya: Sir, my next question is on the hydrogen side, sir, because we are seeing a good chunk of our order book from the hydrogen side. Sir, do we have any tie-up for technology? Or sir, how are we progressing on this side? Like why are we able to get such a high chunk of order book from the hydrogen side? If you can just give any view like why is Anup getting such huge traction?

Reginaldo Dsouza: So, frankly, we do not have any technology part specifically for Hydrogen business. And to the question why we are getting orders for Hydrogen for such heavy stuff, it is mainly our past track record. So, any customer who wants to place inquiries and subsequently purchase orders for these kind of heavy equipments, they will check your credentials in terms of your past experiences. And touchwood, we have over the years of our existence, created a lot of PTRs that they call, that past track record, where we build very, very heavy equipments which serves as our testimony. And that gives the confidence to customers that we could deliver.

And moreover, all these customers that we get these orders from, we have been working with them for many years now. Average, I put it as that we would have worked with them for 5 to 7 years now constantly delivering critical large-scale projects for them. And then that is how we tend to get repeat orders for various sectors that they get into.

Ajay Surya: Sir, just a clarification because you said that you get most of your orders from EPC, so the comment on will you get repeat orders from your customers, so it would be a big EPC player or the end IOCL or Nayara Energy, so those kind of players. So, just a clarification on that. Our repeat customers will be the EPC players or the end customers that they would be serving?

Reginaldo Dsouza: So, when you take it from Indian context or the domestic context, of course, all the PSU companies would have direct tenders, right? So, we bid on tenders directly. Whereas for all the private players, on most of the occasions, EPC contractors. So, it would vary year-on-year. But overall, say, a 3-year horizon, if you have taken average, it would be sort of 50% to direct customers and 50% to EPC contractors.

Ajay Surya: Sir, last question. Sir, I was saying that even because we begin in shell-and-tube type of heat exchanger. And even in the industry, there is a strong preference of air and cold and even plate heat exchangers are currently gaining a lot of traction. So, how do you see the overall heat exchangers market? And do we see any kind of risk where one kind of heat exchanger goes on to replace shell-and-tube. How are we pleased against such kind of risks or any other risk which we can foresee? Just a comment on that.

Reginaldo Dsouza: So, air-cold heat exchangers have been in use for many, many years, along with shell-and-tube kind of a construction. They are largely used where you find water scarcity or other stuff. But as Anup Engineering, though we have the capability to manufacture, we have not taken that strongly as a product portfolio, especially because we see that as a low margin profile product. That's the only reason. Otherwise in terms of capabilities, we do have those capabilities to manufacture.

And in terms of square meter kind of footprint, that takes the larger space to fabricate as compared to my Oil & Gas and Petrochemical kind of a business. So, direct answer, today, Oil & Gas and Petrochemical sector along with Hydrogen is definitely a more lucrative segment for us going forward.

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: Thank you. So, thank you all for those wonderful questions. I once again take this opportunity to thank my wonderful team at Anup and to each and every one who has contributed to this performance. A big thank you to all of you, our shareholders, for your trust and standing by our side always. Thank you. And on behalf of my team at Anup, I wish you all a very happy, healthy and prosperous life ahead. Thank you so much.

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