"The Anup Engineering Limited

Q4 Quarter and Year Ended FY '25 Earnings Conference Call"

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MANAGEMENT: **MR. REGINALDO DSOUZA – CHIEF EXECUTIVE OFFICER & MANAGING DIRECTOR – THE ANUP ENGINEERING LIMITED**
MR. NILESH HIRAPARA – CHIEF FINANCIAL OFFICER – THE ANUP ENGINEERING LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Q4 and year ended FY '25 Earnings Conference Call of The Anup Engineering 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 touchtone phone. Please note that this conference is being recorded.

Before we proceed with the call, let me remind you that the discussions may contain forward-looking statements that may involve known or unknown risks, uncertainties and other factors. It must be viewed in the conjunction with our business risks 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, the company has uploaded the results, press release, investor presentation and also outcome of the Board meeting on the website of the Stock Exchanges and website of the company.

I now hand the conference over to Mr. Reginaldo Dsouza, CEO and Managing Director of the company. Thank you, and over to you, sir.

Reginaldo Dsouza: Thank you. Hello, everyone. Warm greetings from team Anup. I'm happy to be here to present to you all our performance for the financial year 2024-'25 ended March 2025. I must say the year has been very eventful and challenging. The geopolitics, wars, trade tariff positions, etcetera, has been volatile and uncertain. And I'm sure still continues until complete clarity emerge.

Let me take you all through the financial numbers for the year 2024-'25. We achieved a consolidated revenue of INR751.3 crores, a growth of 36.5% Y-o-Y. Please note, this includes INR18 crores of premerger revenue of Mabel engineers. The EBITDA stood at INR172.8 crores at 23%, a growth of 36.3% Y-o-Y. Profit after tax is INR124.6 crores, a growth of 19.8% year-on-year. And PAT without considering tax reversals has grown by 35.5%. Interesting contributions from all our three manufacturing locations.

Ahmedabad plant at INR565 crores for FY '25. Kheda plant in its first full year operations delivered INR143 crores and Mabel engineers, which we acquired last year, clocked in with INR43 crores. So, we are happy that all the three locations have been contributing very well to the revenue.

The sectorial revenue across industries was as expected with hydrogen at an encouraging 30%, which clearly demonstrates the energy transition to cleaner forms and also, at the same time, our preparedness for this business. Oil and gas at 30%, petrochemicals at 23%, fertilizer at 10% and others stood at 7%. In terms of the product mix, heat exchangers stood at 65% and the vessels reactors, columns and others at 35%, which signifies the contribution made from our Kheda plant, which mainly focuses on manufacturing vessels, reactors and columns.

In line with our strategic road map, the exports was at an encouraging 54%. This is pure exports with deemed exports, it stood at 59%. The average working capital is at 3.6 tons. I would like to make a note here, the working capital block is touch higher than expected, mainly on account of, of course, our growth and also an order where we have delayed the delivery as the customer site is not ready. In fact, we have many equipments ready for dispatch, which results into a higher unbilled debtors.

But we used this opportunity to commence manufacturing of other fast-track projects, which has taken good shape now and should be executed in quarter 1 of this financial year. Therefore, as we execute quarter 1 and quarter 2, this working capital should normalize. On the order book, as on date, we have a pending order book of approximately INR740 crores for this financial year.

Of course, if not for the large 1 cancelled order, which I mentioned during the last call, this pending order book position would have been much better around INR810 crores. Yes, the order finalizations have been a little slow over the last 2 months, mainly for the reasons that customers are waiting for more clarity to emerge on policies and trade tariffs, which can define competitiveness of every country.

We are in touch with our customers and considering the fact that trade agreements are being ironed out between various countries, things would improve as clarity emerges. Also important to note that the domestic business also is seeing a good traction. The inquiry pipeline continues to be robust, especially on exports. As we speak now, we have an inquiry pipeline of about INR800 crores. Of which we are working on a few very closely and are confident to get the necessary order intake for this financial year plan.

Moving ahead, there have been some good developments during the financial year gone by FY '25. I would like to make a note a few. First, on our foray into critical equipment business. We have successfully manufactured and delivered our first chrome moly vanadium modified material equipment for an Indian client.

This is extremely critical and strategic to move into critical metallurgies in line with our strategy. We have also started manufacturing our first solid internal equipment weighing over 200 metric tons single piece for an export customer at our Kheda facility. This would be our first track record for a solid internal material equipment.

And after a long gap, we have manufactured and supplied titanium equipments for our clean room in the last financial year. Further, we are currently manufacturing a few more equipments in the clean room. This is, again, in line with our strategy to have calibrated strategic inroads into critical and complex metallurgies.

So we have now started using our clean room effectively. Second, on our capacity expansion plan, we have started the construction of our Phase 2 at Kheda location, which is estimated to be completed by quarter 2 and commissioned in quarter 3. This will add 1 complete bay and 1 open yard at Kheda.

With this, we will have 3 complete bays, manufacturing bays and 1 open yard capable of delivering about INR400 crores per year from this facility. Our acquisition of Mabel engineers is yielding good results. It has added about 200 metric tons per year of fabrication capacity, and we expect to double the turnover this year, as mentioned.

Our design office at Vadodara has stabilized well, and we moved to a bigger 60-seater office, single floor to increase the bandwidth and to have more people working on design, research and development. This is in line with our strategic road map of building Vadodara as Anup's design hub for new product development and also as a profit center in the future.

With these three installed capacities at our 3 manufacturing locations, that is Ahmedabad, Kheda with Phase 2 and Mabel engineers at Tamil Nadu, we have a capacity capable of delivering revenue up to INR1,200 crores per year, depending, of course, on the product mix. We will expand it further in line with our growth guidance at Kheda.

On the background of these facts and the market outlook globally, our guidance for this financial year FY '25-'26 continues to be about 25% revenue growth and with an EBITDA of over 20%. Exports will be targeted in the range of 50%. So we, as a business, are mindful of the risks and challenges that can come our way.

We are cautious of the geopolitics and how it could impact trade. We are cautious on the projects and the countries we work with. And we are watchful of the competition and the energy transition activities globally and also the trade tariff dynamics and many other factors that can play.

Considering these, we have prepared a strategic road map for our growth in the future. I may not be able to spell out everything, but surely have targeted a few new products and service verticals we will get into to diversify our product portfolio. To mention a few, we have started our focus on large volume play with short manufacturing cycle jobs. This is nothing but the high-volume play.

We have also started Anup Technical Services which seeks opportunities into testing services using our NABL accredited laboratory, health checks of static equipment at site and small repair works. Happy to share that we have executed a few already under this and also bagged another service order just last week. This is a high-margin play business.

On the dividend, last year, our company has declared a regular dividend of INR15 and a special dividend of INR5. It is my pleasure to inform you all that the company has declared dividend of INR17 per share, INR17 per share versus INR15 of last year. The same will be distributed post approval of shareholder in ensuing AGM. To conclude, I believe that at the strength of our strong team at Anup, we have delivered decent results despite all challenges and uncertainties.

Of course, we have had some learnings and opportunities for improvements along the way, and I'm sure we will improve them in the coming years. I'm confident that with the continued support from our reliable partners and esteemed customers, we will be able to deliver on our plans.

My sincere thanks to all my committed team members, our partners, our suppliers and all our shareholders for standing by and trusting in us to deliver results. We are grateful for your trust and support.

Once again, thank you all for being present on this call and for your patient listening. Now I'll be happy to have your questions. Thank you.

Moderator: We have our first question from the line of Jaiveer Shekhawat from Ambit Capital.

Jaiveer Shekhawat: My first question was on your gross margins. So what I see is sequentially as well as on a Y-o-Y basis, there has been almost about 600 bps of contraction there. So could you highlight what has led to that given that, I mean, you have still seen an export mix that has increased? I mean, what explains that?

Reginaldo Dsouza: Yes, Jaiveer, so this is nothing but as mentioned earlier, as we move higher into the product mix, the margin as percentage is bound to shrink because these are high material-intensive products. And that is the reason it will help you to grow in terms of growth. It will give you absolute margins on the higher side, but on the percentage terms, it will drop.

So in short, it is purely a product mix play. And as we move to higher product mix, as we mentioned earlier, in terms of EBITDA percentage, it's likely to drop. but it will allow you to grow because for the same tonnage, you get a higher revenue in terms -- which will help you to grow.

Jaiveer Shekhawat: Sure. And as you rightly mentioned in your opening remarks as well about the evolving situation globally as well, and we have also been seeing that there have been delays with respect to order finalization and plus the fact that the oil prices are where they are? And what sort of gives you still the confidence that you'll be able to sort of continue this growth trajectory possibly over the next 2, 3 years?

Reginaldo Dsouza: So the inquiries that we are handling, about 70% of them are in petrochemicals and hydrogen. So it's more on the energy transition side for which -- because that does not get impacted with your oil prices on the higher side. So that gives us the confidence, and we are in touch with customers. So there's no dropping of the plan.

Probably it is only more clarity in terms of their complete budget for a particular project. Having said this, when we work out the economics in terms of which countries can supply this kind of products to maybe United States or Canada or other parts of the world, I think India still holds a dominant position in terms of -- even if the mentioned trade tariff has to be implied, India still has the dominant position in terms of being the most competitive country.

So that is where it gives us confidence because we know the competition that we play with. And since the projects are on the go, it's only a probable delay in terms of finalization.

Jaiveer Shekhawat: Sure. What I see on the balance sheet is that your trade receivables, these have increased to almost 2x to about INR280 crores. And also, there is roughly about INR90 crores of other current assets. So I think first question is on trade receivables, what sort of explains the increase? Second, how much of the other current assets is the unbilled revenue for you?

Reginaldo Dsouza: Yes. So as I explained, the working capital did swell up and the block is higher in terms of receivables as well. It's mainly because 1 project where the deliveries were extended up to

September because the customer sites were not ready, and we had to deliver those equipments. Now they are ready. Most of them at our Kheda facility packed, printed and we have to deliver them.

But we have taken that opportunity to take in more fast-track projects, as I mentioned in my opening remarks, which is helping us to deliver those equipments on time. It will normalize over probably quarter 1 and quarter 2 by the time we execute these projects and roll out. So that's the basic reason why the unbilled revenue seems to be a little swell up.

Jaiveer Shekhawat: So is the entire INR90 crores, is that unbilled?

Reginaldo Dsouza: Sorry? Sorry, come again?

Jaiveer Shekhawat: So I see that the other current assets, I believe for the jobs that you've already booked or sales that you've recognized, I mean that would flow into your trade receivables, but your unbilled I assume would be part of the other current assets, right?

Reginaldo Dsouza: No. That would be a part of receivables. The other current asset is roughly INR20 crores, INR23 crores increase in the advances to the supply. Because as we get into the higher metallurgy, most of material is imported from either Europe or China, where we have to pay a few percent. And in some of the material imported from the Europe, we had to pay 30% to 40% advance to get the material.

And second, there is an increase of roughly INR10 crores in the prepayment of the royalty. So the royalty, which we pay to a technology provider, say, HLE, we need to pay them 100% royalty on the receipt of the order from our customer. So INR10 crores is increase in the prepayment on account of the royalty, which is pass-through expense to the customer.

Jaiveer Shekhawat: Got it. Regi, my last question, since you talked about your strategic road map as well and you are targeting newer products as well, which are possibly going to be more higher volume, more recurring business. How do you think about margins for those kind of projects versus your existing ones? And then what margin range would you be comfortable with while you try to sort of scale up Anup Engineering?

Reginaldo Dsouza: Yes. So we -- broadly, as we scale up, we are going to have the business moving into 3 main verticals. One is, of course, our legacy old products, which we are into today, which is giving us the EBITDA of 20% plus. So we are going to continue that. The other business -- so it's basically a 60-20-20 kind of a model. So 60% of our businesses would come from this. 20% is where we move to high-volume quick turnaround jobs, which may be in the region of 15% kind of an EBITDA margin.

So they would be termed as high volume low margin, which will help us assure our growth. And the third is where we are wanting to get into the services part, which is very high margin, low volume kind of a business. So these 3 models put together as we grow in the future, we wish to keep the EBITDA margins 20% plus. That would be our guidance going forward.

Moderator: We have our next question from the line of Mohit Surana from Monarch Networth Capital.

Mohit Surana: A few of my questions have already been answered. But just to ask, sir, in terms of exports, what is our exposure in terms of countries? Like how much is U.S., Japan, Canada, Europe and Middle East?

Reginaldo Dsouza: Mohit, so in terms of exports, of course, year-on-year, it would change a little. But if you take an average out over a 3-year period, you would find U.S. -- or even if you take last year, U.S. would be about 30% of the total exports. 50% -- so it is broadly when I say Europe -- sorry, U.S., 30%, which includes the U.S., North America and Canada, that part of the world. 50% is Middle East.

When I say Middle East, it's mainly Saudi Aramco, which is in Saudi Arabia, so the national company there and Abu Dhabi. So these are the only two countries in Middle East that we work with. And then the balance 20% forms part in Australia and some parts in Nigeria. So these are the broad countries that we work with.

Mohit Surana: So you said Middle East is 15%, right?

Reginaldo Dsouza: Yes, 50%.

Mohit Surana: Got it, sir. Got it. Sir...

Reginaldo Dsouza: Yes, because we've got a pretty large orders for ADNOC and Saudi Aramco, which we'll fuel. And of that balance, 20%, about 5% is in Europe. We don't do much business normally into Europe, but I believe this is the first time that we have got an opportunity to make a project and send inside Europe.

Generally, we have customers in Europe, but the project in rest of the world, but we have recently got some good order where we have to make the equipment and the project is residing in Germany to be precise, which is for a hydrogen project.

Mohit Surana: Understood, sir. Sir, my second question is with respect to our tax rate. So this time, our effective tax rate is somewhere around 27% for this quarter versus the refund same period last year. So going forward, can we expect the tax rate to be around, say, 23%, 24% for the rest of the quarters because earlier we used to get tax subsidies. Can you just elaborate on that?

Reginaldo Dsouza: Yes. So it will be a flat rate of 25%. Of course, there would be some tax rebates that we may get as we move forward.

Nilesh Hirapara: Yes. But if you see in this quarter 4, there was no issuance of ESOP. So generally, ESOP issuance is one where we get a higher tax benefit because of the tax effect. Otherwise, the tax rate will remain in the 25% to 26%.

There -- as we said earlier, there are tax provisions which is made in the books on a conservative side of roughly INR15 crores to INR18 crores for which assessment will happen in this year or probably the next year. As and when we get a clear assessment from the department, we will write back all those tax provision in the books that may call for a lower percentage of tax.

Mohit Surana: Got that, sir. Sir, just one last question, if I can chip in. Sir, can you just reiterate how much is the revenue for this year for Odhav, Kheda and Mabel?

Reginaldo Dsouza: So the revenue for Ahmedabad, that is order facility was INR565 crores, Kheda with Phase 1 as today is INR143 crores and Mabel is INR43 crores.

Mohit Surana: Understood. And sir, in terms of capacity, how much will these be?

Reginaldo Dsouza: So these three put together, we can deliver about INR1,200 crores business. Hello?

Moderator: Sir, the participant got disconnected. We'll move on to the next participant from the line of name Navani Naredi from Naredi Investment.

Navani Naredi: Yes. So my first question is, what steps are you taking to improve the profit margin given the rising raw material costs? And second will be what role will government contracts and defense projects will play in the future? So these are my 2 questions, sir.

Reginaldo Dsouza: Yes. So on the margin side, as we are growing, we will try and get the product mix in the range that allows us to remain with an EBITDA of 20% plus. That would be our game plan. Of course, your question specific on the raw material, we have definitely a methodology within where we try to source the best competitive pricing, maybe in India or imported.

So, we have that process in place. But short answer, we will try and make the choices such that it allows us to maintain an EBITDA of 20% plus. I believe your second question was on the PSC orders. Yes, the traction has started. In fact, we have some inquiries that we quoted. They being all tenders, they may open up probably 60 to 90 days from now. So as I mentioned in my call earlier, definitely, the domestic PSC orders intake would start soon.

Navani Naredi: All right, sir. And owing that the tariff impact that the whole economy is facing right now. So will we be able to compete -- and the rising raw material cost in terms of that I'm asking.

Reginaldo Dsouza: Yes, sure. In fact, if you per se look only at tariff and how it is going to impact us, probably if you look at the countries that are involved in manufacturing these kind of products, probably we are at an advantage position. In fact, it's only going to be advantageous for us considering our relationship with the United States and the tariff that is applicable on India. And the raw material, which we generally buy from, we buy from Korea and some parts of Europe. Korea, anyway, we have a free trade treaty.

So that does not impact us because most of our forgings come from Korea. And the larger part of the material, almost 70% of the material is bought in India. The steel, AM&S and Jindal. So a larger portion, it does not impact us. But yes, for critical materials, which are exotic in nature, we have to go to Europe or China, depending on the metallurgy and case to case.

Navani Naredi: All right. And my last question is on Mabel Engineering. So like at what point of time will we be able at a breakeven point? Because right now, I can say because of the losses, I think the profit margins has also impacted. So like what is the future of Mabel Engineering so far?

Because you have already mentioned that you will be doubling the turnover this year. But what is the further growth and margin strategy going ahead for Mabel Engineering?

Nilesh Hirapara: So Mabel is already a profit-making ma'am. They had a very good profit chunk orders in this year, wherein they have done the EBITDA in the similar tune what Anup has done. But going forward, when they will do INR100 crore, we expect them to generate an EBITDA in the range of 18%, I mean somewhere near to 18%.

Moderator: We have our next question from the line of Ravi Naredi from Naredi Investment.

Ravi Naredi: Sir, I would like to know, after the INR50 crores capex which we are doing in Kheda, what is our next capex plan?

Reginaldo Dsouza: So for this, once the Phase 2 is done, we don't have any plans as of now for Kheda. As I mentioned, with all the capacities in place, we will be able to deliver about INR1,200 crores. Beyond INR1,200 crores, of course, we will need some capacity in place for which we will make a decision towards the end of this financial year to add 1 more bay at Kheda because it takes about 11 to 12 months to put that in place. So the next capacity that we will need is for FY '28.

Ravi Naredi: Very nice, very nice. And sir, our order book is INR741 crores this year. Last year, it was INR854 crores order, so can we think there will be less turnover this year?

Reginaldo Dsouza: No, because as I said, our growth guidance still remains at 25% growth for this year. Yes, the order booking number looks at INR741 crores. If not for that one order which got cancelled, probably we would have been looking at INR800 crores-plus, which is in line with our strategic intent. What we've always maintained is that at the beginning of the year, we should roughly have about 80% of the plan for the year.

And the balance 20%, we generally keep for short-term -- short delivery items or shutdown items where the profit margins are much better. So we are a little lower than our plan. We would have liked to be about INR800 crores. But if not for the cancelled order, we would have been today announcing that we have INR810 crores order. So -- but considering the inquiry positions today, yes, we are positive.

Ravi Naredi: Can you tell the figure, how much order we have bid and how much percentage of success we can achieve?

Reginaldo Dsouza: So in terms of the conversion rate, we generally, as a policy, wish to keep it below 20%. We don't wish to take it at a higher conversion rate because we can increase the conversion rate, but then we have to compromise on the margins. So to get better margins, we generally keep our conversion rate lower than 20% always.

Ravi Naredi: Okay. And how much orders we have bidded?

Reginaldo Dsouza: So as of -- as we speak, as I said in my opening remarks, we have roughly about INR800 crores worth of inquiry bank that we've bid as of today and it's likely to go up because of the PSUs are going to come up with inquiries now. So that will add up to this INR800 crores.

Moderator: We have our next question from the line of Kunal Shah from Carnelian Asset Management.

Kunal Shah: Hi, Regi and Nileshji. Thanks for the opportunity. I have just one question. You mentioned in your opening remarks that we have started new services work as well across our Odhav facility or across our testing facility, correct me if I'm wrong, right? So just wanted to get a sense how big this opportunity can be in the overall scheme of things.

And I believe that the margins and everything over here largely would be much better in the sense that a large part would be directly flowing down to EBITDA. So if you could help understand the opportunity size for this, how meaningful can it be? And how meaningful can it be in the terms of it translating to PAT?

Reginaldo Dsouza: Yes. Kunal, so yes, we did start this kind of technical services this year. It's in short, providing the testing facilities using our NABL laboratory in Odhav, doing the health check at site for static equipment, which we are -- we have the expertise and at the same time, conduct the repair work at site during the shutdown. So these are the services that we promote. And as I mentioned, we've completed a couple of them.

Yes, these are good EBITDA margin business. It can give you clear margins of upwards of 30%. As of now, we -- since we have started, we want to ramp up the service. But our estimate is that in 3 years' time, this can be close to a INR200 crore business with 30% plus kind of an EBITDA margin.

Kunal Shah: Right. Right.

Reginaldo Dsouza: Other competitors have much higher share of this because they have been into this for many years. We just started off. So we are going to ramp it up slowly.

Kunal Shah: Got it. Got it. Got it.

Reginaldo Dsouza: And why did we get into it is Mabel gave us that confidence of site service because Mabel has got the capability of doing site work. So with that now, we are confident that we'll be able to do a good job on the service business.

Kunal Shah: Got it. Fair to assume then in the current year, it will contribute in the range of INR50 crores, INR70 crores or a large part of the ramping up then would happen slowly, gradually in FY '27-'28?

Reginaldo Dsouza: So this year, Kunal to be frank, we are targeting INR25 crores to INR30 crores into this business vertical since it needs some sort of PTR, what we call as proof test. So we have to do some PTRs and go to the customer saying that, see we are confident of doing this work. So the first year would be a little ramp-up. But next year, what the number you are mentioning is a possibility.

Kunal Shah: Right. And this is over and beyond the INR1,200 crore from the existing facilities basis the capacity that we have is what we are talking about. So this is beyond that INR1,200 crore number?

Reginaldo Dsouza: That's right.

Kunal Shah: Right. And the second question is, are we also looking at any further acquisitions in terms of building capabilities, etcetera, if you would want to throw some light. Or maybe a facility like we had Mabel, which further opens up the opportunity for us to go beyond INR1,200 crores like we have in terms of what you just spoke about?

Reginaldo Dsouza: Yes, for sure. We will not be able to drop too much details out here. But yes, we are looking out for acquisitions, what I mentioned earlier, too, but only on the capability side. So it's a clear strategic road map that we will look out for acquisitions or joint ventures for capability side. Capacity, we will grow it up at Kheda or at Mabel where there's ample amount of land for us to expand. So that will be the road map ahead. Yes, we are in talks on some of the possibilities. As and when it materializes, we will surely come back.

Moderator: We have our next question from the line of Mehul Panjwani from 40 Cents.

Mehul Panjwani: Yes, sir I have a question on the order which we have received from Germany. You have mentioned that it's on the hydrogen side. Can you just elaborate what is this order about because I'm new to the organization -- new to the company right now?

Reginaldo Dsouza: Yes. So these are nothing but the static process equipment that we supply, which is our bread and butter product, but it is only going to the hydrogen service. And it's not only in Germany. We have supplied to U.S. We have supplied to Canada. So these are static equipment in the form of heat exchangers or vessels, which is used for plants generating hydrogen.

Mehul Panjwani: Okay. And what kind of -- sorry.

Reginaldo Dsouza: And currently, there are a lot of projects which are in Europe because they are into the phase of transitioning to hydrogen operated economy. And we expect some more projects to be started soon in Europe, especially Netherlands, Germany and that part of the world.

Mehul Panjwani: Right. So can I say that this is basically supplying heat exchangers for a hydrogen facility?

Reginaldo Dsouza: Heat exchangers and vessels for hydrogen facility, yes.

Mehul Panjwani: Okay. And sir, since you mentioned it's a standard product, so what kind of competition do we have? Do we have suppliers from other peer companies in India supplying this?

Reginaldo Dsouza: Yes, yes, we have. So we compete with the same competition profile, which is normally for any of the export jobs.

Mehul Panjwani: Okay. So my follow-up question because -- pardon my advance, but since this -- as you mentioned that more and more countries are moving towards clean energy and hydrogen-based projects. So has it impacted us in the sense that we have much more inquiry and much more market potential for our heat exchangers because of this last couple of years of proliferation in the hydrogen projects?

Reginaldo Dsouza: So when we talk about hydrogen project in today's context, it is mostly blue hydrogen. Blue hydrogen is nothing but the conventional hydrogen generation method, but using something called as carbon capture unit, CCU unit, they call it. So blue hydrogen is nothing but conventional where you don't emit carbon dioxide directly into the atmosphere, you actually store it and use it for some purpose.

That's the only difference. So since conventionally, the stream remains the same of converting gas to probably hydrogen and then to ammonia, our products, which were -- which are legacy old products into heat exchangers and vessels, they remain. In addition to that, we have a requirement for heat exchangers and vessels for this carbon capture unit also. So in short, when a blue hydrogen project comes up, it's the conventional opportunity plus the CCU opportunity that comes your way.

Mehul Panjwani: Okay. So sir, is it fair to assume that whosoever is manufacturing the heat exchanges, will be able to qualify for this kind of opportunity?

Reginaldo Dsouza: Yes. But at the same time, these are some small design nuances, which I believe the big-time players, the reputed players surely will have built in. But you need to -- because the customer profiles will be a little different. In our products, we need something called as customer qualification. So as long as the Hennig fabricator who's got the customer qualifications, and the design nuances in terms of hydrogen can definitely pass. But the entry barriers are not easy. It takes a lot of time to get qualified into a customer.

Mehul Panjwani: Right, right. And for these heat exchangers, do we have a technology transfer from somewhere else? I mean do we -- are we paying license -- do we have licenses for this?

Moderator: Sorry to interrupt, sir. May we please request you to rejoin the queue?

Mehul Panjwani: This is last question, if I can get the answer, please.

Reginaldo Dsouza: Yes. So here, when it comes to heat exchanger, we already have 2 licenses. One is for Lummus heat transfer, which is the Hennig heat exchanger. So we've been with them for over 5 to 6 years now and EMBaffle technology from Brembana & Rolle, Italy. So these are 2 technology licenses that we have.

Moderator: We have our next question from the line of Vedant Sarda from Nirmal Bang Securities.

Vedant Sarda: Sir, just you discussed about the blue hydrogen. So our major revenue contribution is from these blue hydrogen projects?

Reginaldo Dsouza: That is right. Having said that, we have also executed a green ammonia project as well for NEOM in Saudi Arabia. But yes, the larger contribution as we speak today comes from blue hydrogen.

Vedant Sarda: Okay. And sir, the revenue guidance which you have provided of INR1,200 crores, in that 20% is of service, 20% is of product mix and 60% is from old business. So INR1,200 crores comprise of 60% plus 20%, like you told services apart from these INR1,200 crores?

Reginaldo Dsouza: So let me just clarify. So the guidance is 25% growth for this year. The INR1,200 crores is basically the capacity that we have today. All my 3 locations put together, that is Ahmedabad, Kheda with Phase 2 construction completed this year and Mabel put together has a capacity to turn around INR1,200 crores.

So that's the capacity of the plant and not the guidance. Guidance is 25% for this year. And you're right, of the INR1,200 crores the capacity that we can make, the strategy is very clear that we wish to make 60% in our legacy old product, 20% on high-volume products and 20% on the futuristic products.

Moderator: We have our next question from the line of Yagnam Pathak from Asian Markets Securities.

Yagnam Pathak: I just wanted a small clarification that in the press release, we have mentioned order book size as INR770 crores. And in the presentation, it is INR741 crores. So I just wanted to confirm?

Reginaldo Dsouza: Sorry, can you repeat the question, please?

Yagnam Pathak: Yes. So basically, on the press release, we have mentioned order book size as INR770 crores. And otherwise, it is INR741 crores mentioned in the presentation, I just wanted to confirm the figure?

Nilesh Hirapara: INR741 crores.

Moderator: We have our next question from the line of Shankar Chandanwala, an individual investor.

Shankar Chandanwala: Apologize if you have answered this question already because I joined a little late. What I see is while our top line growth is around 30%, right, from quarter-on-quarter from INR171 crores to INR221 crores this quarter, our cost of material consumed, it is like more than doubled, right? It is more than 100% growth. So from INR59 crores to roughly INR148 crores. So can you please explain what caused this much jump in the material cost?

Reginaldo Dsouza: Yes. So basically, the cost of goods sold is up a few percentage points is mainly because we have moved our needle towards more exotic and critical metallurgies, where the material content in your overall sales price goes much higher. Just to give you an example, say, for example, a normal carbon steel equipment, you would have your material price at about 50% of your total sales price. When you go to, for example, duplex or super duplex material, it can go as high as 70%, 75% of your total price. So it's only a product mix that is moving up the needle.

Moderator: The participant got disconnected. We have our next question from the line of Mohit Surana from Monarch Networth Capital.

Mohit Surana: Sorry, I got disconnected earlier. Just one last question on the utilization side. You said our total capacity is somewhere around INR1,200 crores. What is our current utilization? And what will be the guided utilization over the next 2 to 3 years?

Reginaldo Dsouza: Yes. So this INR1,200 crores, Mohit, is once we close our Phase 2 construction at Kheda, which we are expecting in Q2 of this year. So with that, it will be INR1,200 crores. So this year, we are going to -- with the guidance of -- so it's going to be roughly about 75% to 80% of the capacity utilization.

Mohit Surana: So 75% to 80% is the utilization expected including this Phase 2?

Reginaldo Dsouza: That's correct, for next year.

Mohit Surana: And how much is the utilization for FY '25?

Reginaldo Dsouza: So we generally keep about 10% capacity for quick turnaround, the shutdown jobs because they generally -- and also to cover up because -- to cover up some unaccepted work.

Mohit Surana: Understood, sir. So sir, is it fair to say currently utilization is somewhere around 65% to 70%, which will ramp up to 75% to 80% over the next 2 years?

Reginaldo Dsouza: No. So what we are saying is, Mohit, currently, without Phase 2, if you see, we are almost at about full capacity utilization, and that's the reason we went on to expand our Phase 2 to cover up for the growth for next year. So next year, once we have the Phase 2 in place, that will have a capacity of INR1,200 crores. As against that, we would be making with the growth guidance roughly about, say, INR900 crores-plus, which will give you roughly about 80% of the overall capacity.

Mohit Surana: I understand, sir. That's it from my side.

Reginaldo Dsouza: And again, Mohit, it depends on the product mix because it depends on whether you get heat exchangers orders or vessels order, the value addition keeps changing depending on the product portfolio.

Mohit Surana: I understand, sir. Got it. Got it.

Moderator: We have our next question from the line of Pankaj Motwani from Equirus Securities.

Pankaj Motwani: So just -- I have just a single question. So like you are guiding for 25% growth in FY '26, like it will translate revenue of around INR916 crores. So -- and also in the previous call, like you had guided the typical lead time from the order book to revenue is around, I think, 11 to 12 months. And as of now, order book stands at around INR741 crores.

So like based on your stated execution cycle, so like the INR741 crores wholly will take FY '26. So like -- so how will -- and even if we receive fresh orders after this, so like the contribution from that order will start in FY '27 only. So like how would you -- how are you justifying the growth of 25% growth in FY '25?

Reginaldo Dsouza: Yes. So generally, as a principle, you would have heard me saying in the past, too, when we open up a year, that is on 1st of April of any year, we wish to have about 80% kind of an order booking in our kitty because the balance 20%, we generally keep for short delivery shutdown requirements from our customers, which are like very good on margins generally.

So that's how we normally fill our capacity. Now if you look at 25% growth, it means that we should have been somewhere around INR760 crores kind of an opening order book position. As against that we are roughly INR740 crores around. So it's -- so we are very sure that the short-term delivery items, the shutdown requirements, which generally ranges anywhere between 15%

to 20% is up for the taking for us because they generally come with 7 to 8 months kind of a delivery.

So when we talk about 11 to 12 months average delivery cycle, it's an average. So some are 7 to 8 months and some are 12 to 14 months. So it's averaged out. So based on the inquiry positions in our hand and what we know, we are pretty confident that we should be able to achieve this guidance.

Pankaj Motwani: Like can you justify the number of -- from this short duration orders? So like what could be the orders from this pipeline?

Reginaldo Dsouza: So we need -- see, we need about INR150 crores to INR200 crores of short delivery items, which would be between 7 to 8 months kind of a delivery, which we are pretty confident of getting. And just to add and clarify, the Mabel products which are there, they are generally 6 to 7 months kind of a delivery because they are different products.

They are silos, which does not need material of those requirements where we have to import or with a larger long lead time. We get those material within 2 weeks from PO. So those are short delivery items, and that is where we are focusing on right now to build this revenue growth for this year. And you will see largely the orders being booked for those kind of products, which we can even make it in Mabel or we can even make it in our Kheda facility.

Pankaj Motwani: Got it. And one more question. Like you have -- I think you have -- you have had a tie-up with the Graham Corporation USA. So like in the last call, like you have mentioned that you are receiving inquiries from them. So like is there any order converted from that pipeline?

Reginaldo Dsouza: So those -- we are right now working on T3 inquiries for them. Those inquiries are still live. One is Indian to be precise and two are export not concluded yet, but on the verge of conclusion, of course, one is in U.S. So we are expecting it -- the decision to be made only maybe somewhere in the month of June. But there's an Indian project, which should conclude soon. So we have not lost anything yet. All 3 are onboard. We are in discussions and something should materialize soon.

Moderator: We have a follow-up question from the line of Mehul Panjwani from 40 Cents.

Mehul Panjwani: Sir, the INR1,200 crores, which you mentioned, which is going to come from the three facilities. Are these facilities fungible? Are the capacities?

Reginaldo Dsouza: Odhav and Kheda are surely fungible. Mabel to some extent because crane and other facilities are not to that extent like what we have here. But surely, both the facilities in Ahmedabad and Kheda are fungible.

Moderator: We have our next question from the line of Bhavya Sonawala from Samaasa Capital.

Bhavya Sonawala: Yes, yes. Just one question. I think previously, you were saying even with the tariffs in the current situation, if they don't get reconsidered, we still stand a better chance compared to other geographies. So can you just lay out what other geographies do we compete with in terms of our product portfolio?

Reginaldo Dsouza: So for the product portfolio that we deal with, generally, we see competition coming from China. We see competition coming from Mexico, and we see competition coming from Europe, especially Italy and other parts. So obviously, Europe is generally not an option for these kind of products because of the current cost structure there.

Mexico has been hit with the high tariff, as you know, China Plus and along with the tariff is definitely difficult for them. So in all probabilities, any order getting finalized, India still holds an advantaged position when it comes to tariff scenarios.

Bhavya Sonawala: Understood. And just another question, if I can squeeze in. You spoke about how we're going into exotic metallurgy and a lot of these metals need to be imported and the lead time is quite a bit. So can you just throw some light on how -- what's the difference between if you do a normal metal fabrication compared to a high metallurgy, if that's possible?

Reginaldo Dsouza: Okay. So just for simplicity sake, let's take only 2 products. One is carbon steel, which is run of the mill steel, not too complicated, and it's available in India in the mills like ArcelorMittal and Jindal. Now I would get that material within 3 months from my PO to them. Now if you go one step higher, which is low alloy steel material, maybe Grade 22 and with little higher thickness, I have to go to Europe.

There is no other choice because that's not made in India. None of these mills supply those high thicknesses and Grade 22. Now that material would need anywhere between 6 to 7 months to be landed at my place. So that's the kind of a difference. So generally, on an average, the difference would be close to about 3 months, which is 12 weeks landed material at a shop difference. And that is where sometimes delivery becomes a challenge for us.

Bhavya Sonawala: Okay. So basically, where I was coming from, just want to understand, like, let's say, you said that the exotic metallurgy in this example comes from Europe, would there be any advantage to the local European producer because there is -- the shipping charges don't levy for him? So any benefit for him or that doesn't matter?

Reginaldo Dsouza: No. So, if you look at 95% of our products, even more than that, in fact, goes for non-European countries because generally, our customers -- EPC companies are from Europe, but they are generally for projects outside Europe, generally oil and gas, petrochemicals, fertilizers are generally in the other parts of the world.

So they do have transportation. And with the cost structure that is given today, we know we compete with them on a regular basis. But with the high energy cost for the products that we deal as Anup, I don't see -- we've seen them in much competition anytime in the past or in the future.

Moderator: We have our next question from the line of Vedant Sarda from Nirmal Bang Securities.

Vedant Sarda: Sir, I want to ask you, like if our Phase 3 comes in operation, so how much kind of revenue we could generate from the complete capacity?

Reginaldo Dsouza: So the complete macro plan for Kheda is seven manufacturing bays. Phase 3 will mean another 3 more bays because Phase 1 and Phase 2 will be 4 bays. So once we have the 3 bays in place, which is Phase 3, which means we will have all seven bays, it can generate close to about INR1,200 crores from that facility.

Vedant Sarda: INR1,200 crores?

Reginaldo Dsouza: Yes.

Vedant Sarda: Total or Kheda?

Reginaldo Dsouza: Kheda.

Vedant Sarda: And total, Kheda, Mabel and Odhav?

Reginaldo Dsouza: With all the 7 manufacturing bays in place.

Vedant Sarda: Kheda, Odhav and Mabel facility, all revenue would be INR1,200 crores?

Reginaldo Dsouza: No, no, no. So let me just explain. Kheda, the master plan is for seven manufacturing bays. With this Phase completion, we will have four bays built in. We will have space for another three bigger bays. If all the seven bays are built in, Kheda facility can give you anywhere between INR1,000 crores to INR1,200 crores, depending on the product mix. Maximum, it can go up to INR1,200 crores.

Odhav facility can generate up to INR600 crores. And Mabel, if in the current scenario with the three manufacturing bays that we have, that can generate another INR200 crores. So INR1,200 crores, INR600 crores and INR200 crores. So roughly about INR2,000 crores is something that all the three facilities put together in full scale can generate.

Vedant Sarda: Thank you for the clarity, sir. And these calculations have been based at the current prices or you have considered some price hikes in this, like how they are calculated or volume growth, order growth?

Reginaldo Dsouza: Yes. So inflationary factors would be factored in. But generally, these are from capacity addition in terms of metric tons of fabrication that we can do every year.

Vedant Sarda: Okay. Only inflation part you have considered in that nothing else in the current market prices. Okay.

Moderator: As there are no further questions, I now hand the conference over to the management for closing comments.

Reginaldo Dsouza: Yes. I -- so thank you, and I once again take this opportunity to thank my wonderful team at Anup and to each and everyone helping us deliver performance. A big thank you to all of you, our shareholders, for your trust and support, as always. Thank you. And on behalf of my team, I wish all of you happy days ahead. Take care and stay healthy. 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.