



“The Anup Engineering Limited
Q3 and 9M FY '26 Earnings Conference Call”

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**MANAGEMENT: MR. REGINALDO D'SOUZA – MANAGING DIRECTOR
AND CHIEF EXECUTIVE OFFICER – THE ANUP
ENGINEERING LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Q3 and 9 months ended FY '26 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 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 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 that the company have uploaded the results, press release, investor presentation and also the outcome of the Board meeting on the website of stock exchange and website of the company.

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

Reginaldo D'Souza: Thank you. Hello, everyone. I welcome you all to this conference call on our performance for quarter 3 and 9-month period ending December for the financial year 2026. The last few months has been quite eventful with reference to trade agreements between countries, geopolitical events, anxieties over aggression between countries, and many other global material events.

India-U.S. trade deal was also on the waiting far longer than we all expected. These events did impact the business sentiment, especially when we as a business were equally focused on exports. Given these macro challenges, both on geopolitical and economic fronts over the last few quarters, I believe your company has delivered a decent performance.

Let me now share with you all our company's performance for quarter 3 and 9-month period ending December for the financial year 2026. The consolidated revenue achieved for quarter 3 is INR206.9 crores, a growth of 20.3% quarter-on-quarter and at an EBITDA of INR44.1 crores, a growth of 13% quarter-on-quarter.

For the 9-month period ending December, the consolidated revenue is INR614.4 crores, a growth of 20.2% year-on-year, with an EBITDA of INR135.9 crores, a growth of 17.5% year-on-year. Profit before tax is at INR112 crores, a growth of 12.2% and the profit after tax is INR85.3 crores without the tax reversals, a growth of 2.3%.

At the PAT percentage level, we are 2.4% lower year-on-year, mainly on account of 3 factors: an EBITDA change of 0.5%; the interest and financing cost of 0.6% due to our higher working

capital block; and the tax change where last year we had lower tax due to ESOPs of 0.9%. So these all added to a PAT percentage level of 2.4% lower as compared to last year.

The return on capital employed, ROCE, is at -- in the expected range of 21.2%. On the working capital management, I believe we could have done better. The average working capital was INR367 crores, at 2.2 turns. This is higher than expected mainly on account of 2 factors: one, the lower customer advances; and the second, higher debtors owing to long-cycle orders under execution.

This is set to improve with better new order booking, thereby improving customer advance positions and closure of high-value purchase orders in the coming quarters. We expect it to be closer to average working capital turns of 3 or a little higher by the year-end.

On the other expenses head, it is higher but fairly as planned for the year at 24.5% of revenue as against 18% year-on-year. The rationale for the increase is, number one, royalty of about 1.3% as we had many licensed proprietary equipment during this period, mainly helical heat exchangers for Lummus Heat Transfer and EMBaffle heat exchangers for Brembana & Rolle technology, which we delivered in the last quarter.

About 1.5% in labor and subcontracting costs, 2.2% on contractual expenses due to timelines and site back charges and 0.5% increase in freight as there were multiple over-dimensional export consignments needing expensive logistics mode up to the ports of India. Please note that these all cost heads are factored in our plan and estimation, and hence does not impact our planned profitability.

Our exports was at INR328 crores, which is 53.4% of our revenue. On the industry sectors that we serve, oil and gas and petrochemicals still dominate with about 73% of the revenue. In terms of the product portfolio, heat exchangers accounted for 57% of the revenue. Silos and centrifuge saw an increase to 7%. So on the product portfolio side, heat exchangers still dominates our revenue.

On the new order booking, the new order booking in the near past has been very encouraging, especially on the domestic front. The pending order book as on date is at INR550 crores. It would have been much better if not for some good probable finalization moving to this month. We have a few good level of order negotiations, which is expected to be closed in the near future.

Considering our execution rate required for quarter 4, it implies that we have about INR300 crores plus worth orders for execution in the next financial year, that is FY '27. Also with a healthy firm inquiry pipeline of around INR1,100 crores, we shall have better opportunities to convert.

Furthermore, with the positive India-U.S. trade deal, it should open up opportunities and even out anxieties created over the last few quarters. We should see revival of discussions with our customers for the U.S.-bound projects converting into meaningful business in the next few

months. Our continued focus on exports should surely help in building the order book. Moreover, the current dollar-INR rate surely helps us to be more competitive.

On the contribution from all our 3 locations, I'm glad that they are all contributing well to the revenue growth. The Ahmedabad plant is at YTD revenue of INR405 crores, that is 66% of the revenue; Kheda at INR186 crores, that is 30%; and Mabel Engineers with INR23 crores at 4%. Just to note, Mabel for this year has major revenue coming from site fabrication work, which is in progress and hence, we'll see higher revenue in quarter 4 as compared. These revenue contributions from all our 3 locations provides us the confidence and reemphasizes that our investments are now delivering results.

On the capex front, we have completed the Phase 2 expansion at Kheda. And with this, we now have 20,000 square meters of fabrication area, out of which 5,000 square meters is an open yard. This means our Kheda plant now has the capacity to generate about INR450 crores revenue per year based on the product mix. We do not foresee any major capex soon for our organic growth towards building capacities.

With all our 3 locations, we now have a sufficient capacity built for our FY '27 growth plan. On our long-term strategies, I'm glad to inform that on the strategy of product diversification and geographical spread, we have made some good progress in the last quarter. And I would like to mention them subsequently.

First, we have made an entry into the long-awaited nuclear business with a successful order for NPCIL Kaiga project from a renowned EPC company. Order value is in the range of INR20 crores to INR30 crores. The focus now would be to execute this order well, which shall set the path for further expansion into more critical nuclear business.

Second, our entry into the thermal power business. We have bagged an order for NTPC thermal power project to supply a good number of low-pressure feed water heaters for their Nabinagar and Gadarwara project. Here, the order value is in the range of INR20 crores to INR30 crores again. Considering the fact that there are 3 more large projects expected in the near future, this experience will surely help us secure more business on thermal power projects.

Third, our entry into precision machine components. We have successfully bagged an order from GE for supplying critical components for their turbine frames. Order value, though small, has the ability to provide visibility for the next 2 to 3 years of business. We shall strategize further on this business line once we complete this order execution. The deputation of our new sales and marketing head position in Dubai is contributing well to seek leads from Middle East and other GCC countries.

Also, our services business, that is Anup Technical Services, too, have made good progress. We have booked our 10th order over the last 6 months, executed 5 and 5 are under execution. Though small, these are helping us build our capabilities and credibility with customers for larger play in the near future. We, as a business, are very optimistic on the growth of this business vertical, which should be highly profitable.

On our sustainability initiatives, as we mentioned earlier, both our facilities in Gujarat are now rooftop solar-powered, thereby lowering our carbon footprint. This shall mean business sense for us as it will improve our competitiveness in the European market when CBAM, which is carbon border adjusted tax kicks for supplier revaluation in the near future.

On the overall broader business outlook, we surely see a good traction in the coming months with inquiry inflow from Middle East and domestic markets. Further, with the U.S.-India trade deal in place, we shall see good opportunities coming through. We hold a firm inquiry bank of around INR1,100 crores at this point in time. Thus, at the backing of this robust inquiry pipeline, we expect good business opportunities in the near future.

Therefore, considering overall macro factors, we continue to maintain our guidance for this year of revenue growth of 15% to 20% and EBITDA in the range of 22% with exports of over 50%. We, as a business, remain very optimistic of the future business opportunities at the backing of a strong domestic push on infra and energy security, trade deals with major economies improving our competitiveness, and our latest inroads into new products and geographies, providing that strong visibility.

Having said this, being a project industry, we shall be watchful and cautious of the developments globally, especially on geopolitics. On our long-term strategic initiatives towards sustaining growth inorganically, we have been working over the last many months on diversification and strategic opportunities. As mentioned earlier, we are looking at opportunities in the space of energy-related technologies, specialty chemical sectors, package systems and many more.

We will keep you all informed of the progress as we get closer. So with these opening remarks, I wish to thank you all for your patient listening. Now I would be happy to answer your questions or any clarifications required. Thank you.

Moderator: The first question comes from the line of Chetan Vora with Abakkus Asset Manager.

Chetan Vora: I just wanted to understand now post this U.S. clarification, how do we see the situation for us? Because U.S. for us last year was close to 15% to 16% of the overall revenue and 30% of the exports. And this year, it has been minimal enough. So how do we see situation going ahead for U.S. particularly?

Reginaldo D'Souza: Yes, Chetan, so as rightly said, with this clarity emerging now, as I mentioned in my last call as well, it was never with U.S. customers what was that percentage, right? Even at that percentage, we were quite competitive as compared to U.S. fabricators or any other. It was more about uncertainty in terms of what's going to be the tariff at the end of 12 months when we dispatch.

So now with this trade deal in place, I think there is far more certainty in terms of what would be the landed cost for our customers. And we surely hope and are confident that the discussions will reignite now for all the projects that were basically stalled for a few quarters now.

And for this year, anyway, as I mentioned, we did not have any order booking from U.S., which was figured in our plan and the growth plan for this year. So whatever happens now, henceforth with the discussions and positive movement, should be an upside and better as compared to this year.

Chetan Vora: Right. And now coming to the order book, the order book has gone down to INR550 crores, which was INR740 crores last year. Now how do we see the execution visibility? Because in the coming quarter, we will be executing nearly about INR300-odd crores, and we will be getting another INR200 crores order inflow. So how do we plan to end the year? And does it mean that the next year growth is getting challenged, Regi?

Reginaldo D'Souza: Yes. So you're right. On the order booking as compared to what we opened this year with -- and as on today, it's about INR550 crores. That's broadly taken because if you remember, quarter 1 was literally almost -- I mean to say, negligible quantum that came in, obviously, because of the exports largely getting impacted and domestic, there was nothing at that point in time. And which we visualized at that point in time that domestic should revive in quarter 1. It did not, of course.

But then quarter 2 was much better. And quarter 3 is also in that strike rate range of INR200 crores around that we need every quarter, 3 months block to come in. So it has improved. If you look at the pending inquiry book position of INR1,100 crores, this is one of the best that we ever had. We -- our bests have been close to INR1,100 crores to INR1,200 crores inquiry bank positions. The problem was finalizations of those inquiries because of these uncertainties.

Now with that at our back, I'm pretty sure the finalizations should go forward in the coming months and we should be able to hit a strike rate much better than what we have done in the past. So we are hopeful and optimistic that business would turn over growth. Exact number, I think we should wait for the quarter 4 to get over, because for quarter 4, anyway, we have the complete order booking with us.

We will wait for the next 2 months how it pans out in terms of the order booking, which we are very optimistic about and then define the growth for the next year. But growth would surely be there.

Chetan Vora: Yes, growth will surely be there, that is right. Okay. But what about the demand environment, both in the overseas market and the domestic market as of now? Because in the domestic market, we saw a decline in the revenue -- sorry, in the export market?

Reginaldo D'Souza: Yes. So export market, it was -- so when we opened up the year, actually, domestic was down, export was better. Then when we went through this year, if you see the last year, domestic was literally nothing for us. All the order booking mostly came from exports. This year, domestic has picked up because most of the order booking -- and you would see that ratio changing from our pending order book position.

It has -- domestic is much higher than our export. That is precisely because over the last 2 quarters, there has been lots of uptick in domestic order booking. And now with this uncertainty

opening up, I'm pretty sure even the exports will pick up. And I'm sure you should get the confidence from the inquiry bank position of INR1,100 crores, which is roughly about 60% exports and 40% domestic.

And just to add to that, the major uptick that we are seeing, of course, in the international market is on the gas side, gas business. And in the domestic, we are seeing mostly in the petrochemicals and power.

Of course, power, there are limited 3 or 4 projects, but that itself is a pretty high-volume in terms of numbers. So that's a broad breakup if you want to know which sector is kicking in. So exports is largely the gas-based and domestic, it is pet-chem and thermal power to some extent.

Chetan Vora: Right. And now as in where we are standing right now post this clarity of -- again, I'm just repeating and the domestic traction what you have started gaining, now should we assume that both the engines are, as you also said in your opening comment also, that both the verticals should start seeing a good trajectory of growth?

Reginaldo D'Souza: Yes, for sure. And added to that, Chetan, with all these new products that we ventured, like nuclear for the first time, thermal power, which we got in right time because we will be well placed now for the next 3 projects that are coming in. And at the same time, the Anup Technical Services, which is a high profitable business, which we have forecasted that it should be, in 2 to 3 years, close to INR200 crores to INR300 crores kind of a business for us. It's about 40% margin business. So that -- these 3 verticals also should give us a lot of confidence that we have spread deeper into products and also wider in terms of geographies.

Moderator: The next question comes from the line of Sameer Thakur with Ambit.

Sameer Thakur: So my first question is, you already talked about the technical services and all. So if you can just touch upon the high-volume products and MRO, and how is that shaping up? And if you think about the business mix from these 3 service MRO and high-volume products, how should we think about in the next 2, 3 years or so? That's the first question.

Reginaldo D'Souza: Yes. So -- okay. So let me start with the technical services business, which is nothing but health tech assessment of the equipment, providing entity services and repairs of the equipment at site. This is the broad 3 domains under this services. As I said, this should be according to us anywhere in the range of 30% to 40% kind of a profitability business. And our focus for this business internally is to reach about INR200 crores turnover in the next 3 years.

That's the kind of focus that we have for this business. In terms of high-volume, which we said it is in the framework of ACACs, PSA Adsorber vessels, maybe some sort of skids and modules, this again is in the framework of EBITDA of 15%. It will not be as high as our conventional products, but they would give us scale in terms of volume.

So that is a fact that about INR200 crores to INR300 crores for the next 3 years, again, that vertical. And our conventional business would be close to about INR1,000 crores. That is where

we would like to maintain it because these are very complex, takes a lot of management attention and also critical in terms of execution. So INR1,000 crores, INR200 crores and INR200 crores to INR300 crores, that's kind of visibility in these 3 verticals maybe over the next 3 to 4 years kind of an horizon.

Sameer Thakur: Okay. And the pipeline that you talked about, INR1,100 crores pipeline, you said the strike rate should be higher. Any number on that?

Reginaldo D'Souza: See, normally, our strike rate historically has been anywhere between 15% to 20%. What we feel with this focus today and with our spread on the product mix, it should be anywhere in the region of 20% to 25%. We would not like it to be higher. In fact, we would like to grow the inquiry pipeline because we would like also our profitability to be maintained.

With a higher strike rate, we can definitely get a strike rate, but then I'll have to compromise on margins to get that business. So I would like it to be in the region of maximum 20% to 25% and improve the inquiry pipeline and keep that strike rate at that level.

Sameer Thakur: Okay. So would it be fair to assume that we would end up the year with somewhere around INR600 crores backlog or something?

Reginaldo D'Souza: That's what we are planning for, yes, right.

Moderator: The next question comes from the line of Varun Mishra with VM Chambers.

Varun Mishra: I think my question is broadly answered, but...

Reginaldo D'Souza: Hello, Varun, we are not able to hear you.

Moderator: Yes, sir. The current participant has left the queue. We'll move on to the next participant, is from the line of Chirag from SKP Securities.

Chirag: So I just want to ask which segment we are targeting in the nuclear segment that we have forayed into?

Reginaldo D'Souza: So our target is basically on the heat exchanger side and the columns and vessel side. So the current order that we have bagged is on the columns and vessel side and we would be making our attempts to get further deeper into heat exchangers and the critical primary island equipment's.

Chirag: Okay. So what sort of an opportunity are we seeing in this particular segment?

Reginaldo D'Souza: So let me mention why we have taken this first step after many, many years. So as you know, nuclear is a very, very critical domain in terms of execution. And we were wanting to get into this for many, many years now. And -- but after having put up our facilities and capabilities in place, we thought it is the right time now to move into nuclear and that's how we ventured into.

The first step taken is to get into these columns and things because they are comparatively easier. I'm not saying it is very easy, but comparatively easier. So we want to execute this. Of course, the start has been good so far. It's been, I think, 4 months into this year -- 3 months into this year, sorry.

The start has been good. I think maybe another couple of months and weeks shall get more confidence in terms of venturing into other opportunities for NPCIL. This also would open up the doors for other nuclear opportunities outside India, not only in India. But we just want to wait for a couple of months more to get that confidence.

And just to give you an indication of what opportunities this field can open up. I'll give you a simple product like a steam generator, which is required for NPCIL projects. One set is in the range of INR400 crores to INR500 crores. But of course, we need to work hard to get there, build our credibility. And I think we have taken the first step moving in this direction.

Moderator: The next question comes from the line of Mohit Surana with Monarch Network Capital.

Mohit Surana: Regi, you just talked about NPCIL. Can you also elaborate on the other 2 product diversification, geographic spread that you talked about entering into the thermal power as well as into precision engineering components, so some -- bit more color on these new ventures that you have taken? And what kind of potential do you see for the business to gain traction into these?

Reginaldo D'Souza: Yes, Mohit. So the first one was the thermal power plant where, as Anup Engineering, we were not qualified to make any products under NTPC. Through this, we had to go, of course, through the approval procedures. And finally, we got qualified and we were successful in bagging this order.

As I said, it was in the range of INR20 crores to INR30 crores bracket. Not a big one for now, but what it does is that it gives us that step into, number one, getting qualified with NTPC; and second, move to the next category, which is high-pressure heat exchangers, which is almost maybe 3x to 4x value of this product.

So that's what we are aiming at. There are next 2 more projects, big projects upcoming. One is for Adani Thermal Power, where the order has been already backed by L&T and Torrent Power. These are the 2 big. And there's a third one, which is a little confidential, which we know of that has come up.

So this gives us a step and a possibility to participate in the negotiations for low-pressure and high-pressure feed water heaters. The overall number for all these 3 projects for the feed water itself could be in the range of a ballpark number -- of course, it would differ a little on the design, but it would be in the region of INR700 crores to INR800 crores for the 3 projects put together.

Of course, we will have to participate, be competitive and prove our credentials on this first order that we've taken. And I believe we would be up against 3 to 4 competitors in India. And

the next one was the machined specialized precision components. Again, this was a complete diversification for us. We had strategized this for many, many years.

But we thought this was the right time to get into because turbines, as you know, both thermal and gas power plants, the number of power plants that are coming globally is in very large numbers. And GE was a strategic customer for us because we can foresee 2 to 3 years kind of a future order booking for these kind of quick cycle time orders.

Now these are something which we have never done before. These are fabricated plus machined components. That's the reason I have said that once we complete this, we will strategize on how do we take this forward.

But it looks like if we are successful in executing this, probably it will be a long-time horizon of 2 to 3 weeks kind of a business horizon that we can see. Though not large, but these are very critical and it could come on a nomination basis as -- I believe we are the only guys in India who have taken this at this moment.

Mohit Surana: Understood. Sir, just one last question on the inquiry pipeline. You said it's around INR1,100 crores. Any idea on what could be the strike rate considering things are improving on the geopolitical as well as on the trade tariff front? Any idea what could be our strike rate at this point?

Reginaldo D'Souza: Yes. So Mohit, first of all, let me just clarify this INR1,100 crores is a real-time inquiry. It will keep ticking as some other inquiries getting finalized, we'll be able to get new ones in. At this point in time, it is INR1,100 crores. But over the last 3 to 4 months, we have seen it between INR900 crores to INR1,200 crores. So that's a real-time inquiry pipeline.

In terms of your question on the strike rate, as I mentioned on the earlier question, we as a business would like to keep it anywhere between 20% to 25%, not more than that, because getting more than that is easier, you just compromise on the margins and then take that order. But since we want better profitable orders.

We would like to keep a very good balance on the strike rate and not exceed between 20% to 25% and focus more on getting more inquiries and improve the pipeline, improve the funnel rather than focusing on strike rate. Of course, strike rate, if you compare on a focused set of inquiries could be much higher, but on the overall pipeline, we would keep it at 20% to 25% max.

Moderator: The next question comes from the line of Rahil with Sapphire Capital.

Rahil: Sir, this net interest cost, which was high in quarter 3. Now what is the outlook for quarter 4? What is the steady state interest cost one can factor in?

Reginaldo D'Souza: So even for quarter 4, we would be able to maintain it at this level. As you know it was higher because we had a higher working capital. We have forecasted for the quarter 4 and we expect this to remain at this level of around 1% to 1.1%.

Rahil: And FY '26 end, what do you think the order book will be? So what kind of order book you will end the year with to enter FY '27?

Reginaldo D'Souza: So as I mentioned this on the earlier question, of course, our target would be much higher than that, but we expect it to close at the current rate, close to about INR600 crores.

Rahil: Then sir, let's say, 15%, 20% growth you're targeting in FY '26, meaning quarter 4, you do a run rate of more than INR220 crores, INR230 crores. Going forward, will that run rate keep exceeding to capture a 20% or so growth by FY '27?

Reginaldo D'Souza: Yes, for sure. So our...

Rahil: Just get a visibility.

Reginaldo D'Souza: Our expected order intake on a 3-month block period is roughly about INR200 crores to INR250 crores. We have already reached that run rate right now. And with things improving in the future, I predict that we should be at that or better level. And we have quarter 1. As you know, our average cycle time is anywhere between 9 to 12 months kind of a cycle time. So we will have to focus more on the short delivery items, maybe around 8 to 9 months.

And if you look at what we have strategized on these products, like the technical services, the high-volume products, these are all anywhere completion between 6 to 7 months. So for the next year, that is where we would focus on to deliver the growth plan for next year.

But as I said, we would wait for our focus right now into close quarter 4. We would wait for a couple of months before we come back to you. And I would be in a better position to give the exact numbers.

Rahil: Right, sir. And similar on the margins as well, EBITDA margins, any scope for improvement? And if so, how?

Reginaldo D'Souza: Yes. So EBITDA margins will be as we have guided. It will be in the region of around 22% for this year. And going forward, as I mentioned in the past, our endeavor would always be to maintain our EBITDA margins of 20%-plus.

Moderator: The next question comes from the line of Ganeshram with Unifi Capital.

Ganeshram: Regi, I just have a few questions. The first one is, I think it's been hammered a bit the order inflow status. When I look back the last few years, you've typically started the year with larger order book than the revenue you build in that particular year. This sort of seems to be the first of many years where the situation would be the opposite, right? At 15%, 20% growth, you'll probably have to deliver INR1,000 crores top line in '27 and you'd begin the year with INR550 crores to INR600 crores?

So could you help -- and that would mean that effectively in Q4, you'd probably need around INR400 crores-odd in order inflow to get to that number, right? So if you could just help me

understand if there is any risk to this FY '27 guidance? Or are there other moving parts that's going to help you compensate? Some granularity on this that will help us give some confidence?

Reginaldo D'Souza:

Yes. So you are right. Ganeshram, you're right in your numbers of the previous year that we started off with an opening balance of good order intake. As you know, last year, the domestic was really, really bad. There was nothing in the 3 quarters of last year, which definitely impacted the order intake and that's the reason we see lower base because of the market conditions that we had at that point in time.

Fortunately, domestic has picked up, which you are seeing the reflections in the numbers. And now with these uncertainties and especially the U.S. trade deal out of the way, I think we will also see the revival in terms of export business. And we should be back to those earlier days where we have inquiry pipelines and they get finalized within a 2 to 3 months period. And then that ball keeps rolling on inquiry front.

Unfortunately, what was happening over the last maybe 1.5 years or 5 to 6 quarters was mainly that the finalization work getting deferred because of these uncertainties. Having said that, we did realize as a business that we also need to strategize and be prepared for this position. And that's the reason if you see strategically, we have put a few blocks in place.

Number one, we have moved our focus to higher volume, lower cycle time equipment. So if you see that itself in today's context is about 10% to 12% of our revenue is coming from high-volume, low cycle time. So when I say low cycle time, these are like 6 to 7 months kind of completion equipment's. And then we focused on the services business, which is anyway a quick turnaround.

Maybe by the time you get the order and you close, it is just about 1.5 to 2 months and a very profitable business. Now these 3, 2 blocks is going to help us moving forward in terms of building our pipeline for next year, even though we would not open up the order booking to the original liking that in the past that we would have had.

As I said, we wish to open this year, that is FY '26, at about INR600 crores level or higher if it is possible. But even if it is not, these blocks are going to help us so that, in the first 2 quarters, we can book orders for these smaller cycle times, maybe 6 to 7 months and still deliver in the financial year.

So that is our -- plan. We are communicating to our customers in that sense. Our sales and marketing team is also moving and strategizing in that direction. So to summarize the answer, yes, the opening order book position as compared to the previous phase, it looks lower at INR600 crores. That's precisely because of both the cylinders not firing together, that is domestic and international.

But today, I think we have reached a point where both the cylinders should start firing. The inquiries should start getting finalized. And the strategies of moving into higher volume, low cycle time equipment's and the services business should give us that confidence for the growth into the next year.

- Ganeshram:** If I can just follow up on that. On the current order pipeline of INR1,100 crores, right, I'm assuming there's no U.S. So with the U.S., what could that pipeline look like? And in this INR1,100 crores, what would be the mix of those services or the higher volume products that we'll need?
- Reginaldo D'Souza:** So on this INR1,100 crores, it's not that there is no U.S. There is some small percentage, maybe 2% of it, which was on the back burner for some time. Now customers have started the discussions again. But with this opening up now, I'm pretty sure, in the next few months, it should at least bring about INR200 crores to INR300 crores kind of an inquiry position, that is strong inquiry position for the projects bound for United States.
- Ganeshram:** Okay. And high-volume product contribution in this INR1,100 crores would be how much?
- Reginaldo D'Souza:** So at the moment, for the high-value item, it's about 13%, 13% to 15% range. But as I said, we would be now seeking for more because these will come at a shorter duration in terms of receiving the inquiry and finalization, because these are normally not called as long lead items for customers.
- These are short lead items for customers. So they generally come towards the fag end of the project. So all these projects that we have quoted for the long lead, the short lead items should follow in the next couple of months. And this should augur well for us in terms of strategizing.
- Ganeshram:** Understood. And just on the second question -- and just the second question is on the working capital front itself. I remember there was about INR120 crores odd that you had to receive and then I think about 20%, 30% of the payment was still pending. If you could just give us an update on that. And on the...
- Reginaldo D'Souza:** Hello? Hello?
- Moderator:** Yes, sir, sorry to interrupt. The current participant has been disconnected. We'll move on to the next question. It's from the line of Sonal with Prescient Capital.
- Sonal Minhas:** This is Sonal Minhas from Prescient Capital. I had a question on working capital and receivables, which I think the earlier gentleman was also alluding to. Wanted to understand, like you were mentioning your discipline around bidding for orders with a margin of 22%. What are the cut-off levels in terms of your receivable days in terms of how you look at working capital from a project-by-project perspective? That's the first question. I have a second one, I'll ask after we've done with this one.
- Reginaldo D'Souza:** Yes. So on the working capital side, based on the long cycle items that we are now quoting for with -- sorry, Kheda facility with us where we can make much bigger items than long cycle items, we expect our average working capital to be about 3 turns. In between 3 to 4 is what we would like, but I think 3 is a more practical approach. That's roughly about 120 days kind of working capital that we would carry.

- Sonal Minhas:** Okay. And sir, is there a difference between export orders and domestic orders in terms of working capital as well, or there's nothing to read there?
- Reginaldo D'Souza:** Yes, of course, export working capitals are much better in a sense that the pure advances that we get on export orders are generally higher. They are in the tune of average 40%, whereas for domestic orders, they are in the tune of average 25%. So you have a 15% kind of an advances in your bag, which helps definitely your working capital.
- So we -- so from strategy perspective, it's always better for us to take better -- higher export. One is on the working capital front that it is better. And also because of the exchange rates, we are generally conservative when we take the orders. And invariably, we have seen on the historical data that we always tend to gain on exchange rates for exports.
- So in that sense, the preference is definitely always exports. But having said that, I did mention in the past, as a business, we have strategized to be a 50-50 kind of a business, mainly from the risk perspective. So we have our own risk assessment metrics. And based on that, we have defined ourselves that we should be 50% export and 50% domestic business.
- Sonal Minhas:** Got it, sir. By what time line should we expect the cash conversion cycle to come down to around 120 days from where it is right now around 190 to 200-odd days? Like, is there a ballpark you have in mind in terms of time line?
- Reginaldo D'Souza:** So based on our workings and projections, I think quarter 1 should be the time where we should come back to -- we should end the year maybe close to 3 the sum should be a clear between 3 to 4 turns.
- Moderator:** The next question comes from the line of Ashish Duggal, an Individual Investor.
- Ashish Duggal:** My question is, there was a news item that China investment will be open up in Asia. So I just want to understand what will be the impact? Or do we have any Chinese competition in our products?
- Reginaldo D'Souza:** So Ashish, for the kind of products that we deal with, I don't think so we will have that competition on 2 fronts. Basically, one is, of course, the kind of equipment that we make are quite voluminous. So from that perspective, the transportation cost is generally huge. And on the second front, most of the material that we use is all indigenously available in India today for us.
- So from that perspective, we can still compete for projects in India. And especially when it comes to PSUs, I'm sure you are aware that Make in India definitely governs. So from those perspective, I don't think this is going to be a challenge for us.
- Moderator:** The next question is from the line of Ganeshram with Unifi Capital.
- Ganeshram:** Yes. Sorry, I think I got disconnected last time for some reason. But I was just asking the current numbers of inventory receivables, payables. And then we've seen the commodity basket moves

quite sharply over the last 2 quarters. Are you seeing any impact of it? And how do you generally pass on these RM costs? How is it set up with your customers?

Reginaldo D'Souza:

So when it comes to the raw material, Ganesh, it is all built in into the cost estimation for us. We have a pricing model wherein we forecast probably next 2 to 3 months kind of a window in terms of the raw material purchase for us. For us, the larger volume of buy is coming from plates and tubes and to some extent, forgings. So these are the 3 broad category range that we focus. And we built that estimate into our cost estimation.

So it's built in. So if we see a projection of it going high, we built in that into our costing. If you look at historical data, I think we have got it right most of the time, except during the COVID time where I don't think anyone could have got right. So otherwise, in a normal business scenario, I think we are able to forecast that much better, built in into our costing and maintain our profitability.

Ganeshram:

Right. So because the period of execution is, let's say, 9 months for the order and maybe halfway through and the RM prices start going up, if it's not back-to-back at the time of booking the order, that impact of RM price movement, who would bear that? Or is there like an escalation clause that's still there?

Reginaldo D'Souza:

No, Ganesh, in our case, our projects are 100% fixed term contracts. There are no variable contracts. But to answer and give you that confidence, once we get the PO, 4 to 6 weeks is the time wherein we place the orders for our raw materials. So the cycle would be longer in terms of execution, but the raw material placement is generally happening anywhere between 4 to 6 weeks from the PO received.

So in that sense, we are locking in the prices much earlier. And nowadays, when the volatility is very high, we generally try to go back-to-back with our vendors so the prices are secured for us. To add to that, we generally, as you know, have 2 modes of orders, right? One is negotiable bid with the private customers, which is like once we freeze, maybe within a week to 10 days, we'll get the PO. So it's more secured, more certain.

In terms of tendering is where generally the window between we quote and when we get the PO, is anywhere a gap of 3 to 4 months. That is where our forecasting model comes more handy as compared to the private customers where there is negotiable bid. So focusing more helps on the tender side, whereas on the private side, it is more certain.

And today, if you see our breakup between tenders and private business, it's around 60-40. 60 is the private business, 40 is about tender business. And moreover, the order placement from PO is 4 to 6 weeks. So that should give you the confidence that we are able to lock our prices quite early in the execution.

Ganeshram:

That's very clear, Regi. Just the data keeping question is, currently, the numbers for inventory receivables payables, where is it right now and the RM split?

- Reginaldo D'Souza:** One second, let me get the number to you.
- Ganeshram:** Yes. Okay.
- Reginaldo D'Souza:** So can we get this offline to you, Ganesh, if it's okay?
- Ganeshram:** Yes. Yes. That's fine. That's fine. That's fine. That's fine.
- Reginaldo D'Souza:** Okay. We'll get back to you on this. Nilesh would get back to you on this.
- Moderator:** The next question comes from the line of Kabir with Kabir Investments.
- Kabir:** Just to know now that we see more opportunities and more inquiries coming up in the U.S. business, can we expect H2 to grow at a faster pace, maybe move higher from the H1 for the next year?
- Reginaldo D'Souza:** Sorry. Kabir, can you please repeat your question? There was a little bit of disturbance.
- Kabir:** I'd like to -- now that the U.S. business is -- we see the U.S. business opening up, can we expect to grow at a faster pace in the second half of the next financial year, maybe to 25%, 30% from the 15%, 20% growth that we are doing this year?
- Reginaldo D'Souza:** So Kabir, what I believe our focus today is to close this financial year with Q4 execution. And at the same time, as I mentioned, we foresee a good intake with all these uncertainties moving off. So I believe let's wait for the couple of months before we come back to you for the next call where we will be in a better position to put the exact number on the growth.
- But surely, our attempt would be to grow much faster than what we have grown this year. And then these are -- just a note, these are pure organic numbers. Inorganically, if something goes right, we could land up much higher.
- Moderator:** The next question comes from the line of Saket Kapoor with Kapoor & Co.
- Saket Kapoor:** Sorry, I was late into the call, so maybe a repetitive question. But sir, what explains, firstly, the lower turnover and hence, the lower profitability Q-on-Q, the September quarter consolidated revenue at INR232 crores and our December quarter revenue at INR207 crores and thereby the profitability down from INR43 crores to INR34 crores? That is my first question.
- Reginaldo D'Souza:** So Saket, if you look at historically, quarter 3 is always a weaker quarter for us from the perspective of number of days because there are a lot of festivals around that time in the manufacturing zone that we are in. And if you look at our historical plan, we generally plan it with quarter 3 at that number.
- So we were exactly on plan for the growth that we had planned for, and that is how if you look at even in the future, you'll always find quarter 2 better than quarter 3. Except that if you look at quarter-on-quarter last year, we've done much better than Q3 of last year. So short answer, this is as per the plan of the business.

Saket Kapoor: Okay. So then year on year comparison there is a compression in margin. So that is on related to the product mix part or what explains that part of the story?

Reginaldo D'Souza: Yes, that is broadly on the product mix which we had -- I had articulated in the beginning of the year, because we've moved to now scaling up based on high volume products as well, which are high volume, low margin business. So that will pull EBITDA a little lower, and that's why we said that we will be in the range of 21% to 22% of EBITDA.

Saket Kapoor: Okay. And sir going ahead for Q4 is traditionally a large quarter for engineering organizations concerns like us. So we should expect the same trend line for Q4 in terms of at least the execution to be on the relatively higher side?

Reginaldo D'Souza: Yes, Saket, so the last quarter is always the busiest quarter, the full quarter with full number of working days, so we expect it to be to be definitely in the similar trends.

Saket Kapoor: Okay. And sir just to conclude here, we have also seen that sir in the oil and gas space, there has been muted response in terms of the capability or the capex done by the PSUs especially the ONGC of the world and also the crude prices have also remained low, so how has this affected our order booking part firstly and our pricing power also in terms of the bid wherein we are participating as a major of the us our clientele are towards this oil and gas refinery petrochemical segment.

So how are we seeing this pricing power part for us and then second question is pertaining to the new facilities ramping up firstly at the Kheda and also at the manufacturing plant at Mabel. So how are these going to contribute going ahead?

Reginaldo D'Souza: Yes, so Saket, you're right in terms of the investment from PSUs, and that is the precise reason if you see, last year almost three quarters it was literally zero from domestic. We had to completely depend on export business, and that is why we could survive because our focus was equal on exports. As we speak now, as I mentioned in the call earlier and I think some of the gentlemen had this question, so domestic has picked up. So last over the last quarter if you see, the domestic contribution is way higher as compared to export.

And now with these uncertainties on trade deals and others out of our way, we think that both the verticals in terms of exports and domestic should fire equally, and we should be in a much better position to have a better order conversion. In terms of profitability, of course as the demand goes down, there are there are many capacities which are which are vacant in India and abroad, and people get to the margin game.

So obviously it builds a little bit of more aggression in the market in terms of pricing, and that brings the pricing level down, and that's where the lower strike rates and other things come up. But we as a company are quite watchful. We want to grow and at the same time grow profitably. That's the balance that we want to keep, so we're very cautious on every opportunity that comes our way that we maintain our profitabilities as well.

Your next question in terms of the locations, Kheda as I mentioned, we have already completed Phase 2 as planned, so I had said that by quarter 3 we will we will commission. Now Kheda is fully operational with three completed manufacturing bays and one open yard. So it has got a capacity to deliver approximately about INR450 crores per year, of course depending on the product mix, in a full 12-month period.

So that's the capacity which is which is commissioned, put to use, and moving well. In terms of Mabel, as I said Mabel by quarter 3, that is nine-month period it was at INR23 crores. Of course better than last year, but in a sense it will, most of its execution is site-fabricated equipment which are right now in progress, and we expect them to close in February and March. So Mabel should do much better over INR50 to INR60 crores depending on the execution.

So it's moving well. We are not going to have any capex right now in Mabel. As I said, we see that plant to have a capability of anywhere between INR150 to INR200 crores without any further investment there. So that's how the locations are, and as I mentioned in the call, all three locations are firing very well, and we are very happy and glad that all the three locations are contributing well.

Saket Kapoor: And in the order book, sir, we have orders from this new facility for Kheda also which we have just commissioned, that 11 the bid, the closing order book position?

Reginaldo D'Souza: Yes, so 550 the closing order book has that facility also. So all the reactors, vessels, and columns we make in that plant and all the heat exchangers we make in our Ahmedabad plant. So that is strategically how we bifurcated between the two companies. Both are named as Anup Engineering so we can always move things around, but strategically exchangers in Ahmedabad and vessels, columns, and reactors and other big components in Kheda. Because it is on a national highway, it makes sense for us to move to the port.

Saket Kapoor: Okay. And how is Mabel positioned in the three vertical in terms of specialization and how does this unit fit into?

Reginaldo D'Souza: So Mabel is clearly specialized into making silos and tanks. That's the product portfolio that's there, and that was the precise reason why we acquired that company because we didn't have that qualification to make silos and tanks under Engineers India Limited. So they are specialized only in making silos and tankages and at on also added to that some site work.

Saket Kapoor: Okay. And sir, lastly, sir, on the order book front, how much is attributable, you mentioned a figure from the Mabel unit out of the total 550?

Reginaldo D'Souza: So out of the total 550, Mabel right now has a pending order book of INR45 crores.

Saket Kapoor: Okay, that is addition to 550?

Reginaldo D'Souza: No, no, that's part of this 550 because we are looking at a console level, console level and that will be all mostly executed in this quarter and the coming quarter with some other orders coming in for them. And Mabel is 100% a profitable company.

- Saket Kapoor:** Thank you for all the updates, sir, and all the best to the team.
- Reginaldo D'Souza:** Thank you so much.
- Moderator:** Thank you. The next question comes from the line of Ganeshram with Unifi Capital. Please go ahead.
- Ganeshram:** Regi, I hope you aren't tired of hearing my voice. But just one question, which is the receivables from US. I think there was about INR120 crores of which you received 70 already, 70%. So where is the position with that right now?
- Reginaldo D'Souza:** So we had balance about INR30 crores receivable from that for the equipment that we had already made it ready, out of which already 50% has come in and we expect that the balance to come in next month. Sorry, this month, not next. February, we're already into February.
- Ganeshram:** So of the INR120 crores, INR15 crores is left?
- Reginaldo D'Souza:** That's correct. That's correct.
- Ganeshram:** Okay, thanks, Regi.
- Moderator:** Thank you. Ladies and gentlemen, this will be our last question. It's from the line of Varun Mishra with VM Chambers. Please go ahead.
- Varun Mishra:** Hi. Thanks for taking my question. I just had a question on the strategy pivot so to speak where we have decided to go into short cycle high volume equipment also. I think you mentioned in the call that Kheda Phase 2 the expansion has happened which has given us the capability to execute large cycle equipment. So how does this sort of go with the decision to move into short cycle high volume equipment?
- Reginaldo D'Souza:** So Varun, I couldn't get the question clearly, but let me phrase it. So you're saying we strategized getting into high volume low cycle, and this Kheda facility which has been installed for high tonnages, so how would this match? That was your question?
- Varun Mishra:** Right, that's right, that's right.
- Reginaldo D'Souza:** Okay. So as I said, high volume products in terms of CS, PSA adsorber vessels, those are all will be made in Odhav plant because they are smaller. So why do we, why we have strategically bifurcated between these two is based on the logistics challenges that we have. Ahmedabad facility being in the city limits, anything bigger than 5.5 meters moving out becomes extremely difficult because of the traffic.
- So all these small cycle time items generally would be smaller in size and they would be made here, and the larger cycle times which are generally larger in sizes will be focused to be made in Kheda. However, having said that, as I said, there are three bays in Kheda with closed and one

open yard. Open yard is where the place is where we can make all these small cycle time items if required.

If we do not have enough space in Odhav, then that facility is available. But generally, we would prefer higher size, higher tonnage, and longer cycle time equipment to be made in Kheda because the plant is generally designed for that.

Varun Mishra: Right, understood, understood. And just as a follow up, these short cycle high volume equipment that you mentioned, what would they be like in terms of margins?

Reginaldo D'Souza: They would be, as I mentioned earlier too, they should be around 15% to 18% margin profile.

Varun Mishra: Right, right. Understood, understood. Thank you, thank you so much for your clarification.

Reginaldo D'Souza: Thank you, Varun.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Reginaldo D'Souza for closing comments.

Reginaldo D'Souza: Yes, thank you all for your very interesting questions, and I hope I was able to clarify to your satisfaction. In case if you have any further queries, please feel free to connect with us and we would be happy to respond. I take this opportunity to thank my wonderful team at Anup and to each and every stakeholder helping us deliver value. A big thank you to our shareholders for your trust and support as always. So once again, thank you, take care, and stay healthy. Thank you.

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. Thank you.