

# JNK India Limited

(Formerly known as JNK India Private Limited)

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**Date: June 3, 2025**

<b>To,</b> <b>BSE Limited,</b> <b>The General Manager,</b> Department of Listing Operations, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001	<b>To,</b> <b>National Stock Exchange of India Limited,</b> <b>The Manager, Listing Department</b> Exchange Plaza, C-1, Block-G, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051
Scrip code: 544167	Security Symbol: JNKINDIA

Dear Sir/Madam,

**Sub: Q4FY25 Earnings Call Transcript**

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed transcript of Q4FY25 Earnings Call held on Friday, May 30, 2025 at 12:00 PM

The transcript is also available on the website of the Company at <https://www.jnkindia.com/>

Kindly take the same on your records.

Thanking you,

Yours faithfully,

**For JNK India Limited**

**Ashish Soni**

**Company Secretary and Compliance Officer**

**Encl: a/a**



**“JNK India Limited  
Q4 FY 25 Earnings Conference Call”  
May 30, 2025**



**Management:**    **Mr. Arvind Kamath – Chairperson and Whole-Time Director – JNK India Limited**  
                             **Mr. Pravin Sathe – Chief Financial Officer- JNK India Limited**  
                             **Ms. Annie Varghese – Senior Manager, Investor Relations – JNK India Limited**

**Moderator:**        **Mr. Akshit Gangwal – IIFL Capital**

**Moderator:** Ladies and gentlemen, good day and welcome to the Q4 FY25 earnings conference call of JNK India Limited, hosted by IIFL Capital Services 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 has been recorded.

I now hand the conference over to Mr. Akshit Gangwal from IIFL Capital Services. Thank you and over to you, sir.

**Akshit Gangwal:** Thank you. Good afternoon, everyone. On behalf of IIFL Capital, I welcome everyone to JNK India's Q4 FY25 earnings call. We have with us today, Mr. Arvind Kamath, Chairperson and Whole-Time Director, Mr. Pravin Sathe, Chief Financial Officer and Ms. Annie Varghese, Senior Manager, Investor Relations.

Without further delay, I will now hand over the call to the management for their opening remarks, which will be followed by Q&A. Over to you, sir.

**Arvind Kamath:** Thank you Akshit. Good afternoon, everyone. I am Arvind Kamath, Chairperson and Whole-Time Director of JNK India. Thanks for joining us for our Q4 and FY25 earnings call. Your continued trust and interest are highly valued as we complete our first full year as a publicly listed company.

Our journey over the past five years highlights the strength and resilience of our business. Since financial year 2021, we have expanded our order book from INR 1,436 million to INR 10,819 million this year. This is a compounded annual growth rate of approximately 65.7%, representing more than a seven-fold increase. This order book and the order inflow of INR 9,327 million which is recorded in this financial year FY25 are the largest in the company's history, marking a key milestone and reflecting strong customer confidence on JNK India.

Over the same period, revenue has more than tripled to INR 4,950 million, reflecting a CAGR of 37.7%. These figures demonstrate consistent demand and effective execution across our market.

Returns have moderated over the period with ROCE at 16.6% and ROE at 8.6%, reflecting margin pressure, despite growth in scale. Importantly, we have driven meaningful cost efficiencies with employee expenses as a percentage of revenue improving from 23.6% in FY21 to just 9.2% in FY25, illustrating disciplined cost management.

Our manufacturing facility in Mundra has consistently delivered quality and capacity enhancement, supporting project execution and timely delivery. We have strategically expanded our product portfolio to include cracking furnaces, incinerators and flares, broadening our solutions for the refinery and petrochemical industries.

Looking ahead, our focus remains on executing our strong order book efficiently, improving margins through cost control and growing renewable energy offerings. We are confident about the opportunities presented by India's expanding refining and petrochemical sector, which continues to grow at consistent rates.

In summary, FY25 was a foundational year marked by significant growth, portfolio expansion and operational resilience, setting the stage for sustainable value creation ahead.

Thank you for your continued support again. I now invite our CFO, Mr. Pravin Sathe, to provide a detailed financial update. Thank you once again.

**Pravin Sathe:** Thank you, Mr. Kamath, and good afternoon, everyone. I am Pravin Sathe, CFO of JNK India. I will now present the financial details for Q4 and FY25. In Q4, the total revenue was INR 2,000 million, more than doubling sequentially from Q3 FY25 but down 10.9% year-on-year due to project lifecycle. Operating revenue was INR 442 million with a margin of 22.1%, EBITDA INR 276 million representing a margin of 13.8% and profit after tax was INR 132 million, reflecting a margin of 6.6%.

For the full fiscal year, revenue increased by 2.5% to INR 4,950 million. Operating profit decreased 22% to INR 1,424 million, compressing the margin to 28.8% from 37.8% in FY 24. EBITDA declined 37.9% to INR 649 million with margins narrowing to 13.1% from 21.6%. Profit before tax dropped 50.4% to INR 441 million and profit after tax declined by 51.8% to INR 302 million.

Return on capital employed was 16.6% while the return on equity stood at 8.6%. FY25 delivers the highest order inflow and the largest closing order book in our company's history with inflows of INR 9,327 million and backlog of INR 10,890 million. The extensive pipeline also offers strong revenue visibility as we enter FY26. Employee dedicated expenses improved to INR 457 million aided by the winding down of ESOP related costs.

Looking ahead, we remain committed to driving margin recovery through disciplined cost control and operational improvement, while investing in higher potential growth areas aligned with India's energy transition.

In summary, FY25 was a year of steady revenue growth amid margin pressure. Our diversified portfolio and extensive order book provide a strong foundation for continued progress.

Thank you for your attention, we now welcome your questions.

**Moderator:** The first question comes from the line of Shaurya Savjani from Savjani Enterprises. Please go ahead.

**Shaurya Savjani:** Thank you for the opportunity, sir. I just wanted to get a clearer understanding on the margin perspective. Since Q4 of last year, there has been a significant decline in margin, with raw material and project costs rising up to 81% compared to the historical average of 40-50%. In previous calls you have attributed this to projects being in the mid-stages of execution.

However, we haven't seen this level of margin compression in the past fiscal even during similar execution phases. Could you help us understand what has changed in this current fiscal to cause this sharp deviation?

**Pravin Sathe:** Yes, thanks for your question. In our previous earnings calls also, as you have rightly pointed out, we have mentioned about the project lifecycles, being in the stages where the margin is little compressed and I would like to draw a reference to our earlier earnings calls where we had mentioned that, this has to be seen along with the order inflow in the previous financial year also.

So, since the order inflow in financial year 2023-2024 was not significant, the margins that were getting compensated by the projects which were in the earlier lifecycle contributing to the higher margin, the compensating impact was not available that we clarified in the last call.

So, this year we were anticipating this downfall as the new projects that have come in FY24-25 have started generating revenue from Q3 onwards. So, that compensating effect will be seen in the next financial year. So this year we were anticipating a drop in the profitability and that we had mentioned earlier also.

**Shaurya Savjani:** Right, So I have another question. Initially, I'm also trying to understand the employee benefit expense. As a CFO you have rightly mentioned, the employee benefit expense has sharply declined with some numbers from INR 26.3 crores in the same quarter last year to INR 3.2 crores this year. This is actually quite surprising to me because you said that, you know, there are being ESOPs distributed throughout FY25 and you are also expecting an increase in the labour force due to heavy order influence.

Why would you say that there has been such a steep, steep decline in the employee benefit expense? Even though you might say the stock price could have declined, right, maybe would that be justifiable for just a steep decline in the entire benefit expense?

**Pravin Sathe:** See there are two, three factors contributing to this; one is, the ESOP results that we were creating against the ESOP Scheme. So every quarter there was a debit to the profit and loss account and that ESOP Scheme ended on 31st March 2025. So that portion has gone away. It was a sizable chunk.

Another thing is there is a reduction in the managerial remuneration also. And the third factor is that, we used to give the year-end incentives in every financial year which used to come in the fourth quarter of that respective financial year. So this year strategically, we decided not to give the incentives in quarter four but look ahead for the progress of the company in the current financial year and then take the decision on that. So, it has resulted into reduction in employee benefits cost.

**Shaurya Savjani:** Right sir, right. And just one last question, I'd also like to understand the current order pipeline and future expectation in both the new segments, which is; waste handling systems and renewable energy segments. And specifically for the renewable energy space, given that there are several large-scale competitors, how do we view our competitive positioning? What do we say are more in these segments? And how are we planning to scale or differentiate going forward, you know?

**Arvind Kamath:** Yes, this is Arvind Kamath here. So, basically, as long as the order book is concerned, you know, we gave you the figure which is fantastic. I mean, we had the highest order inflow for FY25 and that is also coming in terms of the diversified product portfolios like cracking furnaces, process plants and flares and incinerators.

So, going ahead, we have a very good pipeline and order finalization of about four projects are expected in next six to eight months which are quite large opportunities in the heating equipment and other equipment.

And in terms of the renewable energy, it's more of an entry to us in a bigger way because what we have done is, one, green hydrogen fuel station which already order is executed and we are also looking to develop our credentials and references in this space. We have about four to five proposals currently going on in the green hydrogen space, and that's where we plan to leverage our hydrogen handling capabilities and get more opportunities.

So in terms of our work, basically, we have good experience in terms of the hydrogen handling. You know, hydrogen as a gas which is very flammable and highly volatile. So we do have a good experience of handling through our reformers as well. And JNK Korea also has extensive experience in hydrogen handling. So we're basically leveraging that expertise and experience in green hydrogen at such.

- Shaurya Savjani:** Right, sir. I wanted to also know about the waste handling system, which are the flares and incinerators. I don't think you mentioned that?
- Arvind Kamath:** Yes, waste handling systems, we have already received orders last year, and that's part of our combustion equipment itself. So, we are already, quoting for those opportunities, and more opportunities are lined up in that area as well already.
- Shaurya Savjani:** Is there anything in numerical figures for the pipeline?
- Arvind Kamath:** Pipeline, I mean, in terms of numerical, the big pipeline what we have. The **firm** big pipeline is about, ranging about INR 4000 crores. So, that's the kind of a figure what we have, which looks to be finalized in the next 1 year's time.
- Shaurya Savjani:** And this is for all products?
- Arvind Kamath:** I mean predominantly heating equipment.
- Shaurya Savjani:** Okay, understood. Thank you so much for your time, sir.
- Moderator:** The next question comes from the line of Anshul Jethi. Please go ahead.
- Anshul Jethi:** Hello sir. So, my question is on the working capital fund. Our trade receivables have increased by almost 50%. So, it would be great, if you could throw some light on our working capital days and the future outlook. How do you see about that?
- Pravin Sathé:** See, we have been telling this previously also, what happens is maximum dispatches happen in the last couple of months. So, if you see as on the balance sheet, the receivables look very heavy. But out of that, I would like to tell you that in the last couple of months, we have almost recovered more than INR 150 crores. So, if you see the position as on balance sheet date, you will definitely feel that the receivables have piled up. But it is due to the dispatches that happened in February and March. This is a typical situation every year.
- Anshul Jethi:** What portion would you attribute to the PSUs in the trade receivables?
- Pravin Sathé:** This time, major receivables were of PSUs only.
- Anshul Jethi:** Any portion of unbilled revenue in other current assets as well?
- Pravin Sathé:** Basically, there is no unbilled revenue as such but the revenue that could have been billed, but which has gone in this financial year is roughly around INR70-odd crores which has slipped down to this financial year.
- Anshul Jethi:** Okay. Sir, next question is on the margin front. So, if I look at EBITDA margins without adding the other income part, we are at round about 9%, 9.8% EBITDA margins. So what's the future outlook and how do you see EBITDA margin in the next 2 years going that we have a big order from Reliance as well next year?
- Pravin Sathé:** Going forward, we have kept the benchmark of atleast 14% to 16% of EBITDA. Considering the large orders, we cannot anticipate EBITDA of 18% or 20% but 14% to 16% could be a range, that is reasonable and achievable that is what we apprehend.

- Anshul Jethi:** Okay, sir. That's it from my side.
- Moderator:** The next question comes from the line of Mihir Thakker from Prithvi Finmart. Please go ahead.
- Mihir Thakker:** Thank you so much for the opportunity. I just wanted to know what is the execution duration of the current order book on the hand?
- Pravin Sathé:** Yes. Currently, whatever order book is there, we anticipate that it will get executed over six quarters.
- Mihir Thakker:** Okay. And the bid pipeline that you mentioned of about INR 4,000 crores. So what conversion rate are you expecting on this?
- Arvind Kamath:** Yes, Mihir, it's a bit difficult to exactly pinpoint because depending on the size of the opportunities, but historically, whatever gets finalized, we've been able to get anywhere in the range of 20% to 30% as our share. Yes.
- Mihir Thakker:** Okay. Thank you so much. That's it from my side.
- Moderator:** Thank you. The next question comes from the line of Akshit Gangwal from IIFL Capital Services. Please go ahead.
- Akshit Gangwal:** Yes. Thank you for the opportunity, sir. I just wanted to understand, so like at the beginning of the year our target as to execute the opening order book of about INR 620-odd crores this year, and which is not materialized, but I assume that given project life cycle, do we see that, in the next couple of quarters, do we see revenues picking up? Because typically what you've mentioned is that 1H is one-third of your overall FY revenues. So will that trend continue this year or how do you see revenue split across quarters for FY26?
- Pravin Sathé:** Yes, Akshit. Actually, what you have said is right. The revenue will start picking up from the Q2 onwards. In fact, Q1 would also be better as compared to the past years, but the actual pick up will start from quarter two onwards.
- Akshit Gangwal:** Okay. So Q2 should see some pick up and any -- so you mentioned that the current order book should be for the next 6 months, so any target for FY...
- Pravin Sathé:** Six quarters.
- Akshit Gangwal:** Six quarters, sorry, sorry. Yes. Next six quarters. So any targets for FY26, numerical targets like what we are looking at, considering spillover from this year as well. How would that look like?
- Arvind Kamath:** Yes. Akshit, I mean, as you mentioned, started your question because whatever last year we thought of, we could not due to certain reasons of execution and delays from the customer as well. So we want to be a bit, you know, what do you say, conservative in our estimate for this year, but still something like around 40% to 50% increase on the revenues is what looks very feasible, considering what situation the various orders are as of now.
- Akshit Gangwal:** Okay, understood. And the Reliance project, you expect it to complete by FY26, or it will spill over to FY27?
- Arvind Kamath:** Some part could spill over to Q1 of FY27.

- Akshit Gangwal:** Okay. So Q1 of FY27 is when we expect that entire project to get completed.
- Arvind Kamath:** Yes. But most of the revenue would also be billed in this financial year.
- Akshit Gangwal:** Okay.
- Arvind Kamath:** FY26 as well. Yes.
- Akshit Gangwal:** Understood. Understood. And sir, last question. So 14%-16% of OPMs that we are looking for, is this including the other income or excluding that. Because I think around 4% of the EBITDA margins that you are looking at this year is from the other income, it sees a big jump. So just wanted some clarity on the guidance.
- Pravin Sathe:** See 14% to 16% on total revenue, I am saying.
- Akshit Gangwal:** Okay. So you look at total revenues including the other income portion. Is it?
- Pravin Sathe:** Yes.
- Akshit Gangwal:** Okay, understood. All right, sir. Thank you so much.
- Moderator:** The next question comes from the line of Sahil Sanghvi from Monarch Network Capital. Please go ahead.
- Sahil Sanghvi:** Hi, good afternoon and thank you for the opportunity. I missed the initial 3-4 minutes of the call. Sorry, I was late in joining. So, could you help us with the reason of the lower revenue that we've clocked this quarter as in we were targeting much higher numbers. So, project-wise or something more detailed on the project delivery, what happened exactly?
- Pravin Sathe:** Hi Sahil. Actually, we were targeting a revenue of somewhere around INR 620 at the beginning of the financial year and then we had given revised guidance on that. So, in fact, what revenue we have booked, we could have booked INR 70 odd crores more revenue, which has slipped to the current financial year due to various reasons because of delayed payments from the client or for the export shipment or for the inspection of the ready material not done by the client.
- For various such reasons, about INR 70 crores odd, revenue has slipped the current financial year.
- Sahil Sanghvi:** Is this all attributable to external factors or is there some execution delay also I mean is it mix of both?
- Pravin Sathe:** Majorly, it is due to external factors.
- Sahil Sanghvi:** Okay. And also for understanding the status of the HPCL order, are we on track to complete it by December or will it slip over to Q4 ?
- Arvind Kamath:** Yes, Sahil. I mean, our endeavor is to close in the Q3 only, but being HPCL there are some issues in terms of site work because site work has already started, civil and the construction, mechanical everything has started, but being a PSU in Mumbai there could be certain this thing. So I mean our endeavor is to close by Q3, but we have to assure that at least by maximum by Q4 we will be able to close it in case if there is a delay at site.



- Sahil Sanghvi:** Sure, sir. And this INR 70 crores that we are saying, which is now delayed to FY26, will that be recognized in Q1 itself or would that go to Q2? I mean, just to try to understand, will the revenues be more evened out that is more from the quarterly perspective?
- Pravin Sathe:** Yes. Since I told you that this revenue has slipped to current financial year due to external factors. So it is very difficult to predict that it will materialize in the Q1 itself, but we can say that revenues will get rationalized in this financial year.
- Sahil Sanghvi:** And then margins should also iron out this year, we have moved to the new revenue recognition?
- Pravin Sathe:** Yes, that is for sure.
- Sahil Sanghvi:** Okay. Thank you, sir. Thank you for your answer and all the best.
- Moderator:** Thank you. The next question comes from the line of Ashish Chopra from Goldman Sachs Asset Management. Please go ahead.
- Ashish Chopra:** Yes. Thanks for the opportunity. I just had a follow up on the previous participant question. Just trying to understand the execution delays in further detail. So last quarter you mentioned that INR 620 crores was the target at the year's beginning, but because of these execution delays you had mentioned that you will be falling short let us say by 10% to 12%.
- So that is a INR 70 odd crores shortfall on that base and as we end the year and this implies INR 250 odd crores of revenues in the fourth quarter. As we exit the year there is the number is eventually around INR 191 crores. So there is another INR 60 crores on top to that 10% to 12% which seemed to have not come through and versus the original number of 620 we are falling short by more than INR 120 crores.
- So just what incrementally panned out in the Q4 over and above what was already visible to you in the first 9 months that led to this additional delay of INR 50 crores to INR 60 crores this is my first question?
- Arvind Kamath:** See basically whatever just Pravin Sathe explained about INR 70 crores revenues which was mainly delayed from the last quarter was because of the delays by payment from the customers. So we had to slow down that processing of those orders. And some parts were also not cleared by final inspection because of the customer, which was export.
- And some part customer asked us to delay because its site was not ready. So these, about INR 67 crores to INR 70 crores, to be precise, which was delayed from last quarter, which we actually planned in the last quarter.
- Ashish Chopra:** Okay. And the other thing that you also mentioned in the Q3 was that you given the order book that you have at your disposal.
- Ashish Chopra:** The second question was that you had also mentioned at the end of the Q3 that given the order book you have despite some slippages that you were witnessing in FY25 you still remain on track to maybe get to a revenue in the range of INR 1,000 crores with 17% to 18% EBITDA.
- Now despite some of these orders which are slipping into FY26 that should be additive and you mentioned 40% to 50% sort of growth number which still implies a substantial shortfall to that as well. So we are looking

at somewhere in the range of INR 700 crores, INR 750 crores versus that number. So does this revenue in the current year equivalent to the order book at the end of the year.

Is that no longer holding now I mean just wanted to understand what changed both on the revenue outlook front and also on the margin front why is it now 14% to 16% versus 17% to 18% that we had been holding on to till at least as we can clear the last quarter?

**Pravin Sathé:** The old projects that are getting slipped over to the current financial year are in the stages where the margin profile is very low. So practically what margin is getting generated by the new projects in this financial year is somewhat getting eaten away by these projects. So therefore, we are giving the conservative estimate of 14% to 16%.

**Ashish Chopra:** Okay. And also if you could elaborate on the revenue outlook?

**Pravin Sathé:** So as Mr. Kamath said, in the past, whatever guidance that we have given, then we had to revise the guidance due to external or internal situations. So we want to be on very conservative side. That's why he has said that we can expect a revenue growth of 40% to 50% over current year's revenue. So this is a conservative estimate. We don't want to give an overestimated guidance.

**Ashish Chopra:** Understood. And one last question from my side. So, on the pipeline of orders that you mentioned of INR 4,000 crores that should maybe get finalized somewhere over the next 12 months. Are any of these larger orders imminent maybe in the next quarter or so?

Because the reason for asking that is after the big order from Reliance, I think the last nine months have seen fairly relatively tepid momentum of order inflow. I think the first two months of this quarter as well, I don't think you've announced anything.

And maybe another three, four months if the situation doesn't change, perhaps we are looking into FY27 as a year when again the revenue growth starts becoming questionable, considering that the orders won later may only get executed somewhere in the middle of that year and then into FY28. So just as basis the pipeline, are there any orders which are in advanced stages, or it remains to be seen and unclear as to when this pipeline gets firmed up?

**Arvind Kamath:** Yes, no, no, I mean, actually, two of the opportunities are, you know, very much on the finalizing stage and it could get finalized in the next one or two months itself and both are comparatively quite significant value. That way, one is for export, and one is for domestic opportunity.

Both our firm bids are already in place and any time in the next one month the customer could take a decision on. So that way we are quite bullish in terms of at least the big pipeline what we have and in terms of the ordering flows for this financial year as well. And the diversification into the various product lines also has helped us in increasing our big pipeline and also the new proposals going ahead.

**Moderator:** The next question comes from the line of Varun Goel from Mirae Asset Mutual Fund. Please go ahead.

**Varun Goel:** I just wanted to understand the margin picture, you know, this guidance of 14%-16% including other income. You know, if I strip that other income off, then it looks like the operating items is around 12% 13% compared to the 21% we did in FY24?

And secondly if you can just clarify and not to my understanding the average order execution is one to two years, so if even if some large orders are coming to an end and when they're having lower margins then ideally our margins in FY25 should have been higher. So can you just help me understand these things?

**Pravin Sathe:** Yes, basically you are referring to the 21% EBITDA of FY24. So earlier also we have clarified this that due to front loading of revenues in the previous year we were using a different revenue recognition model at that time. We were using output method so based on the milestones we used to book the revenue and the corresponding costs.

So milestone-based revenue, we're giving a vitiated picture if you see quarter-on-quarter basis. So we have changed that method in the current financial year, and we are following the cost-based method, that is input method. So both the methods are approved as per Ind AS 115. So to iron out these variations quarter-on-quarter we have decided to use the input method.

Now when we talk about the margin of 21% in FY24, it was including the other income and 3 to 4 points the margin was on the higher side, because there were few items in that financial year which had a very high margin of profitability. And therefore it had contributed to a higher margin of 3 to 4 points in that financial year.

Now that impact is seen in the next financial year, that is the current financial year. So 3 to 4 points if you reduce from that 21 it comes to 16%-17%. So that is the normal profitability that we have been experiencing. So that is why still to discount it and give a conservative estimate, we are saying that we can give a guidance of 14%- 16%.

**Varun Goel:** Could you also clarify the second point?

**Pravin Sathe:** Can you please elaborate on the second point? I just missed that.

**Varun Goel:** It was just mentioned in the previous question that the pending order execution will be towards the closer of the orders and therefore it will be lower margin. So I am just asking then, by that logic, FY25 margins should have been higher, because then we should have booked a higher margin in part of the orders in FY25. But it appears as if both FY25 and FY26, we are having lower margins. So can you just help me understand that?

**Pravin Sathe:** In my first answer only, I have touched upon that point that these are the projects wherein we have already booked higher margins in FY24. So now the margins are on the lower side in these typical projects which got delayed and they are getting slipped over to the current financial year.

**Arvind Kamath:** And whatever the orders were booked in FY25, we have hardly done any execution in FY25 itself. So most of that execution will take place in FY26.

**Varun Goel:** And what would be our average order execution cycle, sir?

**Pravin Sathe:** Average execution cycle could be around 1.5 years to 2 years.

**Varun Goel:** Right, okay, thank you.

**Moderator:** Thank you. The next question comes from the line of Vedant Sarda from Nirmal Bang Securities. Please go ahead.

- Vedant Sarda:** Thank you for the opportunity sir. Like you told current order book is for sufficiently for 6 quarters, we would be operating at our full capacity, like it is?
- Pravin Sathe:** No, it is not like that, we said that current order book will get executed over 6 quarters. So it is not that it is sufficient for 6 quarters. It will get executed over a period of 6 quarters and there is no capacity constraint at such.
- Arvind Kamath:** And we will also get new orders which will also be executed in over the 6 quarters.
- Vedant Sarda:** What is the capacity utilization rate on which we are running?
- Pravin Sathe:** As we have been telling since we went public that there is no installed capacity as such for our typical business, which we can outsource the facilities, we can outsource the fabrication to other facilities also. And therefore, there is no capacity restriction at such. So it is a very elastic thing. We can accommodate even the higher orders. We'll have to outsource fabrication to the other units which are approved vendors.
- Vedant Sarda:** Okay, thank you.
- Moderator:** Thank you. The next question comes from the line of Shaurya Savjani from Savjani Enterprises. Please go ahead.
- Shaurya Savjani:** I wanted to touch upon the pipeline again right? You said that they're looking at approximately a INR 4,000 crores pipeline. I believe in the previous concall, you had said that there are INR 4,000 crores domestically and INR 4000 crores export pipeline and both are different. So cumulatively INR 8000 crores, just correct me if I'm wrong and could you give me a better understanding of this?
- Arvind Kamath:** Yes. Basically, when we say pipeline, it's a bit kind of, how do you look at it? Currently, what I said for INR 4,000 crores is the firm offers itself. In our project business, there are two types of opportunities. One is the firm opportunity, which means already the firm inquiries have been received and we have submitted the firm quotes, which will actually get finalized in next say 6, 8 months or maximum years' time. Whereas when we say bid pipeline there are also proposals which we submit where the project is announced but we submit a proposal to the EPC companies or EPC is bidding for the project, things like that. So that could get finalized over a period of say 8 months to -- later 8 months to 1.5 years. So, the total proposals in pipeline is in that range what you said is correct and the firm proposals which we mentioned just now is what is going to get finalized per se in about 6 months to 8 months' time.
- Moderator:** The next question comes from the line of Vedant Sarda from Nirmal Bang Securities. Please go ahead.
- Vedant Sarda:** Thank you for the opportunity, sir. You mentioned that we have changed the method of recognizing revenue using currently input based method. That is the percentage completion method, right?
- Pravin Sathe:** Yes.
- Vedant Sarda:** So, earlier we were using output method. So, how it is different from the current method and how it is impacting our financials?
- Pravin Sathe:** It is different in the sense that in the output method, the revenue there are various performance obligations out of the contract. They are identified. Their transaction value is described and as you go on achieving that

performance obligation, you go on billing that particular milestone and the cost corresponding to that milestone is taken against that revenue. Now, in order to facilitate the cash flow, what typically in our business, people do, we also have been following that in the initial milestones, the revenue is on the higher side whereas the cost is on the lower side. Though the cost is low, a higher portion of revenue is allocated to those performance obligations. So, what happens is in certain quarters, the revenue gets booked at a very high scale, but the corresponding cost is very less.

So, that quarter shows a very high margin. And in input method, what happens is you prepare a budget, you based on the total budgeted cost, you have a budgeted margin and periodically you visit that budget again and again and revalidate the margin. So, as you go on incurring the cost, you apply the margin percentage to that cost and as proportionate revenue you recognize. So, the deviation in margin quarter on quarter gets ironed out. I hope I am clear?

**Moderator:** Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for the closing comments.

**Arvind Kamath:** Thank you everyone for attending the call and asking the relevant questions. Thank you once again.

**Moderator:** Thank you, sir. Ladies and gentlemen, on behalf of IIFL Capital Services Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

**Notes:**

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