QUALITY POWER

24th March 2025

To,
National Stock Exchange of India Limited,
Exchange Plaza, Plot No. C/1, G Block,
Bandra-Kurla Complex, Bandra (East),
Mumbai – 400051

NSE Symbol: QPOWER

To,
BSE Limited
Phiroze Jeejeebhoy
Towers, Dalal Street,
Fort, Mumbai – 400001

BSE Scrip Code: 544367

ISIN: INE0SII01026

Dear Sir/ Ma'am,

Subject: - Submission of the Transcript of Q3 FY25 Earnings Conference Call held on 18th March 2025

Pursuant to Regulation 30 and 46(2)(oa) read with Schedule III Part A Para A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith the transcript of Q3 FY25 Earnings Conference Call that was organized with the Analysts/Investors on Tuesday, March 18, 2025 at 3.00 P.M. (IST) on Unaudited Standalone and Consolidated Financial Results of the Company for the third quarter and nine months ended December 31, 2024.

The aforementioned transcript of the 'Q3 FY25 Earnings Conference Call' is also uploaded on the Company's website i.e. www.qualitypower.com.

We request you to take the above on record and treat the same as compliance under the applicable provisions of the SEBI Listing Regulations.

Thanking You,

Yours faithfully,

For QUALITY POWER ELECTRICAL EQUIPMENTS LIMITED

DEEPAK RAMCHANDRA SURYAVANSHI

Digitally signed by DEEPAK RAMCHANDRA SURYAVANSHI
Date: 2025.03.24 23:39:13 +05'30'

Deepak Ramchandra Suryavanshi
Company Secretary and Compliance Officer
ICSI Membership No.: A27641

"Quality Power Electrical Equipments Limited

Q3 FY25 Earnings Conference Call"

March 18, 2025

MANAGEMENT: **MR. BHARANIDHARAN PANDYAN – JOINT MANAGING DIRECTOR**
MR. MAHESH SARALAYA – WHOLE TIME DIRECTOR
MR. SHAILESH KUMAR MISHRA – INDEPENDENT DIRECTOR
MR. RAJESH JAYARAMAN – CHIEF FINANCIAL OFFICER
MRS. SARIKA JADHAV – SENIOR VICE PRESIDENT FINANCE
MR. SACHIN SHETTI – VICE PRESIDENT FINANCE

MODERATOR: **MS. NIDHI – ICICI SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Quality Power Electrical Equipments Limited Q3 FY25 Earnings Conference Call hosted by ICICI Securities Limited. As a reminder, all participant lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Nidhi from ICICI Securities Limited. Thank you and over to you ma'am.

Nidhi: Welcome everyone to the Q3 FY25 conference call of Quality Power Electrical Equipment on the behalf of ICICI Securities. Please note that this is the first call post a successful listing last month. We have with us Mr. Bharanidharan Pandyan, Joint Managing Director, Mr. Mahesh Saralaya, Whole Time Director, Mr. Shailesh Kumar Mishra, Independent Director, Mr. Rajesh Jayaraman, CFO, Mrs. Sarika Jadhav, Senior VP Finance, Mr. Sachin Shetti, VP Finance. First, we will have introductory comments from the management post which we will have the Q&A session. Thank you and over to you sirs and ma'am.

Bharanidharan Pandyan: Good afternoon, everyone. My name is Bharanidharan Pandyan and I'm the Managing Director here at Quality Power. I thank all of you who have joined our first maiden Investor Call. At the outset, I thank our key investors, anchors and shareholders who have trusted and stood by us during the turbulent times in the up-posed IPO.

We recognize and acknowledge this trust and are committed to delivering on our objectives with precision and efficiency. This listing marks a new phase for Quality Power where we focus on leveraging our strengths to drive growth, technological advancement, industry leadership and stakeholder growth. At this interaction post listing, I would like to take a small moment to provide a brief overview of our company for the new joiners.

As Quality Power, we are into two businesses. One is high-voltage electrical power equipment. Another is power quality solutions. Our products and solutions play a crucial role in the efficient transmission and distribution of electricity, renewable energy, grid interconnection and energy transition where we focus on a lot more complexity of electrical distribution and generation.

We focus on our solutions on enhancing grid stability and reliability. Our high-voltage power products include reactors and line traps where we make up to 765 kV for a variety of applications. Instrument transformers up to 500 kV and we make small power special purpose transformers for various applications including data center, traction and power electronics.

Our power quality solutions include Harmonic Filters, Capacitor Banks, SVC, STATCOM which are primarily delivered from our facility out of Turkey that is Endoks. With multiple manufacturing facilities in India and Turkey, we are strategically positioned to serve the growing demand for high quality power equipment across various geographies and we have demonstrated the same over the past two decades in over 100 countries.

We also have a very strong in-house R&D capability which helps us innovate and develop products and solutions for the emerging applications in power electronics, smart grids and energy transition technology. Among the other developments post IPO, we have acquired 51% of Mehru Electrical and Mechanical Engineers in Bhiwadi that is in NCR, for about INR 120 crores. We have now also joined our operations together and we have invited the new family into our fold.

Additionally, we have also for the growth that we foresee in our businesses, we have taken decisive steps to expand our manufacturing capability based on heavy demand on our coil product lines. In the recent board meeting, the board approved investment at a 10-acre facility that has already been acquired next to us at E5 and E6 in Sangli and also enhanced capacity addition in Cochin plant of ours.

At this current moment in the Sangli business of power products, we have about INR 180 crores of order already booked giving more than a year's visibility and about INR 450 crores of order which have been almost negotiated and are awaiting POs at different points of time.

To support our further growth strategy and to conserve free cash flow on the books whatever we have, the board has also approved INR125 crores soft loan from the promoter family at a repo plus 0.5 that is approximately 7% with a 15-year tenure that can be extended and a two-year moratorium that also can be extended offering a flexible penalty-free repayment.

This will help us ensure that all the free cash and profits being delivered by the company can go into growth capital as we expand in the near future due to the demand supply mismatch in high voltage product industry. Additionally, because of the options that have been given to us, the Board has decided to create an M&A committee with three Independent Directors and two Executive Directors under my Chairmanship to evaluate and what we say the different proposals in front of the Board, enhancing strategic alignment with our long-term vision.

Among the proposals, the Board has also looked into the consideration that we have had with STATCON Energiaa a company based in Noida with about 300 people and INR 170 crores revenue last year into power electronic products similar to ours and we would be taking post-negotiations and due diligence, a majority stake in the company.

Apart from it, to evaluate other proposals, the committee will be sitting in the near future to look at and finalize other options as and when available. Also, the market, especially in India where now we will see a lot more infrapower infrastructure coming up is what we say is driven by very heavy investments in transmission and distribution, so is in Europe and US.

Even recently as of day before yesterday, the UK has made a INR 59,000 crores order commitment on HVDC and its product lines, again creating similar valuation across the globe. Quality Power, we have qualified for most of the projects across the globe and have the capacity and technological wherewithal to be able to address most of these solutions given capacity and support from the stakeholders, including supplier partners, customers and shareholders.

As we embark on this new chapter as a publicly listed company, our focus remains on capitalizing on growth opportunities, enhancing innovation and solidifying our leadership in this industry.

We remain steadfast in our focus on scaling operations, enhancing efficiencies and driving long-term value creation for all stakeholders. I would like to again thank our investors for their trust and belief in our vision. We are committed to delivering sustainable growth over the long term and look forward to ongoing engagement with you as we execute the strategy.

With this, I now hand over the call to our CFO, Mr. Rajesh, who will take you through the financial and operational highlights. Thank you. Over to Mr. Rajesh.

Jayaraman Rajesh: Good afternoon, everyone. Thank you, Bharanidharan. I'm pleased to take you through the financial and operational performance of Quality Power Electrical Equipments Limited for Q3 and nine-month financial year 2025.

For Q3 FY2025, our revenue from operations was recorded at INR 726 million driven by strong execution of order book, strong demand and improved product mix that enhanced realization. However, the revenues were partially impacted by product execution cycles.

EBITDA for the quarter was INR 174 million, reflecting a 63.2% year-on-year increase, with margins expanding to a record 24%. This growth was supported by better capacity utilization, operational efficiency and shift towards higher margin products.

Our PAT grew by 44.6% year-on-year to INR 196 million, with a PAT margin of 24.5%. The increase in profitability was driven by robust revenue growth, margin expansion and disciplined cost management.

For 9M FY2025, we delivered revenue of INR 2,283 million, EBITDA of INR 491 million, reflecting a 174.4% year-on-year increase, with margins expanding to a record 21.5% and PAT of INR 697 million, grew by 83.5% year-on-year, with PAT margin of 26.5%, showcasing our strong business fundamentals and disciplined execution.

Our order backlog remained strong at INR 5,170 million, with an immediate order pipeline of INR 7,000 million. The strong orders inflow undertook sustained demand from the power transmission and distribution sectors.

Post December 2024, we have further strengthened our business fundamentals through strategic investments and acquisitions, as highlighted by Bharanidharan. We continue to focus on prudent capital allocations, cost optimization and enhance our operational efficiency.

Our balance sheet remains well capitalized, supported by the funds raised through the IPO and disciplined approach to financial management. Looking ahead, we are confident in sustaining growth by leveraging technological advancements, driving operational excellence, and executing strategic expansion initiatives. Our commitment to financial discipline and value creation remains unwavering, and we look forward to further strengthening our market position.

With that, I conclude my remarks and open the floor for questions. Moderator, please proceed with the question-and-answer session. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Hitesh from SBI General. Please go ahead.

Hitesh: Thanks for the opportunity. Good afternoon, gentlemen. Sir, my question moreover pertains to the nature of the revenue for this quarter. We have seen a 50% dip in the revenue. I believe this is a significant change in the product mix, because at a similar time, we have seen expansion in the gross margin also. So, I just wanted to understand the nature of the products which we have sold during the quarter and how this trend will be going forward? This is my first question.

And on the second question, sir, on the margin front, though we have seen a significant growth in the margin, I just want to understand on thought process from you especially that is this a peak margin what we have clocked, or the margin expansion is still possible from here on?

Bharanidharan Pandyan: Good afternoon, Hitesh. So, this is Bharanidharan here. I will answer your first question. The quarter-on-quarter numbers are, I believe, it is a new discipline that we will continue to inculcate and improve upon as we go ahead as a young company. This is something that we did not really focus upon earlier. However, highlighting what has happened is last year, a lot of jobs of Q2 and Q4 had gone into Q3.

That is why if you look at the Q4 of last year, you will see a revenue, a very small revenue that has seen in Q4. Whereas this Q4, you know, looking at the way it is and our numbers, you will see a significant jump. It is nothing because our discipline of quarter-to-quarter was not there earlier, that is point one.

Point two is that what we say, some of the jobs, what we say in Turkey, which are typically a high value order, have not been delivered on time because of customer requirements on civil and other issues. We believe it will get located in what is delivered in the next few quarters. However, at the end of the year, we only see growth. We would see a lot more difference in Q4. That is on the sales and number side.

With regards to the margin, I believe the demand and supply is what is driving margins in most of the high voltage product segments, including my peers in the listed space. I believe for the current moment, or I would say in the next one to three years, we do not see any drastic difference unless there is a dollar or a metal disruption across the industry or a geopolitical risk.

Hitesh: So, sir, is it the right understanding that our margin is likely to be in this range only, that 24% what we have clocked it?

Bharanidharan Pandyan: I would believe that we should be around 20%, sir. I believe it is sustainable for a short to medium term.

Hitesh: Okay, the next question is about the strategic acquisitions you are planning or strategy. So, what is the product line of the business and what kind of revenue we have seen for that company, how it has grown over the next two to three years and what kind of synergies are we going to see from these acquisitions and how that company is going to help Quality Power in terms of our future growth prospect?

Bharanidharan Pandyan: So, I would like to split the question into two segments. The first segment has been about Mehru. Mehru is something that we have already declared during the DRHP stages and RHP stages. Mehru is into high voltage instrument transformers up to 500kV. They have a factory in Bhiwadi with about 500 plus employees. This is a complementary product to our high voltage reactors and line traps where we see a lot more, what we say, combined offerings to our global customers.

We believe that, what we say, we will be able to sell their products and solutions in the global markets where we have a very strong presence. Also, their engineers who are working on other high voltage products and segments would be used to us in our combined R&D. They have about five high voltage step laps where they are also having almost close to 100 engineers working on technology. That is on Mehru where we share common customers across the globe.

With regards to STATCON, they are similar to our designated power electronics with Endoks. Their primary products are battery energy storage where they have been delivering, what we say, between 250-to-500-kilowatt energy storage solutions for commercial and industrial customers.

They are also supplying battery chargers for high voltage substations and different applications, which is a bouquet of our other high voltage products to our customers, especially the EPEC and high voltage customer base. They are also into rectifier power electronics, including green hydrogen. They have the first mover advantage having supplied NTPC and other defence applications.

The first green hydrogen projects in the country having already delivered a high-power rectifier and standing chance to increase upon their product offering. They are also having inverters and converters for renewable and defence applications, especially with regards to the new power electronics being inculcated in the renewable space and on the power quality space, again, which is significant to us. They are making STATCOM's and small power active filters in the low voltage retail and commercial space.

So, we believe that for all our businesses, they are in the similar ecosystem. And hence, that is why the board has approved that.

Hitesh: And sir, how are we going to fund that acquisition?

Bharanidharan Pandyan: The GCP, when we had, when we raised the money for the IPO, already allowed us close to 60 crores for another unidentified acquisition. We are using the money from the IPO and not from anywhere else.

Hitesh: So, you said INR 170 crores of acquisition. What is the size of the acquisition, sir? The amount-wise?

Bharanidharan Pandyan: That is yet not disclosed, sir. It will be told when the entire transaction cost post due diligence, but it will be within the range of the money that has been raised. The other discussion that has happened at this moment is it will be a primary only transaction.

Moderator: The next question is from the line of Nemish Sundar from Elara Capital. Please go ahead.

Nemish Sundar: Thank you for the opportunity, sir. And congratulations on a good set of numbers. Sir, I just wanted to understand on the STATCON acquisition. So, what could be the potential margins for the company? Like, would it be in line with what our current sustainable margins we have guided of 20%? Would it be in line with that or slightly in variation to that?

Bharanidharan Pandyan: So, most of the companies that we buy, we believe in the product and the business line. It is up to our capability that we are able to increase our margins over a period of time. Both Mehru and Statcon have much lower margins than us. So, as a combined margin, it may be looking lower, but as standalone businesses, we will be doing fine. But we have drastically improved the margins of Mehru.

If you look at last year, their numbers were on a sale of about give and take INR 213 crores. They had done an EBITDA of about INR 13 plus crores. And in nine months, they have done almost INR 180 crores with an EBITDA of about INR 18 crores. So, you could see that once we go in, we normally try to improvise. And this is about nine months of our relationship with them.

The same thing you could expect with other companies that we enter. Because when you go into very high margin businesses, which are already doing very, very well, normally you will have to pay a lot more premium. And we believe in our ability to be able to improve margins.

Nemish Sundar: Okay. And sir, when could we see the acquisitions materialize and near completion?

Bharanidharan Pandyan: I believe we have been given a 3-month mandate. We should be able to wrap it subject to our due diligence. I believe ideally in the next 45 days is what we are targeting internally, but the Board has given a 3-month mandate.

Nemish Sundar: And so secondly, your business mix now is mostly concentrated towards the export market, but now with the Mehru acquisition and this new acquisition on the horizon, so, how could we see the mix change over the next 1 to 2 years?

Bharanidharan Pandyan: I believe even on our own product line, you could see the new HVDCs that are being announced in this country. The STATCOM's that are being announced, these are all mega orders that are coming in. You can see the amount of new renewable energy projects that are coming in.

I believe for the immediate few quarters, the Indian revenue would increase. Also, a lot of manufacturing revenue would increase, which would also stabilize our quarter-on-quarter numbers. However, as we again then push for these products in the global markets, we would again try to go back to 60:40, 60 being export.

Nemish Sundar: Okay. And so just one last thing, on the capex that you have said, it is a pretty large capex. So, how would you see the potential revenue from this on the peak front and in the near term, how could you see the revenue from this capex?

Bharanidharan Pandyan: So, as we declared, we have more than about INR 182 crores of order book as of now and about INR 450 crores of orders which are close to completion or negotiation. So, with a margin, expected margin of around 20%, that also delivers us about INR128 plus crores out of this. The cash and cash equivalent on our company based on the new profits that we are generating is an excess of INR 60 - 65 crores.

So, I believe that we should be able to deliver the capex with our own reserves and the money that we'll be delivering out of profits in the next 1 or 2 years. However, we would like to retain our profits as a company for further growth initiatives in the inorganic phase. That is why the promoter have decided to give a very, very soft loan.

Basically, the depreciation and the interest would be more or less same. So, at any point of time, if we are sitting on a free cash flow and we do not have an acquisition around the quarter or the year, subject to board clearance, we may even prepay the loan. At this moment, we do not want to use our reserves to fund the capex, that's the only reason why we invested. We wanted to use it for growth capital.

Nemish Sundar: Okay, thank you so much, sir.

Moderator: Thank you. The next question is from the line of Naman Parmar from Niveshaay Investments. Please go ahead.

Naman Parmar: Yes, good afternoon, Pandyan sir. So, firstly, I just wanted to know how much the coil product would be contributing to your total revenue?

Bharanidharan Pandyan: I believe the way things are going on; it will be at this moment around close to 50%. But I believe going ahead in the future, it will be far higher than 50%.

Naman Parmar: And secondly, in the current order book, the INR 517 crores, sir how much it would be contributing from different economy, any major economy would be contributing major to this order book? So, can you give the bifurcation for that?

Bharanidharan Pandyan: We do not have technically a bifurcation at this moment. However, I would say it is fairly spread between Europe, Australia, Middle East, and India. There is not much of a presence in the US at this moment. We have some few orders, but I would say it is less than INR 5 crores from the US and on from India also.

Naman Parmar: And on the Mehru electrical side, so current quarter the revenue that has been shown on the presentation, so there is some revenue related to the fabrication that is shown that should be given. So, how much would be that revenue in the current quarter?

Bharanidharan Pandyan: Because we are not able to consolidate the number because we only acquired them on March 6th. So, as per Ind AS requirement, we would start consolidating them, I would say, technically from the first quarter of next year, most probably even Statcon. But I believe because we removed all the low-value, low-hanging, high-labor-content businesses, one of that is where they were fabricating CT-PT small tanks.

We believe we could have multiple suppliers for that at a cheaper cost, and it was a very highly labour-intensive, almost 350 people in that business. So, we removed out. I believe the total impact of that would be about INR 1-1.5 crores maximum. So, we removed a lot of future liabilities as a part of the project.

Naman Parmar: Okay. Yes, understood. And lastly, if you see on a standalone basis, so how much revenue potential can you do without the capex? And after that, the capex going live, how much additional revenue you can do?

Bharanidharan Pandyan: So, at this moment, we are almost close to being maxed out in our current facilities that we have. That is why we are expanding all the facilities that we have, including Cochin. We have done a small amount of incremental machine addition even in our existing facilities.

However, if you look at what the growth potential looks like, because we start the coil products year starts from April, we are starting off with INR 182 crores, already about an INR 450 crores likely to come in the near term. We will not be in a position to handle about INR 800 crores or INR 900 crores of order book in the current facility. So, we will need a facility at least 3x to 4x of our capacity.

We believe the new investments will go at least 8x to 9x for our current capacity. So, that is why we are spending a little bit more money so that we are able to go to the market in a stronger way. As a part of our IPO, we have already raised a lot of money for the machinery, for backward integration of cable manufacturing and test equipments. So, we believe some of the investments are already being done, including the cost of land.

Naman Parmar: So, you are telling from the current facility, you are already at the maximum capacity utilization, and you are expanding capacity, and it will be coming by the next 12 to 15 months, right? So, on a standalone basis, there will be not major growth, but the growth will be coming from the acquisition that you have done the Mehru Electrical and other player Endoks and all that? Is the understanding, correct?

Bharanidharan Pandyan: Your understanding is correct. But most of the orders, the high value orders that we are picking up right now have a delivery period between 18 and 36 months, which means by the time we come for execution, we are already having the facility. We would see a significant increase in order growth in our coil product facility by the time that we finish the factory.

Naman Parmar: Okay. Yes, understood. And lastly, on the Nebeskie, the EMS business, the Energy Management System that is the 15% or 16% stake that you have taken in that company. So, I just wanted to understand on the Energy Management, the software that the company is providing is how is different from the SCADA software that is provided by the various MNC players like Siemens, Schneider, ABB.

Bharanidharan Pandyan: So, the product is technically not an EMS what they are doing. They are doing something called edge computing. Edge computing is a software, it is more of an ML software machine learning.

It's a regression on a large data that you get based on the data that flows through a normal SCADA system. In case of a network disruption or due to whatever the reason, the computer or the device is able to take a decision itself. We believe and there is also proven in places like Australia, U.S., where going forward, there will be a lot of unmanned substations going on, because there is a huge shortage of skilled technical engineers to man the amount of substations that globally people are building in.

It will not be possible over the next few decades that you will have every substation manned. So, when we go into unmanned substation, we will need to connect all the high voltage devices out of our group, including the power electronics and the power products that we have. When we are connecting these devices, internet network can get disrupted at any time.

So, due to that, we will need to have a kind of edge computer or a machine learning device, which will be able to communicate with the system in case of a network disruption for its continued operation. So, instead of spending the money on ML and AI engineers internally, we have decided to interact so that we have access to the technology and refusal of the technology to the competition. So, for them, that is a technology that they are encompassing, that is what they are spending money on, EMS is to get the cash flows on for the company.

Naman Parmar: Okay, means basically you are providing, the company is providing a computing sensor and all that, that will be able to communicate with the high voltage various electronic equipment with the STATCOM devices…

Bharanidharan Pandyan: It will be like a small device, which will be monitoring all the data traffic, which is going through it. And based on the data and the decision taken, it will be learning itself. At some point of time when the command does not come, it will be able to take a decision itself based on past data. So, that is a device that is called edge computer. And we believe that edge computer will be on most of the high voltage devices going ahead in the future in unmanned substation space.

Naman Parmar: Okay. So, this is the first company to produce this or manufacture this electronic equipment or there are various other players also that are doing this?

Bharanidharan Pandyan: There are a lot of people who are doing it in-house as a part of R&D because we know that technologies will shift to connected ecospace over a period of time. What we have done is instead of hiring ML and AI engineers, we have decided to outsource it by buying in equity. That's all.

Naman Parmar: Okay. Yes. Thank you so much for answering all the questions.

Moderator: Thank you. The next question is from the line of Surabhi Saraogi from SMIFS Capital Markets. Please go ahead.

Surabhi Saraogi: Sir, the first question is that revenue has declined both quarter-on-quarter and year-on-year and for nine months also, both at the standalone and consolidated level. So, what is the reason for this decline?

Bharanidharan Pandyan: Ma'am, the standalone has not declined as we say that if you look at the standalone number, we are almost close to INR 112 crores of sales as against INR 117 crores of last year. It is just that the Q2 or Q3 of last year has been exceptionally high like the Q1 of this year. If you look at the Q1 of this year, out of the INR 50 crores PAT of the first half, almost INR 36 crores came from the Q1 and INR 14 crores came from the Q2 because we did not have the discipline earlier on a quarter-on-quarter number which we realize the mistake at this moment.

We are seeing such high variations. However, with the improved management focus and what we said the new companies which are more manufacturing where the variability of income is not very high, we believe in the next two or three quarters it should ease out or even out. So, it is just that last the Q3 was kind of a blip and nothing more.

Surabhi Saraogi: Okay. And sir, can you give some revenue and profit guidance for the full year, financial year '25 and also for financial year '26?

Bharanidharan Pandyan: I believe at this moment what we say we are looking at a positive increase on revenue rather than any decrease. That is point one. Point two is I do not know whether I am allowed to speak about future revenue and guidance.

However, I can tell you that Mehru has done almost INR 220 crores last year and STATCON has done about INR 170 crores last year which would get added to whatever we have already done. So, that would be the kind of numbers you can look at and the growth that is visible to us.

Surabhi Saraogi: Okay. And sir, another question is that any growth in revenue for Mehru and STATCON for over financial year '24 and also for financial year '26?

Bharanidharan Pandyan: We shall be at this moment, sir, instead of growth at their side because we have already growth as a console. We have already grown. Our focus at this moment with both the companies would be improvement on margin and margin what we say percentages including integration of management.

That would be our immediate focus before we scale them up. We would rather focus on the grounds and the structure below the company. We would like to focus on the key management people, the culture integration, people integration and profit and customer change. That's what our focus is not growth at this moment with both the companies.

Moderator: Thank you. The next question is from the line of Sagar Tanna from Alchemie Ventures. Please go ahead.

Sagar Tanna: Hi, sir. If you can give a breakup of the first 9 months versus the last 9 months in terms of our product portfolio, what percentage of revenues came from what product segments that would be helpful?

Bharanidharan Pandyan: At this moment, I believe we are close to 50-50, both power products and power solutions. However, the forward guidance would be the power solutions would be about 20% to 25% of the total business.

Sagar Tanna: And when we say power products is predominantly it would be coils. Is my understanding correct?

Bharanidharan Pandyan: At this moment, it will be predominantly coils in the order intake, but on the delivery, it will be instrument transformer because instrument transformer has a higher balance sheet from a Mehru perspective. But in about 15 months' timeframe because there we have to execute all the new orders being booked, I believe internally the coil products will be the largest group inside the company that will deliver the top line and bottom line in the future.

Sagar Tanna: Correct. This is for the first 9 months FY25 and what about nine months FY24? What was the revenue split, sir? We did INR 262 crores last year for the first 9 months?

Bharanidharan Pandyan: I believe it has traditionally been around 40:60, power products being 40 and 60. That has been an approximate number given date. The power solutions have always been bigger internally, but at this moment because we are growing at a far higher rate than the other businesses, so we would be a little more dominant.

Sagar Tanna: Got it. And sir, in your press release, you've given four product segments or four different segments of businesses, which is Coil products, Transformers, Instrument Transformers and Power Quality. Can you give a broader margin range in terms of what would be the gross margin ranges across these four segments?

Bharanidharan Pandyan: What I can do is I can talk about what we have already delivered in the 9 months and what is historical. So, if you look at Mehru, it is now close to 10%. At this moment, I think between 10 and 11, that is what Mehru is at this moment in the 9-month number. For the power products and power solution, that is the Endoks portion of it, Quality Power and Endoks. I believe we should be slightly north of 20%. And with regards to STATCON because we are still not acquired, I would not be able to comment on that.

Sagar Tanna: And on the coil products, sir?

Bharanidharan Pandyan: The coil products, I would say north of 20 at this moment.

Moderator: Thank you. The next question is from the line of Mahesh Bendre from LIC Mutual Fund. Please go ahead.

Mahesh Bendre: Hi, sir. I'm sorry, I'm not able to understand. The revenues for the quarter have been declined by 49% and even for 9 months the decline has been 13%. So, I'm not able to understand why such a sharp decline?

Bharanidharan Pandyan: The revenue you are comparing with the last year where we had two things which was very significant. If you look at Q3 of last year, year-to-year, Q4 we had only done INR 30 crores. Whereas what we said that quarter alone did in excess of INR 50 crores or INR 60 crores. So, because we had what we said very large Q3 of last year, it seems at this moment that we are down, but technically I believe it is not so bad. A we have grown every quarter internally.

Endoks which is our power solution, Power Quality business, they have a couple of projects which are lagging because the customer uptake has not been on time. We believe we will be able to match up. At this moment, as I said, we will be only looking at a growth trajectory. It looks because the last quarter, if you look at the last quarter of that last year, there will be only about INR 30 crores give and take.

Whereas which is very, very small number historically even if you see what the 9-month numbers look like. So, this would also reverse in Q4 where we would show huge growth because of what happened in Q3 last year.

Mahesh Bendre: Okay. And sir, out of the total revenue, how much is the production has been done from India and how much is from Turkey?

Bharanidharan Pandyan: At this moment about 50-50. At this moment sir that is what we foresee technically, approximately.

Mahesh Bendre: Okay. And sir, last question from my end is the expansion we are talking about, will that happen only in India or is it that the expansion we are looking at overseas facility as well?

Bharanidharan Pandyan: In the overseas facility, we have almost 40 acres of land on the books of the account close to Ankara. That is the capital of the country. We have the people. As and when the demand kicks in because what they are doing right now is because of the Turkish economy slightly muted, where they are the leading players because of the geopolitical situation.

As and when we see that the Turkish economy is back to square one, we will have enough money and customers to be able to expand there. At this moment, there's a huge shortage of coil products across the globe. We are one of the very, very few people across the globe and maybe the only person in India to deliver this product.

So almost all the money that we are spending on capex is going to the coil products. In Mehru, we have been having discussions to start the 765 KV line of the instrument transformer. We will see a small capex in the next few quarters at Mehru also.

Mahesh Bendre: No, but the majority of capex will happen in India, Indian facilities?

Bharanidharan Pandyan: Correct.

Mahesh Bendre: Okay. And sir last question, I mean, some of the components like the STATCOM, which are used in STATCOMs are high-end transmission that we manufacture basically in Turkey. In India, basically we manufacture transformer as of now?

Bharanidharan Pandyan: No, sir. We make the power electronics and software in Turkey. In India, we make the coil products, transformers, instrument transformers and the harmonic filter solution. So, all the high-voltage electrical equipment where we are using man in the factory, we are using in India. The power electronics and software are what is based out of Turkey.

Moderator: Thank you. The next question is from the line of Bhavik Shah from Emkay Ventures. Please go ahead.

Bhavik Shah: Sir my question is regarding the EBITDA margins like we can see a sharp increase. The reason being the other expenses have decreased significantly. So, what are those other expenses which are not incurred this quarter and what is the fixed cost run rate we can take...

Bharanidharan Pandyan: One second. I will give it to my Senior Vice President Finance Sarika, who will speak about the other expenses and the other costs that you just asked on the cost.

Sarika Jadhav: Sir, our employee cost and our finance cost remain stable. Whereas our other expenses because of the foreign exchange gains that is because of hyperinflationary accounting treatment, our Other Expenses went down. Because of that foreign exchange, net monetary foreign exchange gain or loss that our other expenses have been decreased. And because of that, there is certain improvement in our gross margin.

Bhavik Shah: Understood.

Bharanidharan Pandyan: When we use the IFRS for the foreign currency translation of our account statement from Turkey. They also have an IAS 29, that is an accounting treatment on how they handle foreign exchange regulations. So, wherever our price variation process is taken positive, it is also taken negative at certain times. Because in Turkey, the hyperinflation is coming down, so the negative impact has become neutralized, and it is only positive income.

But this is how the accounting treatment of the solution is. However, most of our orders are hedged to the dollar, and hence it has nothing to do with expense or cash flow. It is just an accounting adjustment of where the number is put in.

Bhavik Shah: Yes. So, our order book is around INR 517 crores. So, what is the timeline for execution of this order book? And regarding the order pipeline, what has been our success rate in getting the orders out of the historical success rate of getting the orders?

Bharanidharan Pandyan: So, most of the orders that we have signed on is having a delivery between 12 months to 18 months at this moment. The orders that we would sign on have a larger delivery period of between 12 and 36 months because these are linked to HVDC. That is the delivery. So, I believe our capex will catch up by then. That is point one. Point two, when you are asking a fixed cost run rate, this is, can you please explain the terminology?

Bhavik Shah: So basically I am trying to understand what the operating leverage is here? Because like for example, we have INR 30 crores or INR 20 crores of fixed cost per quarter that will remain irrespective of the execution we do. So, I am just trying to understand the operating leverage that will come into play. So irrespective of an order execution, some cost will remain?

Bharanidharan Pandyan: Our fixed costs are very low because most of the assets are owned. I would say 99% of the assets are owned. The labor-and-labor overheads are very close to negligible to the profits and the money, even the amount of cash we are sitting on hand, the interest costs are higher than the fixed costs payable.

Bhavik Shah: Okay. Yes, sir. Regarding our historical order book win so all of these INR 700 crores, how much orders can we win basically?

Bharanidharan Pandyan: Out of the order book of INR 500 crores, what do you want?

Bhavik Shah: No, no. Out of the pipeline of INR 700 crores, like how much order can we win? So, what has been our historical win rate?

Bharanidharan Pandyan: So, these are facts that we are very close to confidence. That's why we are able to deliver the number. Our historical win rate in HVDC and FACTS business in India is one. So, every strike we make in India is normally one. Globally, we are one is to three or one is to four.

Moderator: Thank you. The next question is from the line of Majid from TradeWalk Research LLP. Please go ahead.

Majid: My first question is, is the delay in the project due to the fact that it is a VSC based order, which is the latest technology in India and thus facing implementation challenges or is there any other reason for the delay? And my second question is additionally, could you clarify difference between LCC and VSC orders and which would be more beneficial for us? Also given the government's focus on HVDC project, which type of HVDC orders is it prioritizing?

Bharanidharan Pandyan: I will answer your question, sir. The delay in any power quality solution can be either during engineering or the customer approval or the project lifecycle where the product being delivered is delayed or at the election level where the presence of the location sites is delayed because these are all heavy electrical infrastructure equipment.

So, there is about three variables that come into picture. At this moment, I believe this is during the operational delay where the delays of equipment are getting delayed across the lifecycle, not only for us, for most of the peers also in the similar business, that is point one.

The point two on VSC and LCC, HVDC, we supply to both. Both have similar requirement of our product lines. We support both the technologies, be it HVDC or in STATCOM or SVC, where again, there is a difference between Thyristor and IGBT. Our products are required in every technology that they come in and we are qualified for all the technologies with all the major players for supply.

Majid: Okay, sir. So where do you see the major growth between LCC and VSC?

Bharanidharan Pandyan: I believe the growth of the Indian growth is based on FACTS business, that is Flexible AC Transmission where the government has made a mandate that 33% of all renewable energy parks will need to have a FACTS device. We believe that with every solar park, there is going to be demand of our equipment. With every wind park, there is going to be demand of our equipment and with every HVDC.

So HVDC is far and few. In India, maybe we will have another two more coming up in this year. But FACTS, we are seeing almost three or four projects every month. And globally, when I look at it, it's the other way they are focusing more on HVDC. If you look at in Europe, in Tenet, that's a Netherland utility, very small country has given more than EUR 30 billion of order in 2023.

UK is another small country where HVDC of INR 59,000 crores has been given a couple of days back. We believe the HVDC potential of the world is where you need to watch out for. The few suppliers outside of China, there are two in Austria and one of us. So, the amount of capacity that we can deliver will also be a bottleneck what these projects will come up.

Majid: Okay, thank you.

Moderator: Thank you. The next question is from the line of Yaqub Khan from A3 Investing. Please go ahead.

Yaqub Khan: Sir, I have only one question. For next quarter, that is Q4, are we expecting a similar number of numbers or will be there any expected growth will be there?

Bharanidharan Pandyan: Sir, I believe the forward-looking signal Mr. Khan but what I can assure you there will be a growth.

Yaqub Khan: Okay, thank you.

Moderator: Thank you. The next question is from the line of Sarvam from Shine Star. Please go ahead.

Sarvam: Yes. Just one question, sir. If you could just summarize the assets that you have on the book, I believe with the recent acquisitions also there would have been some more acquisition of assets such as land and machinery. If you could just talk about, for example, your Land Bank and summarize that and potentially and prospectively, what would be the market value of that land as on today, if you could talk about that?

Bharanidharan Pandyan: Sir, as a conservative South Indian management, we normally like to buy rather than even though we believe Lease is better from a financial point of view. The Land Bank what we are sitting in Sangli, it is about 50 acres, we believe it is a market value would be about close to INR 100 crores. The place what we have in Cochin may be about INR 5 crores, INR 6 crores.

In Delhi, Mehru is sitting on a 5-acre land bank in Bhiwadi, that is NCR region, very close to the Lenskart factory. We believe as per the rack rate, it is about INR 125 crores, that is the land alone, not the building on top of it.

STATCON, we believe they have close to 3.5 acres of land in Noida, again would be in excess of about INR 60 crores, INR 65 crores in land. In Turkey, we are sitting at about 40 acres of land, which would I believe in the best-case scenario would be about INR 70 crores to INR 90 crores of value. Plus, the office buildings and stuff which is in downtown, we believe that would be about INR 50 crores.

Moderator: Thank you. The next question is from the line of Abhi Mainwala from Vice Capital. Please go ahead.

Abhi Mainwala: So, 20% EBITDA margin is standalone or blended?

Bharanidharan Pandyan: EBITDA margin I believe is blended, sir, right now to you.

Abhi Mainwala: And in DRHP, there is a forecast for HVDC and FACT market of around 70% CAGR. So, are we growing with the same pace?

Bharanidharan Pandyan: So, the order book what we have given showed you about INR 450 crores, even take on the power product business, almost 70%-80% of it would be going into HVDC and FACT. And same way, Endoks is also into FACT. So, we believe that everything is what we have declared as online. So, compared to last year, I believe if you see it to the order book, what we have, what we are generating, I think CAGR is slightly much higher than the 70%, 80%.

Abhi Mainwala: Okay, thank you.

Moderator: Thank you. As there are no further questions from the participants, I would now like to hand the conference over to the management for closing comments.

Bharanidharan Pandyan: Thank you for joining our Q3 Con Call. In summary, I want to thank you all for your time and reiterate that we are committed to the future and look forward to continuing our post-IPO journey with your support. If you have any further questions, I would be happy to answer them either over what we say a private call or you can come through us through our Investor Relations Advisors, Churchgate Partners, and we will be happy to address your queries. Thank you.

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

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