EMS Limited
Q4 FY’25 Earnings Conference Call
May 30, 2025

Moderator: Good morning, ladies and gentlemen, and welcome to the Earnings Conference Call for Q4 FY’25 for EMS Limited. As a reminder, all participant lines will be in the listen only mode. There will be an opportunity for you to ask questions after the management discussion concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” followed by “0” on your touch tone phone.

EMS Limited was incorporated in 2010 by Mr. Ramveer Singh and Mr. Ashish Tomar and is involved in the business of sewage solution provider, water supply system, water and waste treatment plants, electrical transmission and distribution, road and allied works, operation and maintenance for wastewater scheme projects and water supply scheme projects for government authority.

Let us now begin with the introduction of the management team. We have with us today, Mr. Ramveer Singh – Promoter and Chairman of the company, also joining us today Mr. Ashish Tomar – Promoter and Managing Director and Mr. H.K Kansal – part of the management team. I would now like to request Mr. Ashish Tomar – Promoter and Managing Director of the company to introduce Mr. H.K Kansal, to give his opening remarks. Thank you and over to you sir.

Mr. Ashish Tomar: Yes, Good afternoon everyone. Thank you for taking time out of your schedule for this conference call. We are happy to come in front of you with good set of numbers. So, Mr. H.K Kansal who has joined us as part of the management team, I would like to give the introduction about him. He is an IIT graduate in civil engineering and he graduated from IIT with gold medal. After that he joined U.P Jalnigam and he had an extensive service in which he had opportunity to execute large scale water supply and several projects. He eventually retired from U.P Jalnigam at the level of engineering chief of the whole state. Since then, he has been our mentor. So, now I would like to hand over the call to Mr. H.K Kansal for the opening remarks.

H.K Kansal: I am H.K Kansal, and as Mr. Ashish said, I have quite a lot of experience in this field. I am giving my guidance since last two years to the company and now I have formally joined as part of the management team of the company, the company EMS Limited is all about the company who executes and maintains the work of water supply and sewerage and in environmental engineering. And 70% to 80% business comes from sewage and water supply work all over India in every state and mostly the works are funded by the central government agencies, JICA, World Bank or Central government aided, which are executed at the state level and the works as we know for water supply and sewerage, it is all executed for municipal corporations and various government programs and central government like AMRUT and Jal Jeevan Mission and other programs of World Bank etcetera, who funds for this and state governments give their share along with the municipal corporation. So we are one of the top 6,7 players revenue wise in India who works in this field and we are established player since last 10 years in this field and the Chairman of the company Mr. Ramveer Singh, is working for almost twenty years in government sector in this field only. That is why he thought to establish his own company and this company is growing since the last ten years with a CAGR of around 20% continuously.

As far as the results of this quarter is concerned, the consolidated revenue in this quarter is Rs. 272.07 crore against the revenue in the quarter ended 31st March, 2024, Rs. 245.92 and the profit is Rs. 46.92 this quarter as compared to the earlier quarter of Rs. 47.38. and as far as annual results are concerned in FY'25 we have achieved the revenue of Rs. 965.83 crore against Rs. 793.31 crore, which is a growth of 21.74% and it is a robust growth which we are continuously giving since last 8-10 years as a CAGR and the PAT is Rs. 183.78 crore against Rs. 152.66 crore which was in FY'24. This is again 20.38% growth in the PAT also and now if you feel about the quarter earnings. The profit of the quarter is Rs. 46.92 crore against Rs. 47.38 crore, which is slightly less, about 1% less in comparison to the previous year. While we have executed the work, while we have earned the revenue of Rs. 265 crore against Rs. 245 crore which is Rs. 20 crores higher. The basic reason is this that whatever government works we procure, usually the procurement is on competitive basis and the nature of the project, sometimes we have to procure the work on some less margin say about 15%, 20% and sometimes we have to procure the work say above 30% to 35% and this is not a linear exploration or liner extrapolation of the work and the works executed in the last quarter is of the nature in which margins were slightly lower even then we have maintained almost the same type of margins over an increased revenue. So this is all about this type of industry because there are certain works and the billing cycle is also typically of 75 to 90 days. So earlier quarter billing which is of less margin could be realized in this quarter and similarly the more margins can appear in the coming quarter or the present quarter which is going on. So these are our robust results and we were guiding these results since the beginning and in so many conferences and we have achieved an overall growth of around 21% to 22% in terms of revenue and 20.38% in terms of PAT also. So this is all about this opening statement and the order book at present is Rs. 2236 crore of unexecuted works and we are in the process of tendering in different states and in different projects that is of the order of Rs. 4,500 crores as of now and our conversion rate is 10%, 15% so we can easily procure the order of Rs. 600 crores, Rs. 700 crores in this quarter or in coming quarter. That is it from my side, I think I have elaborated about the results and the business of the company and our order book and our tendering in pipeline.

And one more thing to be added is that in water sector typically, we are having Rs. 20,000 per capita work in metropolitan cities or in urban areas and Rs. 10,000 per capita work for water supply. So as a whole, it contributes about Rs. 12 lakh crore rupees worth scope. Out of which Rs. 4 lakh crore - Rs. 5 lakh crore has been executed so far. So, it is a tremendous scope and the annual budget of water supply and sewerage sector including states is about Rs. 1 lakh crore per annum which was to be executed continuously because the old assets comes in dilapidated condition in about 25 to 30 years in this particularly sewerage sector due to corrosion and so many things and the expansion of cities and density increase of the cities continuously increase the scope of the work, either through the reorganization of the work or laying the parallel lines or laying new lines in the expansion areas. So we are in the business which is growing heavily until the time human beings are there on the Earth. The scope will remain there in India and India is also going to be water scarce country so desalinization plants and other things and recycling of the water, reuse of the water, and tertiary treatment of the sewage will come into force that has already come and that will remain continuously to come. So as far as scope is concerned, we are in the field which has the tremendous scope and we are about 1% to 2% of the total scope of the Indian context. So we are in a very good business. We are growing with this sustained rate of 20%, 25% per annum and we are looking forward up to 30%. We can see 30% growth in coming years as an organic growth because there are so many retentions and so many things to 30% growth for maintaining a positive cash flow or something. We are very well into it and we have shown it in the last 8, 10 years to give this type of growth. That is all from my side. Thank you so much. If there are some calls and questions we would be happy to reply all of them.

Moderator: Thank you very much sir. We will now begin the question and answer session. Anyone who wishes to ask a question may press '*' and '1' on their touch tone telephone. If you wish to withdraw yourself from the question queue, you may press '*' and '2'. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We have our first question from the line of Aman Soni from Invest Analytics Advisory. Please go ahead.

Aman Soni: Hi, am I audible? Sir, I have three questions. One is on US aid fund stoppage and coupled with recent reduction of central share to JJM, Jal Jeevan Mission. So I want to understand from you what kind of impact these two changes are going to do in the next one or two years in terms of the ordering growth and the hard growth?

Ashish Tomar: Yes, so first of all, we do not execute any work that is funded by US aid. So this stoppage of funding is not going to impact us at all. As far as your question about JJM funding is concerned I think central government has not reduced its share. The states had sent the request for increase in budget and that I think was denied by the center and the states have to finance them from their own resources. Whatever budget the central government has proposed earlier, the central government is I think already paying it. The increased cost is due to I think escalation and the other factors.

Aman Soni: So, if the center is going to deny it, then are you sure that states will be comfortable or they will be not? They are not going to reduce the entire budget and thus our growth is going to be impacted.

Ashish Tomar: No, no. See. The funding was carried out on the basis of estimates in some states the works were awarded above the estimated value, so if the central government committed to finance 50% of the estimated cost, say a work of Rs. 100 crore and the state government has awarded it at Rs.130 crore. So the central government is going to pay its share of Rs. 50 crores. The work value above which it has been awarded Rs. 30 crores that will have to be financed by the state. Anyway, we are not executing any projects in the JJM sector.

Management: Actually JJM sector is a sector which is entrusted for water supply in the rural areas only and we are totally handling the urban areas for water supply and for sewage also because in rural area there is only first priority of water supply and in second priority they have to treat the water, they have to treat it not for very, very tight, very exorbitant type of treatment and that is covered under Swachh Bharat Mission basically. So, eventually we are not having the work because the ticket size in rural area is not that big and we are particularly having ticket size of Rs. 200 crore or Rs. 250 crore or more so we are not into water supply. Even then I would like to make clear that in Jal Jeevan Mission there is central government share, then there is state government share and due to the preliminary surveys done in rural area, because I was handling with rural water supply also the estimated cost was very tentative, say for a village it was Rs. 50 crore and when the detailed estimate was made it was Rs. 75 crore to Rs. 80 crore and when tender were invited it could be Rs. 80 crore or Rs. 90 crore but central government as per their condition was to fund only 50%, so they had to pay only Rs. 25 crore of the estimate, which was sanctioned through the state level technical committee under the chairmanship of Chief Secretary. So they are bound to give Rs. 25 crore. Now the state government has to give balance Rs. 50 crore. For example if it is a Rs. 75 crore. Now somewhere some state government are asking that they should give the additional 25%. So the central government has denied it with this simple reason because this was not their condition number 1 and number 2 the thing was that some state could not do the work in time, so central government has extended the time for the grant also. So it looks virtually like central government has reduced their share. But it is not a fact because they have given the extension. So if they had to fund Rs. 200 crore in a year, now they may be funding it in year ended quarter year and a half. So, it looks like that per annum budget has decreased. So this is a virtual number. It seems like that per annum budget has decreased but actually the total budget has not decreased. Whatever was the commitment of the central government, it will remain with them. But in some states which are not very rich in that term or they have not allocated the funds for water supply and sewage, they may be given that money in an extended period. Eventually we are not it that even then I have tried to explain what is the reason. It looks like that central government has cut their share or central government has reduced the budget. Actually it is not the fact, so this condition is like that only.

Aman Soni: Got it. Very decent explanation. So, secondly on the margin front, I remember the year when our IPO came, we used to talk about the reason for these higher margins in the range of 30% to 31% we used to get. The reason was simple like our project was getting funded by World organizations right. And we were very much committed to maintain these kind of margins via participating in those tenders only which are giving us the higher margins, but if I fast forward from 22 to now like 25, there is a significant dip in the margins like from 31% it is now 26% kind of EBITDA margin that we are doing. So, what is this sudden shift that has happened over the period of this two to three years and how do you think like what kind of margins will we be able to maintain going ahead?

Management: It is a type of business as I have already said in which sometimes we have to take work on some strict competition basis. Otherwise if the pupil, our competitors, our peers know if we are going to bid for a 25% or 30% margin, we are never going to get any work in our field. So somewhere we have to be tight also just to play with the competitors. So in this case what happened, either if you see our stand alone profit, it is still in the range of 30% but as a consolidated, there was a SPV company who were having lot of work last year but not billing this year because the work has already been completed. That was a marginal work, it was a SPV and it was a good business margin work. So, the margins will remain around 25% to 30% and PAT, we will try to maintain 20% to 22% type of things and continuously we are doing that. If we increase the business size slightly it may impact profit and in very small quantity because volume wise profit is increasing but maybe in percentage term it is slightly decreasing with some decimal points or something. Because if you grow with the pace rate some cost of the employee, some cost of the supervision may increase. And I think second part you have asked that why we maintain better PAT margins than other peer companies. So obviously we have 6%-7% higher PAT in comparison to other companies because of two, three simple reasons. These projects are EPC projects mainly and in EPC projects, first of all we have to do the engineering of the project. That is technical design and all that even before tendering. So that is in-house facility we are having. We are having force of about 75 engineers who look for the design, who do the work. Generally the companies of our size do not have the in-house facility of engineering and design and they have to spend 2%, 3% extra cost for designing through the outsource agencies. So that is our edge. Second thing is our company, our chairman, he was working with U.P Jalnigam is sewage and water supply system, so we know how to play in the depth, in the dia, in the material and all the things. Whatever flexibility as per the bid document we have got we utilize it to the maximum. Third thing is we give our vendors who are our labor contractors, petty contractors which we call, the advance payment or payment within 15 days only. Nevertheless we are getting the payment in two, three months period from the government because on that ground we get a discount of say 3%-4% from the vendors also and that is how we work on the ground level. It is a corporate company now but even then it is just like a contractors company because we are a ground level workers because in big companies like L&T, VA TECH WABAG they are having a huge infrastructure in terms of manpower, in terms of T&P, in terms of so many things. We usually hire the T&P number 1. We usually give T&P who is our labor contractor, who will provide the T&P to the labor contractor itself and cut the money. So he is happy that we have given him a poclain and we have given him a JCB and we are not at any loss. We are getting discount from him and the cost is also being recovered from his wages. So this is some management skills and management styles that we are having edge of about 6%-7% above other peer competitors in this field. So I think this answers your query.

Aman Soni: Got it sir, and lastly on the guidance front, you mentioned 30% growth for FY'26 right? So does that mean the same growth will be in the bottom line as well?

Management: I think we are always planning to grow with the rate of 30% that would be 27%, 32% like that and we are planning to maintain the bottom line above 20% that is our guideline for future. And we can say, because we have done it in last 10 years, our career is around that only.

Aman Soni: That I agree sir. But when you say we are growing top line by 30% and bottom line by 20% so this means there will be a significant dip in the margins in this year as well. Right?

Management: No, actually we are trying to get 30%, if we get 30% our margins will also grow around 30% only that is obvious. But we have achieved this 30% this year also on a standalone basis and 22% on a consolidated basis. So if 25% is our achievement, we will feel that we have done well and if we look at 30% we will get it 25% and our standalone growth is 21.74% year-on-year and our consolidated growth is also 20.38% year-on-year basis and standalone our growth is 21.55% actually this is not an industry which is something manufacturing and selling on day-to day basis. There are certain things, certain complications that comes sometimes. some more marginal works are not paid in that particular quarter or even in that particular year also and some less margin work can be paid in this year so they can enhance the revenue but they cannot prorata enhance the margin and in the next quarter it may happen that growth in terms of revenue is 25% and margin growth Is more than 25% because more margin works have come into payment window. So, this happens in this type of industry, sometimes too much variations is there. But in our case it is not too much variations, it is a variation of about 1%, 1.3% only.

Aman Soni: Okay sir.

Moderator: Thank you. We have our next question from the line of Darshil Pandya from Finterest Capital. Please go ahead.

Darshil Pandya: Hello, am I audible? Hi sir, Good afternoon. Sir, my question would be with regards to the execution of this quarter. Did we face any execution challenges for this quarter because?

Management: No, I do not think that we faced any challenges.

Darshil Pandya: Okay, got it. And just to understand from the current order book that we have around Rs. 2,200 crores what would be the timeline for this order book to be completed?

Management: I think almost above 90% of these works are going to be executed in the coming couple of years. Actually this order book is continuously increasing and decreasing. If you execute the works out of this order book and simultaneously you are getting the orders also. In this typical industry we divide it by 2 1/2. If we are having an order book of Rs. 3000 crore we can complete the work of Rs. 1200 crores. This is general practice in this water supply and sewerage sector or building works. So safely we can assume that 40% of the order book we do execute. But because this is at the time of opening year 2236, we are likely to get minimum Rs. 1000 crore, Rs. 1,500 crore orders in this coming two quarters, so this will keep running and flowing and we will be able to achieve our growth of 25% to 30% in terms of revenue very easily with this order book because there are certain orders which are 90% already completed. There are certain orders which are only 10%, 15% completed and we are going to get orders from that Rs. 4500 crore tendering which are in pipeline. So, we will convert it to every quarter at minimum 10% to 15% that is Rs. 500 crore, Rs. 600 crores, we will get in every quarter. So by the year end we can have the order book of Rs. 3000 crore, Rs. 3500 crore or Rs. 4000 crore that depends on how much tenders we will complete. So that's it about.

Darshil Pandya: Thank you. Got it. That is something I was asking for and last question would be sir, on the cash flow side. So, in the last three years we have seen, debtors also increasing from 84 to 142 and working capital is getting a bit heavier. Should we be concerned that more cash is getting stuck in our system and what is our team thinking about it?

Management: So, this is the nature of the business and the government EPC business, about 10% of the project value is held by the government till commissioning of the project. So, as our revenue increases, they are going to be increasing the debtor's level. Also I think but as far as the cash flow is concerned, I think our cash flow has been positive this year.

Darshil Pandya: Correct. Yes. I just wanted to understand sir, how your payments cycle actually work with the government, 10% we get in advance and how is on rest 90%? How do we see that?

Management: So, the payments are carried out on monthly basis, so each and every month we present the running bill for the work executed in that month then that bill is going to checked at the division level at which the work was executed. Then it is forwarded to the Project Management Consultancy. After vetting by PMC, this bill is forwarded to state headquarter, mostly for payment process. So this process takes times of about 90 to 100 days on an average.

Darshil Pandya: So, probably if you raise a bill in January, we get it somewhere in April. That's what.

Management: Yes, it is a cyclical work.

Darshil Pandya: Oaky, got it. Alright sir. I will fall back in the queue. Thank you so much for taking my questions.

Moderator: Thank you. We have our next question from the line of Reet Ranawat from Aventus Capital. Please go ahead.

Reet Ranawat: Yeah sir, am I audible? So, could you provide me a detailed breakdown of those QIP that you mentioned in your last call, what happened about it and the utilization of that?

Management: We have not progressed with the QIP because the market conditions are not suitable. We have postponed it, and as and when the market improves, I will take the call on that.

Reet Ranawat: Okay. Alright. Hello, what are you saying?

Management: Hello. I am saying that we have not yet gone for the QIP. We are planning on it, but since the market conditions were not favorable, there was a dip in the market we did not go for it. We have not raised any funds. As soon as the market improves, we will take a call on that. Currently we do not have any financial crunch. We were just planning to raise the funds for future projects which we are planning to build for large scale hybrid community model projects. So for that we would require the funds. Currently we do not have any such requirement.

Reet Ranawat: Okay. Alright. So, compared to your peers like your success ratio is lower compared to your peers, so is there any reason for that?

Management: Sir, I can't hear you properly. Can you please speak up?

Reet Ranawat: Is there a reason why our success ratio is lower than our peers in this industry?

Management: Success ratio of the bid that you are asking for.

Reet Ranawat: Yes, bid ratio.

Management: Yes, considering the margins that we secured, I think 10% to 15% of the success ratio of the tender bid is a good ratio. And we can always bid for more projects if we plan to take up more projects. This industry also has a constraint regarding how much work I can take up that is calculated by my bid capacity which will progress slowly as my revenue increases. So even if I want, I cannot take up projects more than four times my revenue.

Reet Ranawat: Okay got it. And another question was, given your asset light model right? So how power and real estate vertical split into EMS' operations? Could you give us an idea about that?

Management: The voice is not clear, can you please repeat the question?

Reet Ranawat: So we are following the asset light model right? So how are power and real estate vertical split into EMS' operations and like some idea about.

Management: Yes, so in power sector we are executing distribution works. So for that we do not require to invest huge amounts of money in the assets. It is mostly supply works coupled with the execution of the projects on the site. So, I think it goes well with our asset light model and I see no problem in taking such kind of works.

Reet Ranawat: And real estate, in that how do you operate?

Management: In this company we are not doing any real estate. In this company we are not executing any real estate projects we are only taking up the EPC project contracts.

Reet Ranawat: Okay, thank you.

Moderator: Thank you. We have our next question from the line of Pankaj Motwani from Equirus Securities. Please go ahead.

Pankaj Motwani: Hello, am I audible?

Moderator: Pankaj, you will need to be a little louder.

Pankaj Motwani: Yes, sir, my question on the acquisition part. So, like in Brij Bihari balance sheet of FY'24, so there is a Rs. 50 crore of related party borrowings while the land and building value which is our core interest for the EMS. So, it is valued at around Rs. 38 crore only. So, like given that the total borrowings are exceeding the assets which we have interest and even the company's book value is just only one lakh, so like can you explain the reason behind paying Rs. 7.75 crore or 60% stake in this company? How was this solution derived?

Management: Yes, so this company was acquired through NCLT and yes initially we were having four partners but since we need to put up properties in shape of collaterals to the bank. Our partners exited this company at the value at which it was acquired with NCLT. So, we acquired this company at the NCLT value only and I think the registry has already carried out and we are going to mortgage property in the bank for our fund and non-fund based facilities.

Pankaj Motwani: What is the value of this land and building? Because we have also the borrowings which we are acquiring in this company. So we have borrowings of Rs. 60 crore are also coming in our EMS books. So, I do not understand the rationale behind because the land value is much lower than the borrowing. Hello?

Management: Yes, I think the only borrowing on our book, I think would be in the range of Rs. 75 crores, Rs. 80 crores and almost all of it is related to financing of a HAM project in our subsidiary, Mirzapur, Ghazipur projects. In this company EMS Limited, I do not think we have any debt.

Pankaj Motwani: No, I am talking about the Brij Bihari Book. So in Brij Bihari, in FY'24 book, FY'24 balance sheet there is a borrowing of Rs. 60 crores from related parties only.

Management: Loan from directors and shareholders. It is a loan from directors and shareholders.

Pankaj Motwani: Yes, that is what I am asking. So like in Brij Bihari FY'24 book there is Rs. 60 crores of borrowings and against which the assets are like land and building which we have our core interest. So the value of the same is only Rs. 40 crores. So like what is the rationale behind?

Management: That money was used to acquire the land that was acquired from NCLT so that loan is for that purpose.

Pankaj Motwani: So, what is the value of this land?

Management: I think it would safely be in excess of Rs. 60 crores. More than Rs. 70 crore, Rs. 80 crore safely. And we are getting the valuation done and after that this property is going to be mortgaged with the bank.

Pankaj Motwani: The Company was incorporated on January'23 only so the balance sheet will represent only the cost part I think. As per the land and building comparison Rs. 40 crore only, so how can you say that market value is much above than the cost? I do not understand even in the book in the two years the market can double. The land and building value was Rs. 40 crores as per the balance sheet so how are you saying the market value of Rs. 80 crore. So, how can this happen in two years only?

Management: So, the land is in excess of 1,50,000 square feet. 5,00,000 square feet of area is already constructed on that plot there. There was also plants and machinery. We got this deal on a discounted basis as the property was stuck in NCLT. And we are getting the valuation done. Yes.

Pankaj Motwani: Okay. So can you tell me the net worth of the company? What is the net worth because there are also no revenues in this company? What is the net worth? Like the equities and reserves and surplus.

Management: We are not interested in generating any revenues in that company. That is an asset holding company and we are going to mortgage this land in the bank for securing bank guarantees that we need for executing our projects.

Pankaj Motwani: So, just want to confirm as you are saying, the land building value is Rs. 80 crore and the book value is Rs. 40 crores. So am I right? Like the book value is Rs. 40 crore and the market value is Rs. 80 crores.

Management: Yes.

Pankaj Motwani: And one more question so as per the ICRA monitoring report which we released in the January'25. So, out of the Rs. 137 crore IPO proceeds, Rs. 34 crore was earmarked for the general corporate purpose and out of this Rs. 27 crore was used for the advance payment for this acquisition. But as per your latest communication we have paid only Rs. 7.75 crore for this acquisition. So, can you clarify where the balance has been utilized?

Management: Sir, I think all of that money has been utilized for this acquisition only. I think there must be some confusion regarding that. So, if you refer

Moderator: Sorry to interrupt Mr. Pankaj may we please request you to rejoin the queue as other participants are waiting for their turn.

Pankaj Motwani: So, this question is part of the earlier question. I am not yet completed.

Management: I think all of that money, the general corporate purpose money, has been used, most of it for acquisition of this company. And I think there is some mismatch in the figures we would check on that. Rs. 7 crore was used for the purchase of plant and machinery for a construction project in Mumbai and rest of the general corporate fund was used for this acquisition.

Pankaj Motwani: No, so it has been clearly mentioned in that report that Rs. 27 crore was used for the advance payment for this acquisition but the actual consideration is only Rs. 7 crore. So what is the balance amount utilized for?

Management: Sir, 7.5 was advance.

Pankaj Motwani: No, so what is the actual consideration for this acquisition? What is the acquisition value for this Brij Bihari Company?

Management: ICRA was telling that Rs. 7.5 crore was paid advance for the purchase of this property to the existing old customers, directors.

Pankaj Motwani: No, as per the report Rs. 27 crore has been assured.

Management: Sir, just listen. ICRA was telling Rs. 7.5 crore paid advance out of this corporate purpose. Rest amount was used next year. You are looking at one and a half year back ICRA report. Now CRISIL report is there.

Pankaj Motwani: No, I am looking at the January'25 report only which was released in January'25.

Management: January'25 not at all possible. CRISIL was there. ICRA was not there. CRISIL has given me the report February end.

Pankaj Motwani: It is a part of your disclosure only. You only disclosed on the exchange, the ICRA monitoring report.

Management: This is I am telling sir. Rs. 7.5 crore advance was given to Brij Bihari Pulp.

Pankaj Motwani: So, there are four advances shown which is, Rs. 5 crore, Rs. 2.5 crore, Rs. 6 crore and Rs. 13 crore. So, in total it is around Rs. 27 crores.

Management: Rs. 7.5 crore was given for the purchase of this property because the property was purchased in 2023 by the three promoters in which Ramveer Singh was the partner of 25%, 50% was the other partner and 25% of the other person. He acquired 50% share from the other person and for which the Rs. 7.5 crore advance was given.

Pankaj Motwani: So, can you clarify as per your disclosure of January'25?

Management: I am 100% sure Rs. 7.5 crore was given in advance.

Moderator: Can I please now request you to join back the queue as there are other participants waiting.

Management: It is clearly written that advance payment for takeover of the company Brij Bihari Rs. 5 crore, 20th August, 2024. On 3rd September we have paid Rs. 2.5 crore, Rs. 6 crore we have paid on 7th October and Rs. 13.40 we have paid for this on 8th October. 36.4789.

Moderator: Thank you sir. We have our next question from the line of Viraj Mahadeva from Money Group. Please go ahead.

Viraj Mahadeva: Hi sir. Sorry, the last question went on very long. Out of Rs. 2,200 crore of existing order book. What are you likely to execute as top line in FY'26?

Management: FY'26, I think we are going to see a growth of 25% to 30%.

Viraj Mahadeva: So, about Rs. 1300 crores should we say? Rs. 1,250 crore to Rs. 1,300 crores is reasonable.

Management: Yes. I cannot quote exact numbers, sir, but I can assure you that the growth is going to be in the range of 25% to 30%.

Viraj Mahadeva: Understood. So, while the PAT may seem good in terms of growth, the cash flow is clearly an area of concerns for investors. The best of companies in EPC has gone wrong for one of the two reasons, either the debt piled up on the books I would be keen to know what would be our net debt position and secondly because the operating cash flows have consistently been negative. So I think finance team needs to give attention to that, from a receivables collection point of view otherwise you are going to have an issue down the road.

Management: We do not have any debts on the book and I think cash flow is positive this time.

Viraj Mahadeva: Barely positive, it is not enough to sustain your business. You have to keep raising capital otherwise dilute it.

Management: Sir, last year it was Rs. 115 crore in minus and this time It is Rs. 33 crore positive. I think the situation is going to improve further.

Viraj Mahadeva: Okay good. Because what you are saying positive is operating cash flow, then you have investment in CAPEX, your free cash flow is negative. You need to pay attention on that at operating level you turn positive. Work needs to be done on working capital to make the number much more positive than in a comfortable position.

Management: Sure sir.

Viraj Mahadeva: Right. Thank you and all the very best.

Moderator: Thank you. We have our next question from the line of Dinesh Kulkarni from Finsight. Please go ahead.

Dinesh Kulkarni: Hello sir, am I audible? Thank you for taking my question. And I appreciate good set of numbers. So, my question is like one of the previous participant was asking about the Brij Bihari thing. I would request you because there is some concern with respect to the payments and the ownership of the asset. I would just say, if possible, just come up with one press release in detail, like what is the transaction there because I also had the question for the last few quarters and I have been asking Mr. Ashish Tomar from the last few quarters that just come up with all the details there an put it as a press release. This is the transaction, this was the ownership in three years ago, two years ago, one year ago and this is the ownership now because see the problem with the investor, please understand this, if there is any related party involved, whoever it may be , Chairman sir, CEO, CFO anywhere. If there is any related party involved in any transactions, then it raises corporate governance questions. You may be right on your part. I am not questioning that, but the clarity is not there since the beginning when the transaction was announced, maybe a year ago. So, I just request you, first of all after this call, maybe you should come with one detailed press release on that, what is the ownership, who is going to have the ownership of the company, will it be the chairman sir or with the EMS Company or subsidiary of it? Okay, so that is my request to you.

Management: It is going to remain subsidiary of EMS.

Dinesh Kulkarni: 100%?

Management: Not 100%, 60% subsidiary.

Dinesh Kulkarni: Yes. This what I am saying. This question is being raised by everyone, not just me and the previous participant. I am just saying give a complete detail of the ownership of the transaction of the payments made so far and what is yet to be paid. What is the book value of the company? What is the market value of that asset and what is being currently done on that asset? Like is it really usable land or not or it is just a blank empty space or something, we have no idea. Put some pictures if required. That is my request. That will help sir. And now I will come to the question. Yes, my question is if you look into the cost on standalone basis, the cost of services sold from the previous quarter last quarter, same quarter it was Rs. 92 crores and it has jumped to almost Rs, 167 crores. Some the cost of services, sales and services has gone up from 40% to 62.5% exact numbers. Why is it so like? I mean have we taken lesser orders this quarters or what has exactly happened? Why is it so, different for two quarters?

Management: So, the cost part will depend on multiple basis. Suppose, in the last quarter multiple projects, new projects were taken up and they were in the initial field of execution. At that time the investment was on the higher side. But I think going forward we are going to realize revenue from these projects and the situation will improve.

Dinesh Kulkarni: So, basically you are expecting the margins, which should improve in the coming quarters, right, including the current one?

Management: Yes. So because on mobilizing the sites and giving advances for procuring materials, we have to give out payments and the material usually takes time for the delivery and we do not book any revenue in that period in the initial phase. But once that revenue cycle kicks in, I think the situation will improve.

Dinesh Kulkarni: Okay sir and how do you see sir? I mean, you mentioned the revenue growth and all I appreciate that but we have seen in the other companies as well in the same space they are also reporting issues with the receivables as one of the participant asked maybe there is a delay or god knows what is happening really.

Management: That issue was I think related to the JJM projects as told earlier, we are executing any JJM projects and we do not see any receivable issue.

Dinesh Kulkarni: So, the receivable date should come down or it should remain in the same level. So, what do you think for the next few years?

Management: So, that is the nature of the business. I think that would stay in the range of 90 to 100 days.

Dinesh Kulkarni: Okay. Yes. That sounds great sir. Thanks for taking my questions. And I just request you to come up with that press release. Thank you very much.

Management: Yes, sure. Thank you for that.

Moderator: Thank you. We have our next question from the line of Rahul Agarwal from Aventus Capital. Please go ahead.

Rahul Agarwal: Hi sir. Thanks for the opportunity. While most of my questions have been answered, I just wanted to know, we majorly work in the water treatment space, but we also work in other EPC projects like roads and buildings. So, I just wanted to know whether this mix is going to change going forward. Whether we will, we might seem

Management: I think our mix is going to remain the same and we are going to be a water focused company and our water business will stay in the range of 70% to 80% of the revenue going forward also.

Rahul Agarwal: Alright sir. And I just wanted to know, I might have missed this detail, but the order book that we have currently, would you be able to just clarify how much of that is in the water space and how much of it is in the rest of the stuff?

Management: I think our order book of Rs. 2,236 cores is unexecuted order book out of which Rs. 331 crore is for operation and maintenance works of the water project that we executed and almost excess of Rs. 1,900 crores is for capital works that is going to be executed. Out of this somewhere around Rs, 1,500 odd crores would be from water business and the balance would be from other businesses.

Rahul Agarwal: Alright sir. I think that answers my question. Thanks a lot. Thank you.

Moderator: Thank you. We have our next question from the line of Rishi Kothari form Pi Square Investments. Please go ahead.

Rishi Kothari: Thank you so much for the opportunity. I have two questions. First thing, what exactly happened? We saw slow down this particular quarter.

Management: There are some cycles. I think two or three are new projects that started in this quarter. And in the initial execution phase, we have to invest in the mobilization of the site advances, the linked material orders and advances to TMP operators, etcetera. But I think going forward this advance would turn to revenue and the situation would improve.

Rishi Kothari: Okay got it. And apart from that, but we appointed a new CEO in the company right, right now?

Management: Yes.

Rishi Kothari: What exactly is the name?

Management: Mr. H.K Kansal.

Rishi Kothari: Mr. H.K Bansal?

Management: Kansal.

Rishi Kothari: Sorry, can you spell it. I am not able to hear properly.

Management: KANSAL.

Rishi Kothari: Kansal. Okay. And he has been the strategic advisor of the company for the last two, three years and right now he is actually joining the board.

Management: He joined recently. He has been a sort of mentor but he was not at all involved in any official capacity. In official capacity he has just joined.

Rishi Kothari: Okay and what is the background of Mr. H.K Kansal?

Management: So, he is a gold medalist from IIT Roorkee in civil engineering and after that he joined UP Jalnigam as an engineer and he executed various large scale water, water supply projects and retires at the level of engineering chief.

Rishi Kothari: Okay got it. And my last question would be around, are we seeing any sort of government slowdown in the water segment in terms of the CAPEX? Is there some sort of program you are looking at or is everything intact?

Management: Sir your volume is low, can you please speak up?

Rishi Kothari: Hello, am I audible properly now? I'm asking are we seeing any sort of government slowdown in the water segment in terms of the CAPEX? Is there some sort of program you are looking at or is everything intact?

Management: No, not at all. So, I think it is going to pick up and I think we are going to see huge business in Delhi in the coming years and the recent push of cleaning of tributaries and distributors of Ganga in addition to the main river. So, I think there is going to be huge investment in this sector and no question of any slowdown.

Rishi Kothari: Okay got it. And in terms of bottomline also we will be able to maintain the margins for next three years of 20 odd percent right? So, as you said earlier also because of the projects sometimes we have to sacrifice the margin just to have the project in order.

Management: So, just to clarify our performance must not be compared to the manufacturing company. This is not an assembly line of kind of business. So to gauge our performance, I think our year-on-year performance and comparison would be much better than quarter-on-quarter.

Rishi Kothari: Which I get it. So that is why we are seeing a more or less pretty 20% odd percent margin of PAT level is more or less intact. We are not on consol basis.

Management: Yes.

Rishi Kothari: Okay and just the last clarification, I mean you said that on a standalone basis we had a growth of 27% but on a consolidated level we are more or less you know solved it with the margins I think. Some sort of in SPV right, what exactly is it?

Management: Hello

Rishi Kothari: Hello. Yes, sir. Something on a standalone basis, we actually saw a good growth of 27 odd percent but because of the other entry that is SPV, we saw a bit of dip in the PAT level revenue because of the whole new project that we are in right?

Management: Yes.

Rishi Kothari: Okay. Thank you. I will join back. Thank you.

Moderator: Thank you. Ladies and gentlemen, due to time constraints we will take last question from the line of Aman Soni from Invest Analytics Advisory. Please go ahead.

Aman Soni: Hi, thanks for the follow up. Sir, you mentioned about some projects coming in from Delhi, right? So can you elaborate a bit on that like what kind of projects are these going to be and what is the size of opportunity and what kind of role are we going to play in this project?

Management: I think the majority of the projects would be related to conserving the river Ganga and rejuvenating it. Majority of these projects would be in the area of sewerage and industrial effluent treatment projects. And I think the opportunity size could be anywhere about Rs. 10,000 crores.

Aman Soni: And by when are we expecting these projects to start kicking in like is there any bidding process or have we already?

Management: So, the projects, the tenders have already started coming in. recently there were three tenders that are online and I think this rate is going to pick up in the coming time.

Aman Soni: And what kind of success rate are we targeting because we are based out of these areas only and we are having solid relations and execution capabilities as well right? So considering that what kind of success rate are we targeting in these projects?

Management: Anywhere around 15% I think would be a fair target.

Aman Soni: Like Rs. 1500 crore kind of opportunity you are seeing for EMS in next one year right from these kind of projects. Is that understanding correct?

Management: Yes sir.

Aman Soni: Got it, thank you sir, thank you very much.

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

Management: Thank you for the support and we hope that the target which has been fixed by the company, with the help of your support we will achieve it like always. And the growth target for the year is 25% to 30% and we will achieve this easily. Thank you.

Moderator: Thank you sir. Ladies and gentlemen, on behalf of EMS Limited that concludes today's session. Thank you for your participation and you may disconnect your lines.