Date : 14.08.2026
Place: Hyderabad

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Dear Sir/Madam,

Sub: Transcript of the Q1 FY27 Results conference call hosted on 13th August, 2026 - Reg.
BSE Scrip code: 513228 / NSE Symbol: PENIND

Dear Sirs,

Pursuant to Regulation 30 & 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and with reference to our Results conference call intimation dated 7th August, 2026, please be informed that the Results conference call for Q1 FY27 was hosted on 13th August, 2026 and the Transcript of the conference call is enclosed for information and record.

The same is available on the Company's website viz:

https://www.pennarindia.com/investors/investor-updates/Q1&FY27-Earnings-Conference-Call-Transcript.pdf

Thanking you,

Yours faithfully,

**for Pennar Industries Limited**
Mirza Mohammed Ali Baig
Digitally signed by Mirza Mohammed Ali Baig
Date: 2026.08.14 17:48:06 +05'30'
**Mirza Mohammed Ali Baig**
**Company Secretary & Compliance Officer**
**ACS 29058**

# "Pennar Industries Limited
# Q1 FY27 Earnings Call"
# August 13, 2026

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| **MANAGEMENT:** | **MR. ADITYA RAO – VICE CHAIRMAN AND MANAGING DIRECTOR – PENNAR INDUSTRIES LIMITED**<br>**MR. SHRIKANT BHAKKAD – CHIEF FINANCIAL OFFICER – PENNAR INDUSTRIES LIMITED**<br>**MR. MANOJ – PRESIDENT, CORPORATE PLANNING – PENNAR INDUSTRIES LIMITED**<br>**MR. K.M. SUNIL – VICE PRESIDENT, INVESTOR AND MEDIA RELATIONS – PENNAR INDUSTRIES LIMITED** |
| **MODERATOR:** | **MR. VIKRAM SURYAVANSHI – PHILLIPCAPITAL** |

**Moderator:** Ladies and gentlemen, good day, and welcome to Pennar Industries Q1 FY27 Earnings Call. 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 this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict.

I now hand the conference over to Mr. Vikram Suryavanshi. Thank you, and over to you, sir.

**Vikram Suryavanshi:** Thank you, Atharv. Good morning, and very warm welcome to everyone. Thank you for being on the call of Pennar Industries Limited. We are happy to have with us the management of Pennar Industries for question-and-answer session. The management is represented by Mr. Aditya Rao, Vice Chairman and Managing Director; Mr. Shrikant Bhakkad, Chief Financial Officer; Mr. Manoj, President, Corporate Planning; and KM Sunil, Vice President, Investor and Media Relations.

Before we start with the question-and-answer session, we will have opening comments from the management. Now I hand over call to Mr. Aditya for opening comments. Over to you, sir.

**Aditya Rao:** Thank you so much. Good morning. Thank you to all of you for joining Pennar Industries' Q1 FY27 Investor Conference Call, for the quarter ended 30 June, 2026. We will cover the numbers for the quarter, take you through each of our businesses and share how we see FY27 unfolding.

I'll walk you through the quarter's headline numbers, the story behind each of our growth engines. Shrikant, our CFO, will then take you through the detailed financials. We will as usual end with the Q&A from all of you.

So Q1 has come in well. Revenue grew 3.58% year-on-year to INR884.55 crores, and PBT grew 16.04% to INR46.8 crores. Revenue growth was moderate this quarter. A few segments moved a little slower than planned, but profitability held up because we have the business quite tightly on cost tactics.

Key growth drivers for the next quarters are PEB India. The order book now sits at INR1,008 crores, the highest we have ever carried. Revenue is going to come in through Engineering Services coming in. We have several large data center orders also that are coming in, in the next few years.

The conversion picks up sharply in this quarter in Q2, and we expect this business to do well. PEB U.S. also our order book is at a new peak. We have now crossed USD 100 billion in order backlog. Revenue is running ahead of what we had wilted into the plan for the quarter. And again, here from Q1 to Q2 also, we expect very strong growth here in this revenue stream.

Engineering Services, Structured Engineering grew well, 26.3%, a strong quarter, and our U.S. sales team is closing more work than before. Tech Pennar has been the weak spot. The order book was thin and a few execution flips cost at some customers. A new sales team is now in place, and we expect that trajectory to improve from Q2.

Hydraulics, our order backlog is at INR30 crores activity in the U.S. has slowed, to Europe has done well the introduction of some tariffs, uncertainty, even though it's the Senate and not the house, the expectation that something may come in is causing order backlog to order bookings to run a little lower than we expect.

We are in wait-and-watch mode on the Hydraulics. Every other business, I think we'll have a clear articulated growth plan and we're confident of revenue profit growth. Hydraulics, we'll wait see for the next few quarters as far as U.S. is -- is one of the biggest markets for us for Hydraulics. So we will monitor this.

Boilers again highest ever order backlog in over INR150.75 crores. To first quarter, first, industrial power boiler has been achieved. It's a good pre-qualification reference for us, allows us to dramatically improve our addressable market. And our first orders in the pharmaceutical sector, which is a new industry vertical for us.

On profitability and margins, PBT margin was at 5.38%, up from 4.77% last year. Mix moving in the right direction, higher-margin businesses, PEB U.S. and engineering services are growing faster and the group margin follows. So same trend that we've been on for the last 3, 4 years, and we expect this to continue.

And capital efficiency rose was around 20% and ROE around 12%. We're on board to move higher. We are deliberately stocking a little more raw material and anticipation of revenue growth with PEB India, PEB U.S. and all others at a strong place in order backlog perspective, we want to put us in a place where we can dramatically expand revenue.

So ROE at 12%, ROCE at 20% is lower than what we would traditionally want to see, but we will look to improve this further. And we are quite certain that September quarter, we will see very good improvements in this.

So this is the quarter in summary. There's no change in our strategy to put capital into our prioritized business units, expand our order backlogs, and consequently expand our revenue and profitability. Working capital to keep it tight and make sure our ROCE guides all of our decision making.

I'll now hand this call over to our CFO, Mr. Shrikant Bhakkad for the detailed financials. Thank you to all of you again, and look forward to your questions.

**Shrikant Bhakkad:** Thank you, Aditya. A very warm welcome to all our shareholders and investors joining us today. Q1 FY27 reflects a continued evaluation of our business towards profitable and sustainable growth, while the quarter saw some moderate revenue growth are operational discipline and improvement in the product mix and the project execution translated into stronger profitability across businesses.

Our strong priority remains unchanged. This initiative has helped us deliver double-digit growth in EBITDA, profit before tax despite the challenging operating environment. Key financial highlights, the revenue from operations has increased from INR870.4 crores from INR845.7 crores, a growth of 2.9%. EBITDA increased to INR106.8 crores from INR94.3 crores, representing a growth of 13.3% reflecting improved products and a project mix.

Profit before taxes increased by 16% to INR46.8 crores. The most increasing aspects of the quarter is the profitability growth significantly exceeded the revenue growth, which is reflecting the strong operating leverage, and the efficiency benefits that we have been working towards over the last several years.

In terms of customized design Building Solutions, the investments made over the last year, including the integration of the teleco acquisition have strengthened our platform and customer reach in the U.S. As a result, revenue from the business in the custom design building solution has gone from INR411 crores to INR507 crores and continues to be an important driver for our transformation journey.

Profitability of this initiative is taking time to fully materialize as we continue to invest in process strengthening activities. In India, while we have very good capacity. Execution in PEB business was impacted by operational challenges. We have strengthened the execution team, and we are focused now on improving the project delivery.

In view of the -- we view this as an operational rather than the structural issues. Combination of process strengthening in the U.S. and overcoming the operational issues will help us drives the growth in the customized building solutions, importantly. As Aditya has mentioned, our order pipeline remains at an all-time high.

And we expect the momentum to improve over the coming quarters. We remain optimistic about the mid-term and the long-term growth of these businesses. Our diversified engineering business experienced a softer quarter due to lower activity in steel and hydraulics. And other businesses which we have exited over the years in terms of module mounting structures and Pennar which has decreased our sales from INR450 crores to INR385 crores. However we continue to view this business as important contributors to our diversified portfolio and remain focused on enhancing competitiveness and the operational efficiency, which continues to bring profit to the table.

Coming to the margin. One of our key highlights, as I said, is the operating margins. While quarterly fluctuations remain quarter-on-quarter due to the nature, we believe the structural measures, which we plan to undertake will give us a result over the period.

Gross margins have been expanded from 42.56% to 43.85% at a consolidated level, while the contribution margins has increased from 27.14% to 28.51%, right, in terms of the numbers from INR231.81 crores to INR252.12 crores.

One of the important aspects is on other income that includes interest income and bank deposits were INR2.26 crores, gain on sale of investments, INR2.16 crores, rental and export-related incentive, INR3.05 crores and write-back of liabilities and provisions contributes the rest. A substantial portion of this items arises from business activities and treasury management activities.

Coming to cost. Employee expenses increased during the quarter from INR92.5 crores to INR107.32 crores, up by 16%. Primarily reflecting investment in the type of capabilities across the U.S. operations, which has increased by INR16.24 crores up by 37%. These investments are focused on sales and business development activities, project execution capabilities, and the growth initiatives in the U.S. market.

Coming to finance first. We continue to maintain a disciplined approach to have capital allocation through -- all to the finance first remain slightly above our internal target during the quarter. Our long-term guidance remains around 4% as a percentage of our revenue. Interest cost for the quarter stood at approximately 4.18% this quarter, slightly higher.

Term loan costs are primarily attributable to Telco acquisition cost, which has already begun contributing to the revenue growth. As the scale improves, we expect that the cost to normalize as a percentage of revenue.

Working capital allocation and utilization remains related due to the investment supporting the revenue growth and the higher order book. As we move into Q2 FY27, management's priorities to enhance the inventory to accelerate the collections and optimize the current assets. We believe this will strengthen our cash generation, improve our written ratio and also provide additional flexibility to our future growth initiatives.

Before I close, I would just like to mention -- in terms of the milestones of our order book, we are all at a record high in terms of PEB India, PEB U.S., as well as the Boiler division. This strong revenue visibility and reinforces our confidence in the growth outlook for the coming quarters of FY27.

Thank you. And I would like now to hand the call back to the moderator, and we'll be happy to take your questions.

**Moderator:** Thank you very much. We will now begin with the question-and-answer session. The first question comes from the line of Kanishk Gupta from SS Family Office.

**Kanishk Gupta:** I would like to ask that broadly with our FY27 debt-to-equity target of 0.8, what kind of ROCE did we expect for full year FY27?

**Aditya Rao:** ROCE for the year, I mean, our stated target is higher at around 30%, but we will definitely be over 20% for Q2, higher than that. For the year as an average, I think we said 25% that's at -- 25%, we can comment.

**Kanishk Gupta:** 25% being the base line and 25% to 30% range.

**Aditya Rao:** That is correct. EBIT divided by capital employed?

**Kanishk Gupta:** And sir, what is our revenue from the network JV in Q1 if you can answer that?

**Aditya Rao:** So we don't consolidate that because we are a minority shareholder in that business unit. I'm sure if we are allowed to give network numbers in that sense? Or is that something we have -- so I mean, I can tell you that it's going well. I mean order book, everything is in good shape, and I think it should -- I think it's going to be a very good value generator for Pennar. But as of right now, we don't have numbers to share on that. I think I'll have to speak with them and come back to you on that.

**Kanishk Gupta:** No worry, sir, and what kind of qualitative value has been created from that JV within the company till now?

**Aditya Rao:** Till now, I think the value of our investment would be about the valuation of that company, the equity valuation of the company. Considering the capacity being set up is 2 gigawatts, which has a top line revenue potential of about INR4,000 crores, and Penner holds 45%, I believe, in that. So I mean you would have to value what a profitable company with that kind of revenue stream would be worth.

And that's a revenue stream we expect I think they will achieve. So it would difficult for me to comment on exactly what the value of that would be, but I think, I can speak to them and have narrative for you on that the next time we speak next quarter.

**Moderator:** The next question comes from the line of Nitin Jain from Fairvalue Equity Advisors.

**Nitin Jain:** So in your PEB business, the drop in EBIT margin is more than 200 basis points -- so this is, I think, the highest among your peers. A lot of your peers were able to get price hikes from clients to mitigate the steel price hike. So, while we're not able to do the same, if you can elaborate?

**Aditya Rao:** We were able to get the vast majority of the pass-through steel price increase pass-through, that did happen. Some I think there was a little bit of a bleed effect where it took some pain for us to get those increases. So a lot of them are in now, so our operating margins, our contribution, and our backlog, both in India and the U.S., are back up, but there was a period of time about a month or 2 where it didn't get passed through. It's probably what you're referring to in terms of the 200-basis point drop.

I would strongly suggest you see this as a momentary blip, we are extremely confident that operating margins move back to where they were for PEB India and for PEB U.S. from this quarter onwards.

**Nitin Jain:** Okay. So, will it be this quarter onwards or gradually over the year?

**Aditya Rao:** Q2.

**Nitin Jain:** Q2, okay. And you indicated that PEB is expected to grow well in India as well as the U.S. given the record higher pipeline are we expecting in both PEB as well as overall company level?

**Aditya Rao:** So I think PEB will be a big driver of revenue in this quarter, both India and in the U.S. As I mentioned, the order backlogs are very high. And it's all at a stage right now where drawing clearance is available, the working capital has been deployed or the labor situation is all of the past. So we are going to see the higher tick numbers. But as I speak of the individual thing, I think PEB overall, as a component, you should expect to double-digit growth from last quarter to this quarter from last year to this year, every which you should see good growth in this quarter, Q2.

**Nitin Jain:** Sir, if you could quantify the number, please?

**Aditya Rao:** I would be providing guidance. So, I think that we don't usually provide. But I would -- I think the best picture I can give you is that order backlogs are strong its going through the revenue, double-digit growth.

**Nitin Jain:** And for the overall company level?

**Aditya Rao:** For -- I mean, individual components and overall company level PEB revenue would be high, growth will be high.

**Moderator:** The next question comes from the line of Vidhi Shah from CRK Investment.

**Vidhi Shah:** Sir, we noticed that there was a revenue slowdown in this quarter. So, can you explain what will be the key drivers for revenue growth in the coming year?

**Aditya Rao:** So as narrative which we've been providing you for the last 3 years, that continues. We are having a fair amount of revenue decline in what we call the legacy businesses, which comprised of our steel business unit and the railways business unit. So both of those business units we're not deploying capital into those businesses. While the revenue drop there also, we believe to be temporary, I think guarantee you to that comes back.

But what the messaging we have for you is that our growth vectors, which is the PEB India, the PEB U.S., boilers, BIW and Engineering Services, are all. The only one that we don't have arisen provide for you is Hydraulics because of the tariff situation actually creating a fair amount of confusion, but that's not -- that doesn't derail from the regular story where our revenue growth is predicated on these 4 revenue streams growing.

The other legacy businesses, which comprised about INR1,300 crores of revenue annually that has seen a little bit of a decline. So you see the smaller numbers. But if you were to remove that, then we've actually had pretty good growth in our -- shall we say, our prioritized business units in the quarter.

Overall, I agree, 4% doesn't look like very high growth, but it's planned in that manner, that will be the older business units decline and this goes. But be that as it may for Q2, I think with the higher levels of growth being achieved at multiple business units, we will be in a place to, the combined entity to grow at double-digit rates.

**Vidhi Shah:** And as the share of these legacy, these low margin businesses are declining, so what kind of margins do we expect ahead for the companies for the next two to three years?

**Aditya Rao:** So as you see, I think over the last -- not just this quarter, for the last 4 years, quarter-on-quarter with momentary blips perhaps, you have seen our operating margins improve as these -- as the deprioritized business has reduced. So accordingly, you've seen in this quarter as well. So our revenue has only grown by 4% and operating margins have grown at a more healthy rate. So that will continue. What we have guided to is over the next 3 years, reaching a PBT of 7%. We are right now at around 5% change, I think, 5.3, probably 5.38 I'm told is where we're at. So we are quite confident that just executing this gets our PBT up.

**Vidhi Shah:** Understood, sir. And can you clarify what is the current order book of the company?

**Aditya Rao:** In what, sorry?

**Shrikant Bhakkad:** Order book.

**Vidhi Shah:** What is the current order book?

**Aditya Rao:** So we don't combine everything. PEB India is at INR1,008 crores. PEB US has just crossed. I mean this is not a middle quarter as it is right now. We have crossed a USD100 million in order backlog for Ascent, which is our US sub. Boiler order book is at INR150 crores. BIW, we don't measure in order book but our Hyundai plant is getting commissioned this month. And that should, over the next three months, double our revenue from a scheduled order backlog point of view. So everything except hydraulics is in great shape.

**Vidhi Shah:** Thank you, and all the best.

**Moderator:** Thank you. The next question comes from the line of Shubhankar Gupta from Equitree Capital. Please go ahead.

**Shubhankar Gupta:** Hi sir. I had a question from my end…

**Moderator:** Sorry to interrupt, Shubhan. Your voice is not clear. May I request you to please use the handset?

**Shubhankar Gupta:** Is it better now?

**Aditya Rao:** Yes, please go ahead.

**Shubhankar Gupta:** Yes, sure. So I'm just asking like, can you provide a segmental breakup of the segments, like the EBITDA for all these segments, if that's possible. And that will just help us segregate how the EBITDA has moved a bit within what segments?

**Aditya Rao:** I agree. I believe this is something we discussed last time. I promised some clarity on this. We've discussed this internally. Please give us a little bit more quarter. We are setting these businesses up for high growth, high scale capital deployment. And I agree it's important to get that segmental picture. If I can request you give us until next quarter to achieve this. That is directionally where we are going. We will get there.

But do give us the quarter to present because, let me be honest, we have not prepared that data for dispersal yet. Obviously, we have it internal to the company. Every revenue stream we have. Separate P&Ls, balance sheet, it's capital efficiency. But at this point, we are currently not able to share the segmental thing. But you have the management's commitment that we will get ourselves there. Do give us this quarter to get there.

**Shubhankar Gupta:** Sure, sir, no problem. That's helpful. And from the other income perspective, like can we see this -- so other income has gone from INR8 crores, it has gone to INR14 crores, INR14.5 crores on a quarterly basis, right? I just want to understand, like, is this something which we see as accessible or is this something which is more one-off? And what is the other income anticipation, at least from an FY27 perspective?

**Aditya Rao:** So as I mentioned, I think perhaps not last quarter, but a couple of quarters ago. So I think it makes sense -- from a reported standpoint, there's certain revenue categories we have to declare in other income. These include things such as forex gains and all of this. Some of them, and they're all not one-time events. They're consistent events.

So really our operating margin, our contribution only makes sense when you look at our revenue including both what's their net revenue and also the other income? So it's not a separate item which is one time or not part of our regular income. It's just accounting law makes us put that in there. It is composed of various other components, including I think even gains that we have from sale of investments, export related incentives that we have got, certain foreign exchange fluctuations, certain write back of liabilities as a project cost. So all these are part of the other income at the pedal and this would continue.

We tend to target a certain operating margin taking these into account. So removing them would perhaps not give an accurate picture because the model works because we take those into account and we are pretty good at estimating them. As they come in, you do see a little bit of up and down on it, but the combined other income plus net sales picture is what gives you our actual sales. That's the narrative we're provided also two quarters of it.

**Shubhankar Gupta:** Got it. Got it. And just one last question on the debt bit. So, Aditya, any plans of -- like what is the debt to equity ratio we are targeting from an FY27 perspective? I think we had plans to reduce the same, right? So what are the targets which we are taking on, let's say, from a 2, 3-year lens also, if not FY27?

**Aditya Rao:** So what we consider healthy debt versus shall we say unhealthy debt. Now I think with our, all that is now being combined. We would consider any debt equity around 0.7 to be healthy. From an annualized point of view, by the end of the year, we are quite confident we will be able to get close to that number.

If we are slightly higher than that number, it would be because of perhaps acquisitions we have made and others, but anything higher than 0.7 is something that we will not accept. So we will ensure that. There's also -- I mean, speaking from a promoter point of view, there's about INR50 crores of capital that's been brought in, but INR20 crores has been brought in already. So that too will, to some extent, reduce debt equity, though that's not the major metric, but staying around 0.7 is the stated target.

**Shubhankar Gupta:** Got it. Okay. That's it. Thank you.

**Moderator:** Thank you. The next question comes from the line of Bhashit Parikh from LS Finance. Please go ahead.

**Bhashit Parikh:** Hello. Am I audible?

**Aditya Rao:** Yes, perhaps a little louder?

**Bhashit Parikh:** Okay. I'll try. Does this work?

**Aditya Rao:** Still not very clear, but please go ahead. We'll try to understand.

**Bhashit Parikh:** Okay, all right. So I'm a new investor to the company, and I've gone through last 3, 4 years' worth of con-calls. A number of things I'm a little bit concerned about is how the goalpost keeps moving into terms of the targeted PAT margins? So, for example, I think in 2024, there was a stated goal of getting to 5% PAT margins by '26, right? That was missed. And then as you mentioned quite confidently about 7% PAT margins by FY28, FY29.

Now as of today, I think Aditya just spoke about, 7% PBT margins by 2, 3 years. So I think the goalpost continues to keep moving, which does not inspire a lot of confidence in me. So what makes you work by as an investor, should I feel very confident that you would get what you promised you would get?

**Aditya Rao:** Okay. So let me first clarify that. You are right. I think it would be extremely inappropriate if we gave you guidance, then we switched that around and said something else. So let me try to explain how we are seeing this and maybe that will help clarify this a little bit more. So for us, it's not that we have a certain margin and we stop there. Any more then we will say, okay, we will reach a sort of revenue or a certain profit number and we'll stop there.

Our guidance on consistent and sustainable operating margin increase and profit margin increase, which we have demonstrated over the past few years. So while they may have been an exact time in which or the timeframe in which we will reach a certain percentage number, what is definitely on the record and we have shown is that we have in a capital efficient manner, maintaining our ROCE above 20%, we have managed to grow our profit margins from 2%, 2.5%, 3%, 3.5% and above that also.

In fact, for the quarter, we have just closed, I think our PAT margin would be 4.07%. So what is creating this increase is effectively, our focus on higher-margin businesses and the margins, the operating margins in these businesses even if you take our US business or just the India businesses are growing. They're focusing on operating margins, which are higher than 15%. And as that additional revenue comes in and the older legacy business revenue streams, the commodity revenue streams with lower EBIT and PAT margins go away, margins tend to expect. So that's all we're doing, and that's the narrative that's catching up.

Now if there is hysteresis or a little bit of, as you put it, goalpost moving in terms of when we achieve that, that is primarily because of what we see is a quarter-on-quarter impact in terms of higher commodity pricing, which tends to have a temporary effect. But longer term, that's the drive. How do we know what our margins would be 2 years from now, 3 years from now?

Because we have an articulated plan for where we want to be and what those operating margins in those business units would be. So if we execute that, what we've committed to you automatically happens. And more or less, it has been happening. We have doubled our margins in the last few years. So that trend will continue. So that's the narrative I want to provide.

Now, when do we reach 5, do we stop at 5 we go to 6, we go to 7 PBT versus PAT, I agreed that we should give you as much clarity as we can. But I think we put us in the best position to show you where we are headed when we show consistent profit the bad margin improvement, which we have shown.

And consistent -- making sure capital efficiency, that's also important. You can't just have high profit with capital efficiency going down. So that also is something that we need to ensure happens. So we commit to you that we are targeting 25% ROCE.

ROE over 10%. I mean, we used to be at 7%, 8%, ROE also has now reached 12%. So all of those margin growth. And keeping with that, our PAT margins will increase. PAT, PBT margins will increase. One other factor you want to take into account specific to this quarter is we had a higher tax rate because of 1 type somewhere in the last quarter, which we have tax adjustment relating to a clear which was INR1.75 crores.

So PBT is the metric we should use. Let's use PBT. And that, I mean, it tends to move a little bit because we have India tax code, U.S. tax core, both of which tend to be around 25%, so there's not massive changes there. But long-winded, but that's the answer I have.

**Bhashit Parikh:** Got it. Thank you. So yes, I fully understand various geopolitics and other factors. And I do believe the higher-margin businesses should do really well. I'm just like -- so because I want to value the business, I don't fully understand how I should tell you it because I understand it will grow at a print, how much will it grow is a concern, right?

The second question I have is. So again, like going back to some of the historical thoughts that Aditya had -- so you mentioned in the past that 7% PAT margin like a sustainable goal. And then at some point, I'm not sure if this was a slip of fun, but you mentioned that long term, maybe not even 10% is achievable, right?

So maybe over like next 10 years, 15 years, whatever time frame. So what would stop you from getting to those numbers apart from geopolitics and the actual macro factors? What are the key challenges that the management sees in getting to those numbers?

**Aditya Rao:** So considering the model we follow is have large addressable markets. Our current addressable market is from a total addressable market point of view, it's INR2.25 lakh crores, INR2.3 lakh crores. Our specific obtainable market is about INR80,000 crores. So the revenue we do every year from a gross point of view of about 4,400. That, if you look at it from our share, it's about 6% to 7%.

Provided our addressable markets stay large, revenue stays large. Provided the revenue stays where it is on operating margins in industries tend to be static over the longer term. They don't tend to move on too much unless there's a massive technological change or temporary competitive intensity tends to reduce.

If those things happen, a fixed cost effectively is a function of payroll and other asset costs. As long as those stay within our model, then what falls to bottom line effectively or the limiting factor for our PBT so to speak, in any business, frankly, not just for us, is effectively how much scale you can bring in and typically test half of your operating margin is at EBITDA, half of EBITDA tends to be PAT for most manufacturing businesses.

So considering that operating margins were all adding right now is in the 15% to 20% range. A natural order, which will result -- will mean that you can't really get past 10% from a PAT point of view. That being said, it would be better for us to look at this as that's the Mount Everest. That's what we need to reach.

Maybe Mount Everest is overstating it, a lot of businesses. But all of our competitors also benchmarking, if you see they're all at 7%-8%, but a lot of them are at 7%-8%. So the market would prevent us submitting those numbers. So what else could have a -- poor execution is one thing. So our goal is to make sure that, that doesn't become a for us to achieve our revenue to profit growth as is.

**Bhashit Parikh:** Got it. Maybe one last question. So -- what is the -- I understand there is a separate for the U.S. PEB business. Like how else are you making sure that the middle management and people who are skilled at the lower level to helping the company grow like if Aditya decides or wants to retire, what is your backup plan?

**Aditya Rao:** So we -- our human capital agenda is actually probably the most important for me, it is -- none of this growth, all of it is driven by me alone, it's the team. And a lot of them accomplish seasoned professionals who spend decades in the industry. Where the 1 of our business units is headed by people with decades of experience in the field of the president. And there is no exception to this role. To this role.

So human capital wise, we are focusing on what the company needs to look like for 5 years to now, what does it need to be? We have the dog structure mapped out. There's been several new additions in just in the last quarter, in leadership grows, we have brought in people from IME, we've gotten people from Hero Honda, senior management level, we are never talking at the manager level. We are talking at the COO, CEO or President level. We've gotten people in from Murugappa Group Investments. INEL, as I said, also Wipro Hydraulics as well.

So senior team member additions in the last quarter, and we expect this to 20 people to the recourse the year, all of whom are people and our attrition senior management is -- I mean, maybe a good or bad thing is quite low. So we don't really fire people off in that sense.

So we believe that our human capital is strong. Our org structure has been defined for what we want to look like 4 years from now. It's good. It's lean and filled with people with a tremendous amount of execution experience.

I'm very confident that they say not to be there is thing called it by the customer. So tomorrow I get it by the bus, the story continues. It's not me, Aditya driven in any sense. It is driven by the team and proud of the team that we have, and they're all ambitious, and the ambition will be the limited factor, not me.

**Bhashit Parikh:** All right. Thank you for your time.

**Aditya Rao:** Thanks so much. Great question, Thanks.

**Moderator:** Thank you. Next question comes from the line of Vinod Krishna from Avendus Capital Private Limited.

**Vinod Krishna:** Sir, if you can help -- I've been these companies who we have been there for the last 4, 5 years. So if you can help us understand how to think about growth because you've been guiding PAT growth of 20%. And how to think about medium-term revenue PAT growth because there is a legacy business of around 20%, 25%, which -- how does that sit? Will it really go to zero or will it stay there? And the other part will be growing? How should we think about tailwinds division? What are the factors driving -- giving us the ability to get market share?

And then if you can help us understand that PAT 20% is the peak or will -- because you to use the world at least 20%. So if you can help us because that becomes important for us to value the company because how to think about growth drivers for each of your divisions? Is this 20% the match growth or we will definitely be used to say at least 20% PAT growth will come? So if you can help us understand, sir?

**Aditya Rao:** So let me speak first about the legacy business units. Steel special grades are tubing and railways businesses. These are good profitable businesses. We should not allow them to go to zero, but capital isn't infinite management manner infinite. And we have to focus on our growth drivers and ensure we don't create many, many subscale businesses.

So we have decided on the growth but they are not going to deviate from it. That being said, we need to have some kind of an org-corp-structure, which allows those -- they should not go to zero. That would be wrong. Pennar should realize value from those revenue streams.

So we have -- we are looking at what are the best ways to achieve that. We will -- it takes time to put those things together. Similar to what we did in solar, there to call our solar capabilities. And we have created a joint venture with Zetwerk, which has the potential to do some amount of revenue, some amount of profit. So it didn't go to zero. It's something that holds value for Pennar. And not value meaning it's some INR1,500 crores, it should -- I mean what would a company like that work, that is a good question to answer.

So similarly, we should do something similar for this INR1,300 crores of legacy revenue streams in the business. And we are working on it, and we should have something for you soon. Let me put that there anything -- no commitment in terms of time line, but we are working hard on this. So that's point one.

As far as PAT margin growth -- sorry, PAT grows 20% is concerned. As I said, as these new revenue streams comes in, as they take scale, the operating margin being higher and our net margins being from a PBT point of view right now in the 4%, 5% range. Just adding our revenue takes care of profitability. There's no natural thing that it has to be 20% and can't be more than that.

Let's take, for example, our BIW business. It's expected to double in revenue size in the next few months, once Hyundai comes in. It's the plant has been commissioned today. There's no sales involved. The programs are all there. The 3 programs. We just have to keep producing and executing well and our revenue grows and scales. We've created these fields everywhere and all of them are seats.

The U.S. too, even though it's a USD120 million P&L right now is a seat. There's a tremendous amount of potential there that can grow because our competitors there are in billions of dollars. So as we grow, achieve a large accessible market and get revenue streams to comply and that is something we need to execute.

Once we do that, there's no such thing as 20% is the criteria or not. I think the best way to value us is to look at addressable market, look at our revenue growth and potential PAT margins, which will be range bound. It's not going to be 15%, but it's not going to be 4%, 5% or it is going to scale. So that should suffice to give a valuation range.

And, of course, from a capital efficiency point of view, you should assume that we reached the 25% benchmark as where we want to be from an ROCE point of view. Those numbers together should give foundation for how we want to look at our business.

**Vinod Krishna:** Sir, my second question is then, I'm assuming that it's not a question. So I'm assuming that there are enough tailwinds because you always say which is not new market reason for growth in all these divisions, mostly. So our PAT growth of 20% should be taken even for this year?

And my second question is in the jet work, when you said INR4,000 crores by when, sir? And how should we look at that? And my assumption, if you can clarify on my assumption that PAT growth of 20% for this year also is given like full year?

**Aditya Rao:** So the ZAP91 subsidiary, which is majority owned by network and Pennar, the revenue for that is something that I will -- we will speak internally in terms of what numbers you want to share. What I had mentioned is INR4,000 crores is typically water to 200 gigawatt solar plant, which is the capacity in what they tend to do, right? So that is in guidance for any stretch. When will they achieve, what all of that are things that we need to have a discussion at a later point.

But as of right now, the investment for Pennar is a minority investment. It's a way for Pennar to unlock value out of its long presence in the solar field. At one point in time, solar used to be a INR600 crores revenue stream for us. Instead of having that go to zero, we have decided this is the best way to do. So that's the narrative on solar. Is that the subsidiary's exact revenue is not something that we'd be able to comment on right now.

**Vinod Krishna:** Yes, sir. Bur PAT growth of 20% for this year, we can assume, right?

**Aditya Rao:** Yes, that is our stated goal that we achieve these numbers.

**Vinod Krishna:** And you have seen tailwinds in most of our revenue lines. We are seeing on the revenue lines firing in terms of tailwinds?

**Aditya Rao:** Yes. Our order books are strong. We have capitalized well. Our assets capacity utilizations are ready to take on additional revenue. We are confident of I mean, forget Q1 to Q2. Q1 to Q2 sequentially also, you will see very decent.

**Vinod Krishna:** Sir, over 3, 4 years, what kind of revenue can we look at, sir, at the company level over 3, 4 years?

**Aditya Rao:** So I mean I'm trying to answer that question without -- it seeming like guidance or something. I mean, we can, the market isn't going to prevent us from growing, clearly, based on our order backlog, as you can see. It's not the market. Our competitors are all large. So we will sustain consistent revenue growth and profit growth. Over 3-4 years, that will continue.

**Vinod Krishna:** Thank you, sir. Thank you and all the best, sir.

**Aditya Rao:** Thank you.

**Moderator:** Thank you. The next question comes from the line of Rahul Kumar from Vaikarya Fund. Please go ahead.

**Rahul Kumar:** Shrikant, you mentioned in the call that, in your opening remarks, that India business faced some operational challenge. Can you just elaborate a bit more on that? What exactly happened?

**Shrikant Bhakkad:** See, in the India business, we only had certain impacts on account of TEP, which in terms of execution team and focusing on the project delivery kind of a thing. So we -- now that we are focusing on the project delivery, there are certain issues in terms of project delivery and things. We will be focused for the growth. So these are more of an operational reason rather than structural issues, as I said.

**Rahul Kumar:** Okay.

**Shrikant Bhakkad:** I think the reference would have been to engineering clearances in the PEB space. More of an internal thing that we need to align ourselves. Yes. But I mean...

**Rahul Kumar:** Okay. Okay. So I think -- so are those issues resolved? Or is it something which we sort of continues to be bothering us?

**Aditya Rao:** As we are scaling up these issues, sometimes it creeps up. But these issues are viewed as more of operational issues and gets challenged. It is not that this gets locked in permanently and this will have impact on the thing. These are temporary blips, which had issues. There are no long-term or strategic reason for us to, that this will prevent our growth.

**Rahul Kumar:** And basis the order book, fraction which you have seen and I think the order book has increased pretty sharply in this quarter. So are we geared up to, you know, cater to that order book this year in terms of delivery and execution?

**Aditya Rao:** For Shrikant sir, for me. Yes. So we both will answer. Order books, strong production capacity is up in both U.S. and in India. So we have the capacity to deliver on those order books. I mean, it would be dangerous if we took a much higher order backlog and we couldn't push that out.

That would be -- so we consciously taken a call to ramp up our order backlog in preparation for higher revenue because the capacity is there. And the previous issues we've had for a few quarters in terms of labor supply and others, those have gotten resolved. We put a lot more automation and we've diversified our input sources a lot.

And that larger order backlog, the short cycle time it takes for it to get engineering clearances, drawings, all of that has also happened both for boilers, for PEB India, PEB U.S. as well. So, well set to grow and scale these businesses.

**Rahul Kumar:** Okay, okay. Second question which I have is on the diversified engineering. So out of this INR35 crores revenue item, how much is the legacy? And how much is the focused business out of this? And how is it -- what was it, let's say, in quarter 4 of this last year?

**Aditya Rao:** We don't have a precise breakup. What I can guide you to is typically the legacy business units that are referred to, which includes our special grade steel business, our cold rolled, what we call our steel strips business, which was frankly the original business of the company when we started, what, 25 years ago, it was 90% of our revenue.

Other than that, it includes also our railway coaches, wagons and components, and our tubing business. So, those legacy revenue streams currently contribute about 25% of our revenue. It used to be 35, a year ago it was 35, 33. It's reducing, quarter-on-quarter it reduces.

**Rahul Kumar:** Okay. But let's say, out of INR385 crores, how much would that?

**Shrikant Bhakkad:** Exact number, I'm not. I mean, I don't have the number. I mean to 25% into our sales, but into our -- but I think it will be better served to give you an exact number. We'll come back to you on that.

**Rahul Kumar:** Okay. But in this diversified engine, decline of 15% on a Y-o-Y basis, so is the entire decline being explained by the defocused business or the rest of the business also is a bit slow?

**Aditya Rao:** The entire -- the decline of what was the predominantly because of the diversified segment specifically if you could. Yes. So in the diversified segment, a predominant decrease is because of the legacy businesses and small bit of hydraulics, which is one of our growth vertical that we have, and that is because of the geopolitical issue. Other than that, there's no blips that we have seen.

**Rahul Kumar:** Okay, okay. Okay. Understood. Thank you.

**Moderator:** Thank you. The next question comes from the line of Nilesh Narendra Shah from Arrow Investments. Please go ahead.

**Nilesh Narendra Shah:** Yes. Hi, Aditya; and hi, Shrikant ji. Good afternoon. I have to two questions. Am I audible? Am I clear?

**Aditya Rao:** Yes, please go ahead.

**Nilesh Narendra Shah:** All right. It was always reassuring to hear you. I think I love the confidence with which you actually present the numbers. But something just doesn't add up when we look at the entire business model overall.

Now the first question I have is on the employee cost, which Mr. Shrikant tried to explain. Now quarter-on-quarter, I think we have gone to INR107 crores as of now. Is it due to wage inflation or increase in the number of employees? That would be the first question.

And are we looking at INR400 crores to INR500 crores employee expenses for the year because they seem to be growing faster than our profitability. I think that is a very concerning factor that I have. That is one. Second, I think we are spreading ourselves too thin and we are getting a holding company kind of a discount. We have boilers, we have Cadnum, we have BIW. We have so many verticals. As far as the market is concerned or as far as valuation goes, that's the reason why I'm here talking to you. I think we are getting less than a holding company discount.

So what steps is the management going to take to allay concerns that there are so many fragmented pieces of businesses the old business, legacy business you are coming out. But these will become legacy over a period of time, what you're doing now. So how are you going to address the concern?

Because like someone mentioned earlier, the goalpost keeps moving. And every year, there is something new that's happening in terms of how we are growing. The business from Cadnum, I think the JV is more than 3 to 4 years old. We have marquee clients. But apparently, there is nothing that is coming in terms of the volume of the business. We have no clue on what is happening over there. That is the second part of the question.

And the last one would be in terms of you bought warrants at 168 in a personal capacity. And why would it not make sense to actually pick up the equity from the open market to actually give more confidence to shareholders? Why would there be a warrant issue given? I mean, I really don't understand the reason for that in terms of -- if you can just throw light and color on these three things.

**Aditya Rao:** Okay. Let me try to unpack that one by one. The first question had to do with salary costs. Our salary costs are higher because we have undertaken an acquisition in telco. And as I mentioned, as we ramp up order backlog, we do also need to ramp up engineering manpower, teams, production staff level.

So -- and that typically tends to come before these order backlog is because an increase -- on the back of this, we are happy to commit that there will be strong double-digit growth in our

U.S. businesses and a lot of this increase in the salary cost was because of that. So that's point one in terms of why.

And does that justify the revenue growth? Yes, I think over the next few quarters, if you see our U.S. business revenue stream growing from a revenue standpoint, and it was growing by strong double digit rates, then that does justify salary increase. And obviously, I agree with you, the profit also for -- has to grow faster than. Otherwise, there's no operating leverage. So that I grant, and you should look at that for the next few quarters.

Speaking specifically about whether the goalposts are moving in terms of what is growing. You mentioned Cadnum, I think we've been -- I mean, I would like to state that I think we've been very clear what a growth model is. And over the last 2.5, 3 years, at least for the last, I would say, close to 10 quarters, we have been very clear that the business units we think will grow and scale our revenue, the India, the U.S. for the invite business, hydraulics business boilers business. Cadnum is a good aerospace business, is a good spot vertical.

But as I said, we have many other such revenue businesses, legacy streams. It sits in our railway. railways that covers that as well. And we're finding ways in order to realize some value out of those businesses. But the growth vectors we're talking about is always these four revenue streams. So that's four. All of them situated in Pennar industry.

So, there is I can't really speak to a holding company discount. I think there are several companies with a similar profile that we have. So, if the P/E multiple shall we say, of the company is not at a place where we like it. That's something that as we execute as we show consistent growth in profitability and capital actions that take care of itself.

I think there's -- in the last 2 years, we've seen the P/E multiples of '28, we've seen P/E multiples of lesser than that as well. So, I would advocate that we look at whether we are growing revenue and profitability. And if we are consistent in our messaging about what our growth factors are, I think the answer to both those questions is yes.

Other revenue streams they exist in the company. We do have the choice of stopping them immediately and not talking about them. So that, as you said, the goalpost don't move. But I think we have a responsibility not just to ourselves and the company and for realize value, but for our employees, for our customers and others.

It is -- there were revenue streams we stopped like our Water business, our industrial water and wastewater business. And we do not want to be that kind of corporate. And I don't think that's healthy for us in the long term, even if you were to look at consistency of revenue and profitability.

So, these revenue streams are what's going to grow to give it -- to summarize this and the second part of your question. PEB India, PEB U.S., body-in-white business, our engineering services business, our boilers business. Our Hydraulics is the one thing, as I mentioned, is this lack of clarity in our addressable market. we will come back to you on that. Other than that one revenue piece, which, by the way, for us, it's INR100 crores per year revenue piece. It's not an extremely material part of our business.

Other than that, one piece tell you we will be growing and scaling our other revenue streams. We have large order books in all of them. We have indicated we have brought capacity up and capex has been deployed and ensure capacity goes up. We're commissioning our new BIW plant, what I mentioned, which itself will double the time of that.

Take a look at it the next few quarters, if the messaging continues to change, then obviously to hold us to it. But I would strongly contest that we have been changing the narrative as far as growth rates are concerned.

The last part of your question was on the warrant. So, speaking now is the promoter of the company. I think warrants, the decision to take them is not just about pricing in the market. The pricing share price in the market can be anything. -- but it is a measure of confidence that we as promoters and I speaking again as the promoter have in the business model that we have, we are confident will deliver revenue and profitability growth in a capital-efficient manner.

Therefore, we've deployed INR50 crores is what we are committed to deploying INR20 crores of that is already in the company. Whether the founders pick up from the market also in parallel to that is a discussion for another and that's something as if such actions were to be taken, I think we will be reporting it to the exchange and there's no real way to map that.

So, to answer your question, sir, I think I see where you're coming from, salary cost increases being high. This method behind that matter have expanded. Revenue streams growth. I commit to you that we are not changing the narrative. We're not going to come with a new revenue vertical I said this is going to be the next sector of growth. And I don't think any vector we have spoken to has not been what we have said is going to grow the business over the last -- I would say, many quarters. So that would be my response.

On the warrants, I've already commented that it's a measure of our commitment, and we just wanted a price that is locked in that sale, whether it's INR168 or INR150 or higher than that is not the metric. We went through a process of price discovery. We went through what corporate governance requires and that's what we are going to do. We don't want to be opportunistic about the founders of the promoters increasing their stake at there's a way this should be done, and that's the process we have followed. So, thank you for your questions.

**Nilesh Narendra Shah:** Where this is going, I mean, you're doing too many things and too many good things at a time. Yes, industries which have got huge visibility in terms of growth, profitability. Other companies are doing it. If a minus just a simple case in point -- if I minus the other income component and add the net profit it will be less than 2% to 2.5%.

Our net -- our profit margin by minus the other income is less than INR20 crores. So, I know it's just not justified. Something is not adding up somewhere. I think a little introspection would be required from the team, the management, I think, in terms of what, as an owner, as a business owner, I would look at kind of expenses that I have in terms of my revenue growth. Something is not adding up. But I wish you all the very best and I still committed to being a shareholder with the company for many more years to come. Thank you so much.

**Moderator:** Thank you. The next question comes from the line of Venkatasubramanian Raman from Organic Capital.

**Venkatasubramanian R.:** Just a couple of questions. Do we declare our engineering services revenue specifically and how many people we have and what kind of growth part we have for that?

**Aditya Rao:** I don't believe we give it a segmental breakup. But from a revenue standpoint, I can tell you that it's about INR70 crores per year. It's composed primarily of structural engineering and building information modeling. The primary markets are the U.S. and Europe. In fact, it's the only market for the U.S., Europe.

**Venkatasubramanian R.:** Right. Some parts of the industry believe that this is one segment that wouldn't be disrupted by advent of AI. Do you guys have some specific thoughts and guidance on this?

**Aditya Rao:** So, we -- obviously, we monitor that because this is a high-margin business. So, what we found is that a lot of our customers, I won't name. Have tried to bring in some automation. AI, basically, we call it automation. So effectively, what work close on the engineering side on the design detailing side can be automated through the use of platforms such as open cloud and others.

They've tried, but the nature of the business is that it requires, while you can automate certain aspects of the workflow, the entirety of it cannot be. So, the -- we believe that some improvement in terms of productivity is what it will be up to about 30%, 35% is what we mapped out. And we already started using that.

But overall, the business being a threat of disappearing because no one gives engineering work out anymore is, I believe that question has been answered. So, I don't believe that, that's under threat.

**Venkatasubramanian R.:** Right. That's what I hear from industry players as well. But is it playing out on the ground? Do you have new inquiries coming? Do we have -- is our margin getting affected on the new bids? How is it playing out in reality?

**Aditya Rao:** So, we -- as I mentioned, one of our customers, they are a multibillion-dollar firm in the U.S. that spent a lot and try to automate some work. It didn't go in the direction. So, I think right now, as it stands, we're running 3 shifts. We work Saturday, Sundays for our engineering work. And I think in the last quarter, it grew by about 26% of that revenue stream. So, they have high hopes for this as well.

We've also done some hiring in this both in the U.S. and in India, but we've brought in senior professionals in the building information modeling space. So, as I mentioned, out of the 5 growth vectors we have, this is 1 of them. We're quite confident that this continues to grow in scale. I'm not seeing a threat of not -- if any of those were getting automated or any of the man hours or auto man hours pricing reducing these are quite robust revenue stream in my view.

**Venkatasubramanian R.:** Okay. There was some discussion about the Cadnum. I think one of the previous investors actually was referring to that. And after a long while we saw some mention of Cadnum in your press release in terms of new orders, etcetera. What is your view? And what can we expect there?

**Aditya Rao:** So Cadnum is our Aerospace business. It sits in our railway business. Railway is railways plus what we call aerospace machining and assembly and treatment and tooling. So that's the Cadnum business. it's stable right now. It's not growing. We're not deploying any capital into it anymore. So, it's effectively where it is. It's profitable. And like the rest of the railways business, like the rest of our legacy revenue streams, we are trying to find a way not to realize some value there.

**Venkatasubramanian R.:** My second question is on the PEB business in India. What is it that we need to do to get the kind of profitability metrics and return on capital employed metrics that some of our competitors have. You spoke about this a couple of quarters back. There's a lot of difference on the capital employed side between and the competitor that we talk about. You said some work needs to be done a few quarters ago. Has there been some progress there?

**Aditya Rao:** A lot of work has been done. We looked at the entirety of the process flow of the pre building. And we looked at what was different from our competitors. Key differences were a much higher advance percentage, which tends to reduce working capital at our competitors. We have still instituted that and advance percentage has now gone down to 25%. There's still some headwind for that to grow, but that at least is a massive improvement from where we were, which is closer to 5% to 10%. So that's one change.

The second thing we did was engineering optimizations, so we can actually get post order booking perhaps a percentage of tool savings as well. It doesn't sound like much, but obviously, all of that flowing through the bottom-line needs. So that is something that can be a power over at efficiency, especially the net margins are single-digit percentages. So that's the second aspect of that.

The nature of contracts we're trying to sign also has changed where we've now removed supply linkages to erection. They will be when we ship, we tend to -- there was an element in previous contracts where that money comes in only after certain milestones in the erection side have been met. And for whatever reason if the delays on the erection sites and that led to our accounts receivable being higher because we -- technically, that money was not due until we finish those milestones.

We have not removed that because keeping with what our competitors are also doing. So, it's a combination of not 2, 3, it's many, many things. They are we are doing -- we are now in a place where because of those, you will slowly see our capital efficiency, especially our working capital will improve and will reduce and our operating margins will improve to a certain degree, which will bring us more in line with what our competitors are at.

**Venkatasubramanian R.:** Okay. So, in terms of value and deliverable...

**Moderator:** Sir may I request to kindly rejoin.

**Venkatasubramanian R.:** I understand. Thank you.

**Moderator:** Next question comes from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

**Deepak Poddar:** Sir, just wanted to understand, I mean, in terms of our strategy or in terms of focus, I mean, are we looking -- I mean, there's a lot of opportunity in aerospace and defense. I mean you just touched upon aerospace space. So, in precision engineering, are we focusing in these areas, I mean, as a strategy or -- so can you throw some light there?

**Aditya Rao:** Sir, no, sir. I mean, I'm not denying that there are good opportunities for growth here, but I think they are focused on what we have chosen. Even if we execute on -- across our 5 growth vectors even if 3 or 4 of them hit, then we achieve our star long-term growth objectives and the profit objectives. So, while there are opportunities in the aerospace, could opportunity, it's not something we are looking to pursue, but we'll figure out a way with these legacy revenue streams, similar to what we have done with our solar business.

If we can find a home for it so that it becomes somebody else's baby. We will explore that. But as of right now, we are looking to see what is the best way for us to achieve that. But growing it with our capital, our management manners would not be big. So right now, they're in steady state mode, not capital, no capital but no capex going into those in any material sense. But they are strong, stable and profitable relative even our Aerospace business is profitable good businesses, but it's not our job to scale them anymore.

**Deepak Poddar:** Okay. Got it. And in terms of growth, I mean, from now the first quarter, you mentioned there was some slowness in a few of the sectors, right, even the PEB U.S. and the India as well, you saw some slowness. But now as you alluded that second quarter onwards, you will see growth in both given the strong order book that we have in both the PEB in U.S. So sequential growth is what one can envisage, I mean, as we go ahead in coming quarters as we go ahead into FY27?

**Aditya Rao:** I think you can look at -- I mean, if you sequential, I think, is what you mentioned. Q1 to Q2, you should expect growth. Yes, you should expect double-digit growth in revenue and profitability.

**Deepak Poddar:** Okay. And how about 3Q and 4Q?

**Aditya Rao:** I mean, as I said, I mean, our model is that it's not that our order backlog goes away, right? I mean, if you which is map out what we have in PEB India, PEB U.S. to INR1,008 crores, $100 million. All of that is something that has to be done in the near term in the next few quarters, right? So, it will sustain for the medium term, it will sustain high growth rates or order backlogs. We just have to execute on all of that.

**Deepak Poddar:** Okay. And I mean, if you have to look at some of the peers, I mean over in the PEB space, I think most of them, we have seen a growth of around 20%, 25%, right? So why -- I mean though you did mention that you have a legacy business, right? But what stops us that from growing those levels? I mean can you give your comment on that?

**Aditya Rao:** We're not at 25%. But if you -- if the legacy business reduction, if that is accounted for, then we are -- I mean, around those levels. It's not 25%, but I think I believe it's 16% or 17%. We don't have that number right now. But yes, it is -- it isn't that we are not in the same revenue growth metric or range that they are in. But we are confident of our model. I mean just PV U.S. will beat that 25% also. So, it's just execution. We just need to execute.

We've had some issues because of the unique way we have structured some of our businesses, specifically PV India over the last few quarters. We're looking, learning. Sometimes those transitions take a few quarters, but we are committed to growing. I mean -- and our strong order backlog demonstrates that we can go into the market and get our orders. So, we'll ensure that we improve our output. both in India and the U.S. and grow and scale revenue.

**Deepak Poddar:** Correct. But our PEB India and PEB U.S. segment has grown 16%, 17%, I mean, together?

**Aditya Rao:** That is...

**Shrikant Bhakkad:** Close to 20%, it has grown -- the custom design building solutions, if you see the details that we have given it to close to 16%.

**Deepak Poddar:** Close to 16%. Okay. That's very helpful, sir.

**Aditya Rao:** It's more or less the same. I don't see us as being laggards to the market, at least from a revenue growth standpoint in these mixes. But more will come. It will improve, but it in this quarter -- next quarter with the order backlog wasn't 100 million in Q1, it is now, right? It wasn't $100 million in Q1 is only about $70 million. So larger order backlog, more execution capacity equals revenue. That's revenue growth. That's the question here you want to ensure we realize.

**Moderator:** Ladies and gentlemen, we'll take that as the last question. And I would now like to hand the conference over to the management for closing comments. Thank you, and over to you.

**Deepak Poddar:** Understood. That’s very helpful sir. That would be from my side. Wish you all the best.

**Moderator:** Ladies and gentlemen, we'll take that as the last question. And I would now like to hand the conference over to the management for closing comments. Thank you, and over to you.

**Aditya Rao:** Thank you to all of you for your questions. We will continue to execute on our plan. In the interim, I think a lot -- so there are some questions which were we weren't able to get to. My apologies for that. We will keep an open line of communication, so that I and the rest of the team can address some of these.

My takeaways from this are to ensure that we execute on our growth plans, convert that large order backlog into revenue. And with your support, I'm hopeful that we will achieve our goals for this financial year, and we will look to execute on our plans. Thank you so much.

**Moderator:** Thank you. On behalf of Phillip Capital India Private Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.