"Man Industries (India) Limited Q2 FY27 Earnings Conference Call"

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MODERATOR: **MR. PRATEEK SINGH – IIFL CAPITAL**

Moderator: Ladies and gentlemen, good day, and welcome to Man Industries Limited Q2 FY27 Earnings Conference Call hosted by IIFL Capital Services Limited.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Prateek Singh from IIFL Capital Services Limited. Thank you, and over to you, sir.

Prateek Singh: Thanks, Anam. Good afternoon, and welcome, everybody. On behalf of IIFL Capital, we invite you to the Man Industries Limited Q2 & First Half FY27 Earnings Conference Call. From the management, we have Mr. Ramesh Mansukhani, Chairman; Mr. Nikhil Mansukhani, MD; Mr. Sandeep Kumar, CFO; Mr. Rahul Rawat, Company Secretary; and Mr. Vijay Gyanchandani, DGM, Investor Relations.

So without any further ado, I will now hand over the call to the management for their opening remarks. Over to you, gentlemen.

Nikhil Mansukhani: Thank you, and good evening, everyone. This is Mr. Nikhil Mansukhani here. I welcome you to our Q2 FY27 earnings call. We have delivered a good performance in Q2 FY27 amid all the macro headwinds with consolidated EBITDA at INR190 crores, our highest ever for a quarter and a revenue growth of 49% Y-o-Y and 14% Q-o-Q.

These are strong numbers, and we are pleased with the progress. But what makes this quarter particularly important is that the performance reflects the growing contribution of NPC following its acquisition in May.

We are seeing the benefits of a broader manufacturing footprint and a more diversified product and geographic mix begin to come through in our results. Navigating the operational environment, the geopolitical situation in West Asia disrupted key maritime routes, particularly The Strait of Hormuz.

Port congestions and delays in dispatch of finished goods means that approximately INR300 crores of revenue was deferred beyond Q2 FY27, which affected our stand-alone revenue. I want to be clear on this. It was a timing and logistic disruption, not a loss of business.

The contracts are intact and the customer relationship is unchanged. The customer has nominated alternate ports and these shipments are being executed. Our teams have worked closely with the customer to realign the dispatch plan.

Operating across international markets, disruptions like these are a reality. Our response is to protect customer confidence, adapt logistics quickly and keep the order pipeline converting into execution. Now talking about NPC, which is strengthening our Saudi platform. Since completing

the acquisition on 21st May 26, we have been integrating NPC and aligning it with Man's wide operations. Q2 FY27 was the first full quarter of NPC's contribution and integration is now fully in place across operations, systems and reporting.

NPC performed ahead of the range we had indicated, and we expect it to contribute meaningfully going forward and carry this momentum. The strategic value goes beyond the numbers. NPC gives us an established manufacturing base in the Kingdom, closer proximity to customers and projects, and it moves us from being an exporter into Saudi to a stronger in Kingdom manufacturing presence.

The capacity expansion and strategic projects. So our coating and double jointing facility is targeted to commence operations by April '27. It adds value-added processing and lets us offer more integrated pipeline solutions. Our Jammu project of stainless-steel pipe and plant is progressing with production expected in April 2027. It is our entry into higher-value segment and an opportunity to the import substitution.

Merino Shelters, it gives us immense pleasure to announce the launch of the Project Sai One World by Paradise Group on 26th of October with full IOD and CC and RERA approvals. The joint development with Paradise is now expected to generate cash flows from Q3 onwards. And also, it will generate a total cash flow between INR800 crores to INR900 crores over the next 5 to 6 years.

The newest addition in our capex and expansion is we are setting up a new plant in the United States of America, and this was approved yesterday by the Board. And it will be done by a wholly owned subsidiary, and it will be a manufacturing -- pipe manufacturing facility, approximately 350,000 metric tons, and approximate planned capex is around $110 million.

This broadens our geographic footprint and bring us closer to the customers in the major market. These projects share one objective, a more integrated manufacturing platform, wider value-added capabilities and a stronger presence in important global markets.

Our focus is disciplined execution and commissioning in line with our plans. The demand outlook and order book. Our consolidated order book is approximately INR3,500 crores across India and Saudi Arabia with a bid book of approximately INR19,000 crores, with the majority orders scheduled to execution over the next 6 to 9 months. In H2, we expect NPC's momentum to continue. In India, the disruption in West Asia remains a headwind for dispatches, but the order book and the deferred shipments gives us visibility.

With that, I would like now to hand over the call to our CFO, Mr. Sandeep Kumar Garg, who will take you through the financial performance in detail. Over to you, Sandeep.

Sandeep Kumar Garg: Thank you, Mr. Nikhil, and good evening, everyone. I will take you through the financial performance of Man Industries for Q2 FY27 and H1 ended September 30, 2026. At consolidated financial performance, the consolidated performance revenue for operation for Q2 FY27 stood

at INR1,216 crores, up 49% Y-o-Y. Consolidated EBITDA was INR190 crores, an increase of 86.6% Y-o-Y.

It also grew 20% subsequently; EBITDA margin expanded to 15.6% from 12.5% Y-o-Y and 14.6% in the previous quarter. Profit after tax increased 132% Y-o-Y to INR82 crores. PAT margin improved to 6.7% from 4.5%. On a sequential basis, consolidated PL PAT increased to 33.5%.

Now talking about National Pipe Company, Saudi Arabia contribution. National Pipe Company was acquired on 21st of May '26, and its number has been consolidated. And this quarter is the true reflection of its performance because this full quarter will reflect NPC's contribution. So for the period from the date we took over 21st May to 30th September, National Pipe Company contributed revenue of SAR 208 million, which is equivalent to INR532 crores. EBITDA of SAR 37 million, which is approximately equivalent to INR94 crores and PAT of SAR 31 million, which is equivalent to INR79 crores, converted at an average rate of for the period, [INR25.6 to INR25.6] per SAR.

Specifically for this current quarter, which is quarter 2 for FY27, NPC reported revenue of SAR 191 million, which is almost INR486 crores, EBITDA of SAR 34 million, which is INR88 crores and PAT of SAR 30 million, INR77 crores.

Its EBITDA margin is around 18%, while the PAT margin is 15.8%. And this was the first quarter where the full financials of NPCs are getting consolidated, it is the best indication of the scale and profitability NPC brings to the group. NPC also has no borrowing, a net worth of around SAR 618 million, which translates to approximately INR1,576 crores as on 30th September '26. Now let's have a look at the half yearly performance. For H1 '27, consolidated revenue grew by 43.6%, EBITDA 89.2% and PAT 122.1%.

EBITDA margin expanded by 360 basis points to 15.1% and PAT margin by 220 basis points to 6.3%. As we progress, our priorities remain disciplined capital deployment, timely project execution and efficient conversion of the order book into the revenue and cash flow.

With this, I hand over -- thank you. With this, I would request moderator to open the floor for questions.

Moderator: First question comes from the line of Disha from Sapphire Capital.

Disha: Congratulations, sir, for a good set of numbers in this current operating environment. A couple of questions, sir. Firstly, what will be our Saudi plant utilization currently? And what sort of revenue contribution are we expecting from Saudi for this year?

Nikhil Mansukhani: Yes. So Saudi currently is operating around 40% to 45%. And approximately, the numbers for the next couple of quarters would be, give or take, somewhere around the same numbers what is for this quarter.

Disha: What is with the contribution...

Nikhil Mansukhani: North of approximately INR500 crores.

Disha: Okay. For the next 2 quarters?

Nikhil Mansukhani: Yes.

Disha: And sir, this includes NPC or this excludes.

Nikhil Mansukhani: No, no. I'm talking about NPC for the next 2 quarters would be north of approximately INR500 crores between approximate.

Disha: Okay. Okay. And so the Jammu plant, we're expecting operations to begin April onwards. Is that correct?

Nikhil Mansukhani: Yes.

Disha: Yes. So what's the peak revenue do we see from that plant? And you mentioned that this is like a higher-margin product. So what sort of margins are we -- can we target for this product? And what will be the contribution for the next year from the Jammu plant?

Nikhil Mansukhani: So the peak contribution can go up to around INR1,000 crores to INR1,200 crores. The first year, we are targeting between 25% to 30% and EBITDA margins are anywhere between 18% to 22% for the stainless-steel business.

Disha: Okay. Okay. And sir, for this coating facility also that is going to come by April. Post that, what sort of margin benefit like do we see flowing in? And what sort of margins overall should we expect for the next year because both Jammu and the coating facility will be online?

Nikhil Mansukhani: I think we would be continuing at approximately at a consolidated level above 15% EBITDA even after pushing the stainless steel because it would just be the first year and coating also would be the first year. So we would be still growing at around -- the EBITDA margins would be north of 15%.

Disha: Okay. Okay. Okay. And sir, for this quarter, registered an exceptional gain of INR24 crores. What is the cause of that?

Sandeep Kumar Garg: Actually, what happened, we had an order with the customer, which would not quite concluded. So if you look at the note which we have given in our results, which very clearly disclosed everything about the transaction, that there was a transaction of around INR38 crores, which was reversed and the advance from the customer of INR25 crores was forfeited. And based on that, the goods was sold to another party. So there is no profit and loss to the company. But because of accounting purpose, we have to show it separately and which is practically showing my EBITDA at INR190 crores.

Otherwise, it is a business transaction, then EBITDA is INR215 crores. So this is not an exceptional item like sold any asset or something. It's a business-related transaction. Only accounting treatment, we have to go by the accounting standard to show it separately.

Disha: Okay. Okay. Okay. Fair enough. And sir, just the last thing on the U.S. capex that you've announced. Any sort of timelines by when do we expect this to come online? What sort of asset turns are we looking? And what -- and just like your rationale behind setting up this plant? If you could just elaborate a bit more on that?

Nikhil Mansukhani: See, principally, the rationale behind putting up the plant is, we are seeing quite a large surge of energy requirement in the U.S. Also, U.S. is absolutely closed market with 232 and the dumping duty. So we are not able to supply from India, and we are losing that market completely. In respect of our competitors are doing extremely well in the U.S.

With respect to the timeline, we have a targeted timeline of 12 to 14 months, and we are working towards it. And I think in due time in the next quarter, there would be further more update on it.

Disha: Okay. And sir, you also mentioned that we have a bid pipeline of around approximately INR19,000 crores. So what sort of conversion are we looking at? What's the exit order book for this year that we're targeting?

Nikhil Mansukhani: So approximately, the conversion for us has been between 25% to 30%. So we are looking at around INR6,000 crores, INR6,500 crores, including Saudi and India put together.

Disha: Okay. And sir, for this year, we're targeting around INR5,500 crores in revenue that correct?

Nikhil Mansukhani: INR5,000 crores. INR5,000 crores.

Disha: INR5,000 crores. Okay, and any sort of color on what sort of growth can we look at for the next year?

Nikhil Mansukhani: I think we should be continuing to grow at between 20% to 25% on a consol level.

Moderator: The next question comes from the line of Nikhil Nyati from Investec.

Nikhil Nyati: So sir, my first question is on the U.S. expansion. Sir, I wanted to ask that do you intend to partner with any local player? And if that is being considered, what would be its scope and structure? That's my first question.

Nikhil Mansukhani: No, we don't have any local partner. Can you hear us, Nikhil?

Nikhil Nyati: Yes, I can hear you.

Nikhil Mansukhani: Yes, yes. For now, we don't have any local partners.

Nikhil Nyati: Okay. And sir, second question is on the U.S bid pipeline. Any visibility or any color that you can give us on that front?

Nikhil Mansukhani: Sorry, we lost you there. Can you repeat your question?

Nikhil Nyati: Sir, on the U.S. and the Saudi Arabia bid pipeline, any color -- any more color that you can provide us on the business over there?

Nikhil Mansukhani: U.S.A., I cannot -- because we are not bidding yet. Once we are there only -- because it's a local market. But there, I can tell you this much that U.S. overall till 2052 is announced a total revamping of oil and gas lines approximately $1 trillion. And even if we probably assume that's on the higher side and divide it also.

But still, I think there is a large amount of pipelines between $2 billion to $4 billion every year for the next 10 to 15 years. So looking at the data center surge, the old lines which are getting renewed, we feel there is a lot of business in the right place because it's a completely closed market.

Saudi Arabia, on the other side, we have bids of more than large quantities, almost 500,000 tons. And Aramco is going quite aggressive. Also, there is Master Gas IV, which would be coming up very soon and other renewable and loop lines. So the bid book is very, very strong in Saudi Arabia. And we expect it to continue again for the next 2 to 5 years.

And also water demand is very, very large in Saudi Arabia with new water lines coming in. So I think principally from 2027 to 2032, '34, it's quite a strong bid outlook for even Saudi Arabia.

Moderator: The next question comes from the line of Bhavin Pande from Emkay Wealth Management.

Bhavin Pande: I had just 2 questions. First question was on the U.S. capacity. So would we be using existing set of machinery from India? Or would we look at procuring new machinery for a new facility in the U.S.?

And secondly, before the Saudi acquisition, I guess, we were ramping up facility in Middle East as well. So what happened to that capacity that was being ramped up before the acquisition?

Nikhil Mansukhani: Yes, Bhavin, so for the U.S. capacity, we would be doing both. We will have set of new machines as well as some upgraded machines, which will be both put together and sent across to the U.S. Your question for Saudi Arabia is, yes, we did get the land for the greenfield. And -- but we are doing the coating plant over there now.

And in the meanwhile, we managed to acquire NPC. So we did not go ahead to put up the manufacturing facility there, just the coating facility.

Bhavin Pande: Okay. And what would be the cost that we would be looking at for the machinery that we are procuring in the U.S.?

Nikhil Mansukhani: I think the total project cost is around $110 million. So that would cover up all the machines and all the land and all the infrastructure, everything.

Bhavin Pande: Okay. And what is the capacity we are looking at?

Nikhil Mansukhani: It would be around 350,000 tons.

Moderator: The next question comes from the line of Jhalak Jain from Chhatisgarh Investment Limited.

Jhalak Jain: For the -- like you have a deferred revenue of INR320 crores. So is it normalized going forward or we expect it to reduce further?

Nikhil Mansukhani: It will be reduced over time as the customer has given some different ports. So we've managed to send our shipment out to those ports. So it will normalize in the near future.

Jhalak Jain: By when can we expect that, if you can give us any idea?

Nikhil Mansukhani: I think most of it should be in this quarter.

Moderator: The next question comes from the line of Dikshi Jain from InCred Equities.

Dikshi Jain: My first question is regarding the U.S. facility. So when are we expected to finish the entire capex? And how is this funded?

Nikhil Mansukhani: We expect to get the entire financial closure by February.

Dikshi Jain: When will the capacity be live?

Nikhil Mansukhani: We are trying for December '27 and January '28. And then there is operations and then we have to obviously apply for the API license post that.

Dikshi Jain: And how will the capex be funded for this?

Nikhil Mansukhani: It is basically through debt, and we are going to do some preferential internal funding through Pref or QIP.

Dikshi Jain: Okay. And also we -- so this year, we are not expecting any income from Merino Shelters, is it?

Nikhil Mansukhani: We will get. We will get -- it's already been launched and some income will start coming in from Merino, not a large income because it's only 5 months, but we will get -- start getting some income.

Dikshi Jain: Okay. And for the Dammam Facility, so we said that we will do about some utilization in FY28. Can you give us a little color on how the coating facility business is there? And how are the realizations like for that business?

Nikhil Mansukhani: So coated is obviously like a compulsory added facility. It's doing extremely well. Currently, all the other plants are busy, which are there in Saudi Arabia. And we expect it to be the same. And plus the orders which we will be getting from Aramco will also be coated in our facility, which are currently going outside.

So I think the coating facility is going to be very busy. And the margins are quite lucrative and north of around 15% again.

Dikshi Jain: Okay. And how much revenue are we expecting in FY28 coming from this facility?

Nikhil Mansukhani: From NPC, we are expecting between $200 million to $250 million.

Dikshi Jain: NPC -- this includes coating...

Nikhil Mansukhani: Yes, includes coating.

Moderator: The next question comes from the line of Viraj Mahadevia from Moneygrow Asset Private Limited.

Viraj Mahadevia: Nikhil, congratulations to you and the management team on integration of NPC. A couple of questions. One is the finance cost of INR50 crores in Q2. Is that now the full finance cost likely to be the way forward after baking in the debt taken for NPC?

Nikhil Mansukhani: Yes, that is.

Viraj Mahadevia: Okay. Perfect. Second question is despite a much higher profitability in first half of this year versus first half last year, your operating cash flows have remained exactly the same. Could you explain to us what's happening on working capital and why that's sort of blocking up some cash?

Sandeep Kumar Garg: So actually, as you know that there were some disruption because of geopolitical issues and shipments was delayed. So if you see our balance sheet, the inventory has slightly reduced, but the debtors and the sales, so the working capital cycle is a little elongated. That is the reason that because of dispatches delayed and some orders which we are executing for DDP shipment, that is also working capital requirements are a little higher.

Viraj Mahadevia: Understood. And will that -- Mr. Garg, will that likely normalize in the next 1 or 2 quarters?

Sandeep Kumar Garg: In the next quarter, quarter 4, everything will be normalized.

Viraj Mahadevia: Understood. Nikhil, could you give us some perspective on the overall order book bid pipeline? So what is the total value of orders we bid for between India and NPC at a consolidated level?

Nikhil Mansukhani: Currently, between INR18,000 crores to INR19,000 crores.

Viraj Mahadevia: Okay. And you're saying typically, our win rate is about 20-plus percent, right?

Nikhil Mansukhani: Yes, generally between 20% to 35% is our win rate depends how aggressive we go in which orders, yes. But that's a typical range.

Viraj Mahadevia: Are you all going more aggressive in the -- out of Saudi plant given that you are at 40%, 45% utilization?

Nikhil Mansukhani: Yes. Yes, we are.

Viraj Mahadevia: Including for water orders and other orders, which NPC historically could be?

Nikhil Mansukhani: Yes. Now the plant is already upgraded. We've already done the capex of the plant. We got a couple of months after acquisition, which was not very busy in which we managed to upgrade and cater to all the sizes of the water order, which NPC was not being able to do before. So we are very well placed now to get all those inquiries and orders also.

So it's going to be busy. NPC will be very busy coming year, it will be very busy.

Viraj Mahadevia: Right. And do you see any incremental synergies coming out of NPC? Or do you think you've sort of maxed out on them, whether it's procurement, sourcing from Asia, et cetera?

Nikhil Mansukhani: No. See, this benefit is going to come, and it will start reflecting in the newer orders as well because we are obviously buying almost a large quantity now, almost double what we were doing in India and now put together with NPC. So definitely, we are getting those benefits in the raw materials. NPC was buying certain raw materials from certain players only. And once we took over, we are already saving 30%, 40% cost on some of the raw materials like consumables, fluxes, wires.

So it's an ongoing process. It's just been nearly 5 months, and we have managed to do a lot according to me. But it's -- like I said, it's ongoing. We are ever improving. Even the India operations, we are improving. So yes, we see to see improvement in both, in fact, India as well as Saudi.

Viraj Mahadevia: Right. When Mr. Garg, do you think you hit your peak debt levels given that we've just completed the acquisition of NPC. We're looking to now commit to the U.S. project. At the same time, we have money coming in from Merino. When is your peak debt? And what is the net debt to EBITDA at that level?

Sandeep Kumar Garg: Currently, for this year, FY27, we are expecting peak debt to be around INR1,700 crores. Gross. And net will be -- if you look -- net will be around INR200 crores or INR250 crores net. And for U.S., still we are working out exploring possibilities of mix of finance. So I will not able to make any comment or commit the figure for that.

Viraj Mahadevia: Understood. So you're saying FY27 net debt should be INR250 crores only?

Sandeep Kumar Garg: Yes.

Moderator: The next question comes from the line of Raj Seth from Abans PMS.

Raj Seth: I would like to ask what are the key reason for the subdued stand-alone performance in Q2 FY27?

Nikhil Mansukhani: The main reason, Mr. Raj, is because of the shipments. Due to the geopolitical war, Hormuz being shut down and a lot of delays of raw material coming in as well as finished goods going out is the main reason.

Raj Seth: Okay. Can you give me revenue and margin guidance for H2 FY27 and FY28 for stand-alone business?

Nikhil Mansukhani: Stand-alone, I cannot give you right now of stand-alone, but I can give you a consol level that -- can you hear us?

Raj Seth: Yes.

Nikhil Mansukhani: Yes. At the consol level, we would be doing approximately similar to H1 in H2. And next year, there would be approximate growth at the consolidated level at between 20% to 25%.

Raj Seth: Okay. And what would be our capex guidance for H2 and FY28?

Nikhil Mansukhani: FY28, majorly the capex is for the U.S., approximately $110 million. And H2 capex is, I think...

Sandeep Kumar Garg: This is our part of coating and the Jammu facility...

Nikhil Mansukhani: So H2 capex is approximately $30 million plus $15 million, which is pending, so around INR450 crores. $30 million is for -- the $25 million pending, which is for the coating mill at Saudi and around INR150 crores, which is pending for the Jammu. That's it.

Moderator: The next question comes from the line of Prateek Singh from IIFL Capital.

Prateek Singh: Just a clarification on the prior question in terms of the operating cash flows. I think it's not very clear in the results, but the FY26 numbers are for full year, right? And the '27 numbers are for first half when you reported in your release.

Sandeep Kumar Garg: That's correct.

Prateek Singh: Yes. Because then it looks lower, but on a like-to-like basis, cash flows actually have gone up, it seems.

Sandeep Kumar Garg: Yes.

Prateek Singh: Okay. Understood. That was my first question. Second is largely on the U.S. data centers. I understand that we are expanding there. But post these midterms and Democrats, anything that you are hearing on the Street in terms of a slowdown or curbing of further expansion of pipeline capacity?

Or do you think this is something which the pace of capacity additions will continue to be there over the next 3, 4 years? Or are you seeing any kind of a slowdown being talked about or this risk about Democrats winning the midterm elections. So what are your thoughts on that?

Nikhil Mansukhani: No, I think there might be a certain impact, but the growth rate versus the actual pipes and the lay down of the gas availability and the grid availability is very, very low because if you see the last 10 years per se, U.S. did not lay down much of the lines, the old as well as the new ones.

And even with the U.S., the Democrats coming in, the important bit is that they want to control the inflation. And if you saw the recent couple of orders of the gas grids being extended and the pipeline orders, it's been directly given by the AI companies to -- down the line gas grids and they are giving it to the pipeline.

So the government is, in fact, saying, okay, if you need the gas and if you do it, do it yourself, we will support you, but we will not do it to increase the inflation in the country. So the AI companies are actually now completely build-to-suit, including gas lines and power and everything themselves.

So we don't feel that there is going to be a major slowdown. But we do know that for the next 5 years, there is enough demand and there is enough lack on supply, and that's why you're seeing competitors getting orders even if they book till 2030. So we have to capitalize on this opportunity.

Prateek Singh: Understood. And given that we are a new entrant in the U.S. vis-a-vis a plant located in the U.S. itself, what would be your right to win given that we already have 2 Indian peers and Turkish player who are kind of quite established there right now. So what would be a right to win there? Or do you think the market is big enough for a new entrant to come in and operate at decent utilization levels?

Nikhil Mansukhani: Currently, the market is very big because U.S., if you see by size itself is very, very huge. A small order of 100 to 200 kilometers is 200,000 tons. So -- which is very small distance for the U.S. So we feel that definitely, there is a lot of opportunity and space there for us right now. And like we said, all the competitors are busy till 2030, right?

So it's all about our timing to be there present very, very quickly. And I'm sure that we would get equivalent business. And we are not new to the U.S. We have done large orders of more than $200 million previously when there was no dumping from India. But also another reason is because it's a protective market, it makes logical sense for us to be there. So that's the main reason to go there.

Prateek Singh: And you mentioned earlier that December '27 or Jan '28, the plant would be ready and then it will take some time for the API license. Usually, how long is this API licensing process?

Nikhil Mansukhani: 3 months, 3 months.

Prateek Singh: Great. And just a clarification on the NPC numbers stated earlier. So when you said INR500-odd crores in the second half, that is per quarter, right …

Nikhil Mansukhani: Yes.

Prateek Singh: Okay. And are the numbers in NPC kind of lumpy? I mean -- so what changed that the first 9 months, they did INR1,000-odd crores, out of which half came in just 1 quarter. So are they facing any issues? And why are they still running at 40%, 50% levels? Is it that the plant cannot go higher than that?

Nikhil Mansukhani: No, no, plant can go higher, but the management changeover before -- 6 months before the management changeover, the existing management was not very keen to take orders because then they have to give liability certificates and responsibility upgrading cost.

They were not willing to do it. That's why certain orders, they did not grab. And that's why it was slightly lumpy. But like we said, going forward, I think it's going to be quite consistent and hopefully moving upwards only.

Prateek Singh: Understood. And my last question is on how would the accounting for this Merino Shelters happen? Would it be like a real estate on a completion basis? Or I mean, just how would the accounting happen if we have to model it?

Nikhil Mansukhani: Yes, it would be on completion percentage basis.

Moderator: The next question comes from the line of Ganesh Rao from Punarvi Capital.

Ganesh Rao: So the first question is on the INR320 crores thing. You mentioned that approximately with INR320 crores being deferred from Q2 because of The Strait of Hormuz issues, how much of the shipments have already been dispatched -- or have you started recognizing in Q3? Have the alternate routes resulted in higher cost for us, be it insurance premiums or any additional expenses? And will our original EBITDA margins be impacted because of this?

Nikhil Mansukhani: Yes, Ganesh, good question. Yes, INR320 crores, part of it has already started shipping to newer ports. Yes, the cost has gone up due to the war and the force majeure conditions. And short-term impacts will obviously be there because the project -- the government is already -- the project is for ADNOC suppose or any other government authority. They have already given us a letter that we will be compensated, but we have to complete the project first.

So once the project is completed, we would be compensated the differential amount of all the excess freight, which we are paying. But yes, but it's a temporary or an interim impact. It's not a permanent because they've already given confirmation letters to us.

Ganesh Rao: That's great to hear. Just kind of double clicking on that, right? Now the transition from FOB to RCIF to the GDP, right, the freight revenue is now included in our top line, and the freight costs are also getting recorded under the other expenses, which we see that it's increasing year-on-year. Now for us, right -- sorry?

Nikhil Mansukhani: Yes, go on.

Ganesh Rao: Yes, yes. Like is it possible for you to approximately kind of quantify the freight component as a percentage of sales and the incremental EBITDA contribution from these orders? Because if we have to make or compare how our margins are growing along with the revenue growth based on historical FOB or CIF model, right? It kind of gives a better picture for us. Right now, we are not able to do that. So it will be helpful.

Nikhil Mansukhani: Yes. But the problem is the orders are not going to one country. They're going to different countries under different conditions, different payment plans, different payment terms. And to be honest, all the logistic cost is all passed through, right? It's all a part of our cost sheet when we bid.

So suppose somewhere it's a 90-day delivery time period, even if it's a CIF or somewhere it's a 120-day because it's a DDP because we have to deliver. So it's not that easy to give you a percentage breakup. Also, the problem is -- is that Mr. Rao?

Ganesh Rao: Yes, yes, this is Ganesh here.

Nikhil Mansukhani: Yes. So Mr. Ganesh, last year, suppose the freight cost was approximately 11% for the company. This year, per se, it would go up to 20%, 25% -- and yes, but it's not necessarily every year, it is at the similar percentage. It depends on order to order location to location.

Ganesh Rao: Got you. Got you. So, if that's the case, right, probably on the current order book of, say, INR3,500 crores, how much of them are roughly still fixed price versus how many of them have the capability for us to pass on the freight expenses? Because I think in one of the quarters...

Nikhil Mansukhani: Everything is fixed price. So the problem is The Hormuz. So everything is -- all the contracts are fixed price. There's no variation. But under force majeure, we have obviously asked our clients and our vendors have asked us. So it's -- again, we are trying for a pass-through so that the company is least impacted.

Ganesh Rao: Fair enough. And the last question I have is, in your opening remarks, you kind of alluded to the bid pipeline being now INR19,000 crores. And I think in the previous quarter, you had referred to it being around roughly INR24,000 crores. Given that our consolidated order book now is INR3,500 crores, how much visibility do you have over the next 6 to 9 months given that we also have a rough guidance of INR5,000 crores for the FY27 year-end. I just wanted to gauge like are we seeing some slowdown in conversion of these bids? And do we expect any big kind of lumpy order inflow probably in the next 6 months or so?

Nikhil Mansukhani: Not really. The only thing was certain bids were open-ended because they were at closure level, but because of the Hormuz, they've got delayed and certain have got withdrawn for the time being. But a lot of bids in pipeline currently. And we are looking to achieve what we said that this year, we would close around INR5,000 crores top line and next year would be approximately 20% to 25% growth. What we see is obviously NPC driving a lot of the growth as well because this year, they did around INR1,500 crores.

Next year, we are looking at around INR200 crores -- INR2,500 crores from NPC as well. So I think we will achieve those numbers. And in the near future, hopefully, we will have some announcements as well for the new orders.

Ganesh Rao: Perfect. And sir, one last question. Just a clarification because I think a couple of analysts before me had already asked and you answered it. The question that I had was concerning the NPC acquisition, the Daman facility, the Jammu project and now the U.S. investment of $110 million -- like what was the expected peak debt over the next 2 years, right?

And I heard you or Mr. Garg saying that the peak would be INR1,700 crores and the net debt by the year-end would be approximately INR250 crores. This doesn't include U.S. in it. Is that the right summary, correct?

Nikhil Mansukhani: Correct, correct. This does not include U.S. in it.

Ganesh Rao: Okay. And to fund the U.S. investment, you are planning to think about preferential issues or QIP funding?

Nikhil Mansukhani: Yes, partly, partly debt, partly some equity dilution.

Ganesh Rao: Okay. And what is the targeted leverage that you are planning to aspire towards?

Nikhil Mansukhani: It's too -- I can't yet disclose it. You will come to know soon once everything is closed out.

Moderator: The next question comes from the line of Vishal Jain from Divitiae Investments.

Vishal Jain: Am I audible?

Nikhil Mansukhani: Yes, we can hear you.

Vishal Jain: Just had a couple of questions regarding the U.S. facility. So you said the facility will be commissioned sometime late 2028, early 2029, right?

Nikhil Mansukhani: No, no, late 2027, early 2028.

Vishal Jain: Okay. So the revenues will be from financial '29, if I'm not wrong.

Nikhil Mansukhani: Correct. Correct. Correct.

Vishal Jain: Can you just give a ballpark figure like how much are you expecting the U.S. facility to generate and contribute to the top line?

Nikhil Mansukhani: On the capacity utilization at 75%, I think we can do approximately between INR4,500 crores to INR5,000 crores of top line.

Vishal Jain: Okay. Okay. And what are the margins are we looking at for this one?

Nikhil Mansukhani: U.S.A margin are tentatively between 10% to 15% PAT level.

Vishal Jain: Okay. Perfect. And another question, I know a couple of analysts already asked about the debt, but you have said that you'll be funding the U.S. projects partly through equity dilution and debt. So what kind of interest costs are we looking for the new debt that we will be taking?

Nikhil Mansukhani: The U.S. dollar interest rate is between 5.5% to 6.5%.

Moderator: The next question comes from the line of Nikhil Nyati from Investec.

Nikhil Nyati: Sir, on the U.S. facility, can you explain why the capex per kg of capacity is lower than that of competitors' brownfield expansions despite our project being greenfield? Any particular reason for the lower capex intensity?

Nikhil Mansukhani: I think we put our projects at a good cost, and we have good control in the system. But this is also purely also because of some equipment we have in-house and some we need to buy new. So that's also one of the main reasons why our capex cost is slightly lower than our competitors.

Moderator: The next question comes from the line of Nirvana Laha from Badrinath Holdings.

Nirvana Laha: Sir, people have already asked you this question but still want to get your views. Don't you think that when you are planning to put up the plant, it's already sort of mid-cycle or mid- to late cycle in the pipeline build-out phase in the U.S.

If I remember correctly, sir, I think in 2007 or '08 also you had intended to set up a plant in the U.S., which eventually I think you didn't go ahead. And your counterpart who did had some really fallow years after that. So just want to get your views on how you're seeing the cycle and that kind of risk playing out? What gives you the confidence that, that should not happen this time onwards?

Nikhil Mansukhani: Mr. Nirvana, 3 very important things. At 2007, '08, we did go and we did not put it over there because of this whole thing of the up cycle and the down cycle. Today's time period is very different. U.S.

is a closed economy. I think we all are seeing that if you are there, you are getting the orders. If you're not there, you're not getting the orders. So for us being a global company now, and we are very clear that, that is how we are going to move forward for the growth of the company, we have to be there. The good part is that, yes, we are not going during the peak or so that we only get the downfall.

I think it's still moving upwards and the next 2, 3 years are quite prime in the U.S. still because you've seen whatever the U.S. announcements have come, it's come in the last 1 year. So it cannot be the peak, right? So I think by getting up the factory up and running very quickly is our first target.

And if we are able and capable to do that, I think we should have good 2, 3 years. And then obviously, in such a business and looking in the U.S., I feel there is a large scope of pipelines

and being limited players, I think we have to be there. So I think we also discussed this internally a bit in the company. And I think it's the right time we have to be there.

Nirvana Laha: Sure. I appreciate that. And sir, would you also be restricted in buying RM from U.S. mills? Or can you buy RM from outside? And what about tie-up discussions and the likes? Are you already having those discussions?

Nikhil Mansukhani: Yes. So principally, the problem of sourcing steel of the U.S. is less of an issue until and unless everyone is busy, all the U.S. steel mills are busy, then obviously, you have the waiver to import from Japan or Korea. On the other side of tie-ups, you are aware that Nippon Steel is now owner of U.S.

Steel, and they make 11 million tons of HRC, and that's our biggest raw material, and we're already dealing with Nippon Steel since many, many years, and we buy a lot of steel from them for India to export as well for the pipes. So we already have the synergy, and we have relationships there. It's just -- once we are there, we have to build more on it. And I think that's the core aspect of our business, which we will do. And so I don't find that any difficulty in that sense.

Nirvana Laha: Understood, sir. And finally, on Section 232, you don't think there's any scope of a certain reversal, which can obviously impact local plants?

Nikhil Mansukhani: 232 did not go away even when Obama was there. So 232 isn't going away anywhere. It was the dumping, which was again there at 500% for India even during Obama and even during Trump, it is there. So we don't feel any of that is being touched. And so I think -- and if that be the case, it's not for me alone. So it will be for everyone who's there. So we see it very, very, very difficult for those tariffs to go away.

Moderator: The next question comes from the line of Akhilesh Rawat from Ridhanta Vision Private Limited.

Akhilesh Rawat: So sir, most of my questions are answered. I just wanted to ask you regarding like do we have any plan to expanding in any other geographies like in terms of manufacturing footprint, like we are currently in India, Saudi and we are planning U.S.A. next. So do we have any such plans for any other geographies where we will set up our manufacturing plant?

Nikhil Mansukhani: No, not now.

Moderator: Thank you. Ladies and gentlemen, we will take this as the last question for today. On behalf of Man Industries Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.