# NMDC Energy – FY24 results call transcript

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**Afaq Nathani – Senior Research Analyst, International Securities**

Hello everyone and welcome to NMDC Energy's 4Q24 and FY24 results conference call hosted by International Securities.

My name is Afaq Nathani, the senior research analyst at International Securities, and today I have the distinct pleasure of introducing the CEO of NMDC Energy Eng. Ahmed Al Dahiri, the Group CFO, Mr. Sreemont Barua, the finance director, Mr. Ashish Khandelwal, the senior director for Project Control and risk, Mr. Amjad Abdul Shakur, the senior Director for Investor Relations and financial communication Hanzada Nasima and the Investor Relations manager, Shaima Ali. NMDC team, I thank you all for joining the call today.

Following a presentation of NMDC Energy's financial performance by their team, the floor will then be open to a Q&A session.

In order to ask a question, please tap the raise hand button. Once it is your turn, your name will be announced and your mic will be enabled. You will then be able to unmute locally and speak directly with the company's management.

I now give the floor to NDMC Energy's  senior Director for Investor Relations and financial communication, Hanzada Nasima. Please go ahead.

**Hanzada Nasima – Senior Director for Investor Relations & Financial Communication, NMDC Energy**

Thank you, Afaq. Good day, ladies and gentlemen, and welcome to NMDC Energy Full Year 24 Results Conference Call.

I will start by a safe harbor statement and then I will turn over the call to our CEO engineer Ahmed for further overview of the results.

In our discussions today, we may include predictions, estimates or other financial information that might be considered forward-looking.

While these forward-looking statements represent our current judgment on what the future holds, they are subject to risks and uncertainties that could cause actual results to differ materially. The company undertakes no obligation to revise or update forward-looking statements as a result of new information since these

statements may no longer be accurate or timely. I will now turn over the call to our CEO, Engineer Ahmed.

**Eng. Ahmed Al Dhaheri – CEO NMDC Energy**

Thank you Hanzada, Thankyou, Afaq. I'd like to begin by welcoming everyone here today. As we discuss what we only be viewed as another landmark here for us at NMDC energy, where we are reporting outstanding financial results for the year 2024. Once again, we reported an impressive Q4 financial performance taking our full year revenues to AED14.4 billion and our net profit before tax almost doubling to reach AED1.6 billion.

As you can see, the growth is significant 82% year on year on revenues and 80% year on year on net profit.

For dividends, we delivered on what we promised the Board of Directors proposed dividends of AED700million, presenting a dividend yield of 5% in line with what we announced during our IPO last September.

You can see also the awarded projects in 2024. These AED16 billion, with a backlog of AED50.4 billion, executable in the next three to four years and a healthy pipeline of AED59 billion as December 2024.

NMDC Energy has also inaugurated a state of art facility, fabrication yard in Ras-al Khair. This is an investment of AED200 million with a total area of 400,000 square meters. This is a state of art yard facility that will provide onshore and offshore facilities fabrication as well as the modulars that we are developing right now.

KSA currently represents roughly 40% of the company's top line and this is a figure that I believe will increase post the inauguration of the KSA yard.

As you can see, we also are building our capabilities in our current fabrication yards like the one in Mussafah, so we are strengthening our position in our core markets. By doing so, we have invested roughly AED200 million to modernize and include cutting edge technologies, robotics and many process enhancements to enhance our efficiency and also to reduce our carbon footprint as well as more investments were injected in our facility in ICAD 4. This is related to pipe coating, internal coating and also double jointing. So overall, in terms of our fabrication capabilities, this really went up by 70%.

We currently see opportunities and participate in tenders in Southeast Asia as well as North Africa and West Africa.

And as part of our sustainability efforts, NMDC energy is actively advancing its presence in the renewable energy sector with strong focus on offshore wind, so the

company is planning to expand its fleet with multiple dynamic position vessels which are going to enable us capture good market share of the offshore wind. We have executed as you know an important project in Taiwan over the past three years and today we can see number of opportunities both in Southeast Asia and in Europe.
So we went out with a tender after completing our feasibility study to build a dedicated offshore wind vessel with a total investment of around $500 million.
Moving next to the backlog, as you can see here, the committed work is around AED50.4 billion and we have roughly AED13.4 billion outside United Arab Emirates, so this is roughly 26%.
And also if I take you through some of the demographics we have around 60% of the backlog is currently offshore and 40% is onshore and this is a clear development from a 2023 whereby the share of onshore jobs in our revenues were only 10% and today we managed to increase this share to reach 30% of our 2024 revenues.

I will pass the mic now to my colleague Sreemont to take you through the financials.

**Sreemont Barua – Group CFO, NMDC Energy**
Thank you, engineer Ahmed, for taking us to the highlights of the performance for the year and good afternoon everyone.
So I will just now dive into some more detail into the financial performance for the year and as you can see on this slide, our revenue for 2024 soared to AED14.4 billion, which is an 82% increase compared to previous financial year where we had reported AED7.9 billion revenue. We also achieved 80% year on year increase in net profit for 2024, which went up from AED780 million in 2023 to AED1.4 billion, which was driven by strong operational performance and strategy expansion into new projects locally and internationally. The key projects which drove such revenues comprise Hail & Gasha EPC, Lower Zakum and other projects with ADNOC and Aramco.
Not on, not on the slide, but reported elsewhere, earnings per share rose a remarkable 82% from AED0.34 per share to AED0.62 per share, and total assets increased from increased to AED16.5 billion or 27% increase over 2023 which was at 13 billion.
So on the free cash flow and working capital, just overview. So we continue to have a negative working capital, but just talking about the free cash flow in 2024, fourth quarter we generated AED1.4 billion of free cash flow, which was more than what we did in Q3 and for the full year, we had a AED2.8 billion cash flow from operations and

net AED2.2 billion free cash flow.
This was driven by the improvement in working Capital Management.
We focused a large amount on the collections, which led to a reduction in debtor days despite our increase in revenue, we actually reduced our debtor days from 150 to 107. And at the end of the day, we still managed to have a networking capital negative at the end of the year.
Just focusing on the fourth quarter now, we had a record growth in this revenue AED4.7 billion, up 57% from the corresponding prior period and then for Q4, we reported net profit of about AED500 million which is a 35% increase compared to AED373million in the previous period.
So as mentioned by engineer Ahmed on the back of our outstanding performance, the Board of Directors have proposed a cash dividend of AED700 million, which is a representing AED0.14 per share and a 50% dividend payout.
This is of course, subject to approval by the shareholders of the general meeting, so those are the highlights as I wanted to touch upon.
And now I will hand over to Hanzada.

**Hanzada Nasima – Senior Director for Investor Relations & Financial Communication, NMDC Energy**
Thank you, Sreemont. Afaq, can you please open the floor for Q&A.

**Afaq Nathani – Senior Research Analyst, International Securities**
Sure. We will now open the floor to questions. As a reminder, please tap the raise hand button to ask a question. Once it is your turn, your mic will be enabled and your name will be announced. You will then be able to unmute locally and ask your question. We request participants to please mention the organization you are representing before asking your questions.
We will give a moment here to allow participants to click the raise hand button.

First question comes from the line of Amer Halawi. Your mic has now been enabled. Please go ahead.

**Amer Halawi – Head of Research, Al Ramz Capital**
Good afternoon. So thank you. This is Amer Halawi at Al Ramz Capital.
Thank you for this opportunity and congratulations on a good set of numbers.

Perhaps the first question I'd like to ask is about customer concentration.
Can you walk us through your largest customers and how much they represent of your top line, please.
The second question would be concerning the backlog versus the pipeline, can you help us decode that? How should we think of this in terms of how it translates into revenues over the next few years and how should we think about the next few years in terms of revenue acceleration?
The third question would be about the phenomenal numbers, right? 80 plus percent expansion, top line and bottom line this year. What was the main driver of that and what is going to make this replicable in the future?
Now the last question if I may would be about your margins. How should we think about your margins in terms of sustainability of progression and guidance from here.
Thank you very much.

**Ashish Khandelwal – Finance Director, NMDC Energy**
Yeah. Hi, Amer. This is Ashish here from NMDC energy. So let me just recap the four questions that you had. The first question was around customer concentration. The second question was basically around the backlog in the pipeline. Could you repeat to me what was the 3rd question that you had?

**Amer Halawi – Head of Research, Al Ramz Capital**
Phenomenal growth of 80 plus percent. How should we think of this in terms of sustainability going forward and what was the main driver behind this growth?

**Ashish Khandelwal – Finance Director, NMDC Energy**
Yeah, OK. And the fourth?

**Amer Halawi – Head of Research, Al Ramz Capital**
And lastly, the margins.

**Ashish Khandelwal – Finance Director, NMDC Energy**
Yeah. OK. So taking on the 1st question.
So as you as you would appreciate, we work in the energy EPC side of business in the region at this point in time from a customer concentration perspective, we do have a fair bit of concentration which is obvious given the nature of the business that we

operate in. For 2024 roughly about 55 to 60% of our revenues were driven by ADNOC with the remaining 30 plus percent driven by Aramco and then a few other customers.

So that's basically, you know, broadly the customer concentration point. But I just wanted to highlight that you know, given the nature of our business and the industry that we operate in, we will always have that customer concentration. Now the customer concentration will hopefully, our view is that as we grow geographically, customer concentration will start going down and that is something that you know if you look at the early part or the first few weeks of 2025, we've been awarded a project in Taiwan, which is roughly about $1.1 billion in terms of the revenue which will be delivered in the coming years, so that will also help us to reduce the customer concentration as we look to geographically diversify.

So that's really, you know, the 1st, the answer to the first question. The second question was around the backlog in the pipeline. So as we stand, as of 31st of December 2024, our backlog was roughly about AED50.4 billion. And when I say backlog this is secured backlog which is effectively signed contracts and these are fairly large substantial contracts with the likes of ADNOC Aramco and TaiPower.

In terms of the pipeline, we currently have a pipeline of about AED59 billion. Now, of course, the pipeline is dynamic in the sense that you know, we participate in trade tenders. We effectively look at, you know potential opportunities which are upcoming both within our core markets, which is GCC as well as outside. And that is a composition of our pipeline. If I go back to the previous slide, we've kind of shown how the backlog is effectively expected to unwind over the over the next few years. So if you look at 2025, you know we expect the secure backlog to unwind by about by AED19 billion. Similarly, in 2026 and then 2027 and 2028, it starts going down. This is natural, given that you know most of our projects are between 3 to 3 1/2 years, and therefore whatever we have in the backlog will unwind over the corresponding period. Having said that, we continue to win new work and that basically helps us to expand our backlog.

So going forward with the market being positive and energy spend being there in the market, we do expect that we will effectively, you know, continue to win work in the future and also expand geographically.

So that's really, you know, the composition of our backlog in the pipeline.

In terms of the growth of 80%. Of course, you know we benefited from significant awards and therefore there was an increase in terms of the spend from oil and gas

perspective in the region and we of course benefited from that. If we look at market commentators, the trend is effectively that this spend is going to remain in line with what we have seen in 2023 and 2024 and therefore our view is that you know, there should be opportunities of similar size and scale which effectively will continue to be available in the market for us. So that's how we look at it from a growth perspective. Of course, we would not expect the business to grow 80% year on year. I think that would probably be too aspirational in our view, but I think we will have, you know, sufficient growth in the coming years, which will be driven by a mix of over current backlog or secured backlog that we have and also the new wins which we continue to develop through geographical diversification as well as opportunities in the region.

In terms of the margin profile, which was the 4th question that you had, so the margin profile, you know we effectively aim to basically you know when we go through our tendering process, we aim for an overall project margin of anywhere between 10 to 12% on any given projects, and this is after loading all the indirect costs so we effectively are looking at similar kind of margin profile that we've seen in 2023 as well as in 2024.

**Eng. Ahmed Al Dhaheri – CEO NMDC Energy**

Amer, I'd like to add here one point related to the main drivers for the growth and this is basically when we launched the strategy we emphasised a lot on how we diversify, so going to Saudi was really successful move for us and that's why we are now strengthening our position there. The second one is to develop our onshore capabilities and we can see how the contribution of onshore jobs growing, significantly reaching 30% in 2024 and 3rd for us to enter also into downstream. So the wind, the significant wind of waste energy shows that we are continuously developing more capabilities, not only limiting our participation in upstream, but upstream, midstream, and this is reflected on the Estidama jobs, and the downstream like the Ruwais Energy and the future hopefully looks really good with the offshore wind. We believe that this is going to be really good contributor to our revenues. Today, we see that oil and gas projects and Saudi continue to be at really a high level. The surge hopefully will continue. The forecasters, roughly having a CapEx of USD33 billion in 2025, and also USD33 billion in 2026. So hopefully this will enable us to continue our growth story.

**Amer Halawi – Head of Research, Al Ramz Capital**
Wonderful. Thank you very much for these answers.
Perhaps one follow on question, if I may. How should we think of the pipeline of AED59 billion translating into numbers? Is there a rule for that? Help us understand this please?

**Eng. Ahmed Al Dhaheri – CEO NMDC Energy**
Usually it depends on the market, It depends on the sector, but roughly I would say 30% is our win ratio across the different sectors and the different countries. I would like to also highlight here that today out of the AED59 billion, we have roughly AED36 billion in relation to Aramco tenders.

**Amer Halawi – Head of Research, Al Ramz Capital**
So is it fair to say that you expect 30% of the AED59billion to turn into signed backlog over the course of the visible future? Is that how I should think of it?

**Eng. Ahmed Al Dhaheri – CEO NMDC Energy**
Yeah, this is based on history and based on our past performance, usually 30% is our win, let's say ratio. So you can do the math and you'll get the number.

**Amer Halawi – Head of Research, Al Ramz Capital**
Fantastic. Thank you very much again.
Congratulations and we look forward to more in the future.

**Eng. Ahmed Al Dhaheri – CEO NMDC Energy**
Thank you.

**Afaq Nathani – Senior Research Analyst, International Securities**
Thank you, Amir. Our next question is from the line of Aakash Tomar, Akash, we've enabled your mic. You can unmute locally and please mention the organization you're representing before asking your question. You can go ahead now.

**Aakarsh Tomar, Analyst, Sico Bahrain**
Yes, I thank you for the opportunity. This is Akash Tomar from Sico Bahrain.
So I have two questions. 1st is the number you have quoted AED50billion dirhams of backlog, this is as of 31st December 2024, right? and you won a contract after that also including that it will be AED54 billion dirhams, right?

**Ashish Khandelwal – Finance Director, NMDC Energy**
That's right

**Aakarsh Tomar, Analyst, Sico Bahrain**
So ok, thank you for that clarification.
And second question is on tax impact. So the 9% tax impact that you'll be having this year, so are you for your new contracts taking that into account when you are negotiating with ADNOC or is there a strategy for that to offset that impact?

**Ashish Khandelwal – Finance Director, NMDC Energy**
Yes, very much so. So on the taxes as you are aware that you know we will qualify as a multinational organization and therefore with the tax rate will effectively move from 9% to 15% as per the regulation. So the planning for this actually from our side started a little bit in 2023 itself when you know the discussions were ongoing around Pillar 2 tax implementation. So you know what we actually started doing in 2023 and parts of 2024 wherever possible we in our project tenders we did assume in a number of them a tax rate of 15%. So that is one reason why we believe that we are to an extent insulated and of course going forward every tender which is being. Where we are participating, we are assuming a 15% effective tax rate because that is what we will be applying starting 2025.

**Aakarsh Tomar, Analyst, Sico Bahrain**
Oh, thank you so much. That's very helpful. So just to clarify, during your IPO your prospectus mentioned a guideline of 7 to 10% net margins for 2024 to 2028.
So that takes into account a 15% tax rate instead of 9%. Is that fair assumption?

**Ashish Khandelwal – Finance Director, NMDC Energy**
For for the period 2026 onwards.

**Aakarsh Tomar, Analyst, Sico Bahrain**
And before that, for 25 and 26?

**Ashish Khandelwal – Finance Director, NMDC Energy**
For 2025 I think we had assumed a nine percent rate, but as I said that you know, we do believe that we are to a large extent insulated given that the tendering process for a number of projects that we have won in 2024 already included an implicit rate of 15%.

**Aakarsh Tomar, Analyst, Sico Bahrain**
So the seven to 10% net margin guidance still holds.

**Ashish Khandelwal – Finance Director, NMDC Energy**
Yeah. That's right. And if you look at, you know our current performance, you know we've kind of been at the top end of that guidance, right, so.

**Aakarsh Tomar, Analyst, Sico Bahrain**
OK. Yeah. Thank you so much. That's really helpful. That's it from my all the best for the next quarter.

**Afaq Nathani – Senior Research Analyst, International Securities**
Si, we've enabled your mic. You can ask your question.

**TingTing Si – Analyst, Northrock LLC**
Hi my name is TingTing Si. I'm with Northrock Capital and first of all, congratulations on a very good 4Q results. I have 3 questions. Firstly, on the overseas projects versus domestic ADNOC projects, what are the margin difference? I would assume ADNOC projects margin will be higher than overseas. Is it a correct understanding?
And secondly, for the projects in a pipeline, I see that you recently signed an a sizeable Taiwan based project and also based on industry news it says that your company is in a leading position for winning more contracts from the lower Zakum oil field offshore projects. I believe it was mentioning expansion projects. I want to understand how big is the size of this projects, if you're gonna win it and what is the likely timing for the sign. And lastly on dividend, If I just look take a look at your 2025

projected revenue, it shows a growth and then if we assume margin is gonna be stable, that means profit is going to increase for 2025. But how come your dividend forecast is just flattish? thank you.

**Ashish Khandelwal – Finance Director, NMDC Energy**

Yeah. Listen, taking on your first question around overseas margins versus margins in the GCC or ADNOC margin specifically, as you mentioned. So yes, you know there is a slight decline or there is effectively a slight dilution in terms of the margin profile between, you know, the margins that we get on our GCC projects versus what we get overseas, but given that we are effectively you know, we are still heavily going be doing most of our work in the GCC, despite the fact that, you know we've got the 4 billion+ Tai Power project in 2025, the business will still continue to be heavily focused on the GCC and therefore the margin impact is going to be not that significant, at least in 2025. Of course, as we move forward, you know we will have to assess in terms of you know what is the margin profile for the overseas projects. But I wanted to also remind one aspect here that we are not just talking about EPC from an overseas point of view or from a geographical diversification point of view. As was mentioned by engineer Ahmed earlier, we are also looking at offshore wind, which definitely is quite lucrative from a margin perspective, it is much higher than what we get on EPC projects typically. So we are looking at, you know, not just expansion of the same service in other markets where there might be a little bit of erosion from a margin perspective, although that's not gonna be significant on the performance. But we are also expanding into new service verticals, which effectively means that the margin enhancement will come through those new additional services such as offshore wind to basically you know ensure that the margin profile remains healthy in the business. So that's basically the answer to your first question. In terms of the second question that you had, I think this was on the pipeline of on Tai power and Low Zakmu. So I think for Tai power, we've already announced that the project has been awarded to us and we've kind of started initial works and preparatory and planning works already. So that's something which is already on board. This is a fairly sizable project and we do get a lot of confidence speaking to clients in that part of the region that there is work for us, which effectively you know if there are opportunities we are quite well placed to actually you know participate and hopefully win some of them. So that is effectively, you know, on the Taipower project,

On Lower Zakum, I would not be able to comment anything because this is something which is currently as part of our pipeline. So effectively, you know, unfortunately we will not be able to comment on that specific opportunity at this stage because it's still work in progress and commercially sensitive.

In terms of your point on dividend, could you just explain to me how are you looking at it because you know as the revenues are increasing and the margins are stable of course you know there will be more profitable and am I, am I right in understanding your question that therefore the expectation from a dividend perspective could be higher? Is that what you're trying to say?

**TingTing Si – Analyst, Northrock LLC**
Yes, because I think you're targeting at 50% payout ratio. So if profit grows, we would assume a dividend upside.

**Ashish Khandelwal – Finance Director, NMDC Energy**
Yeah. So effectively the way I would look at it is if it is that you know, when we did our listing, we effectively gave guidance on the dividend for the next three years. Yeah, which is 2025/2026 and 2027. Now if there is an upside, of course, you know the board will definitely look into that at that stage. But it'll be a little premature for us to basically talk about, you know if we basically will definitely have an upside or not, given that you know we are at the very inception of 2025. But that is basically a decision which is for the board to make, whether we increase the dividend payout ratio or we effectively you know kind of have an updated dividend policy at a future date so that is something which I'm sure the Board will be looking in to that. In addition to that I would also highlight that we are also committing to significant capital expenditure so that will also be dependent on the level of cash flows that we have. Yes, we have had pretty outstanding results in 2024 and we have a very healthy cash position as well and a fairly healthy balance sheet which gives us opportunity to leverage as well. But the you know the dividend policy will not be linear or binary in the sense that you know we just look at the dividend payout ratio. But we'll also look at the cash flows and the cash which we expect to invest or reinvest into the business for further growth of the business in the in the years to come. So I think you know it will be influenced by a number of factors and not just on the basis of profitability.

**TingTing Si – Analyst, Northrock LLC**
Got it. Thank you. That's very clear.

**Afaq Nathani – Senior Research Analyst, International Securities**
Thank you, Si. Our next question comes from the line of Martina Bernaba. Martina, we've enabled your mic. You can unmute locally and ask your question please.

**Martina Bernaba – Analyst, Ghobash Group**
Yeah. Martina Bernaba from Ghobash Group. Thank you so much for the call.
I have two questions from my side. The first one is regarding the gross profit margin. Just wanted to know what's the reason for the year on year drop in the gross profit margin in the fourth quarter? It was 22% in the fourth quarter in 2023 and then it's 17% in four Q424. So that's the first question.
The second one is on the other operating expenses. Maybe if you can help us understand what are these expenses exactly and what's the outlook for them? And also why do they appear only annually but not for the quarters? And lastly, why we can't see them in the parent's financials? Thank you.

**Ashish Khandelwal – Finance Director, NMDC Energy**
Yeah. Thank you for your question. So I'll go with the first question and then I'll hand over to Sreemont to answer your second question. So I just wanted to understand, you know is your question really around looking at the gross profit margin on quarter on quarter basis. Because I think my first comment to you would be that you know it is probably directionally right to look at, you know, gross profit margin on quarter on quarter basis, but it is not necessarily how the business is run, even that you know we have peaks or troughs in the business. So you know, we do engineering, we do procurement, we do construction, we do fabrication, we do installation and then therefore there is a project life cycle. Now, given that we, for example, if we have a portfolio of 25 to 30 projects at any given point in time, the quarter on quarter development or movement or progress on those projects would basically you know really define the gross profit margin. So the way we look at gross profit margins is really inception to date, which is effectively from the time that the project starts and effectively up until the most recent date.

Now that is something which we look at from a project lifecycle perspective and our target on any project is usually anywhere between 10 to 12% from a margin profile perspective, excluding any contingencies, of course contingencies in some projects are higher, in some projects they are lower. So there are a number of variables, and therefore my suggestion would be not to look at the quarter on quarter gross margins, but to look at a slightly longer cycle. So moving on to the second question, Sreemont, do you want to take it?

**Sreemont Barua – Group CFO, NMDC Energy**
Yeah. So on the second question, I think you're referring to line other operating expenses in the profit and loss account as you will be aware quarterly financials are prepared a little less in detail as compared to annual audited financials. So, in the annual audited financials, we show this line item as separate item. It really comprises of overhead costs, which are in the quarterly financial statements included over the gross profit line. But in the 2023 and 2024 year-end financials, you will see that that is being disclosed separately. But these are recurring overhead costs, which are shown separately in the annual financials, which you didn't see in the quarterly one in 3Q.

**Martina Bernaba – Analyst, Ghobash Group**
OK. Thank you. That's clear. Thank you.

**Afaq Nathani – Senior Research Analyst, International Securities**
Thank you, Martina. Our next question is from the line of Nafez Abbas.
Nafez, we've enabled your mic. You can unmute locally and ask your question.

**Nafez Abbas – Associate Director, Ajeej Capital**
Yes, thank you, gentlemen. Thank you for the call. My question is, do you see any bottlenecks on like resources to meet this tremendous growth in the backlog and the bidding pipeline? Do you see any like manpower, resources, anything else that you think that might be a bottleneck for you? Thank you.

**Eng. Ahmed Al Dhaheri – CEO NMDC Energy**
Thank you Nafez. When you look at the surge in projects and the operations we are having today, I mentioned here about let's say how we managed to grow our

capacities over the past period. So, 70% increase in our fabrication facilities. Offshore fleet, we managed to add four major offshore assets with significant investments and when it comes to even the manpower today we are almost 19,000 employees and workers. We managed to double our engineering workforce and we managed to increase significantly our manpower during 2024. So when it comes to us as NMDC energy, we see that the current available man hours are very much in line with the with the backlog requirements and we keep always element for potential work to be added when we look at our workloads.

So if we believe that there are projects going to be coming our way very soon, we immediately keep them in the potential and we keep, let's say, resources planned and available for such projects.

So to answer your question, today we don't see any issues with resources. We managed also to change a little bit our operating model. So today we are dealing with many subcontractors. This is very healthy and it enables us to service many clients and bigger, let's say a workload. Today it's working nicely without any issues and we will hopefully continue with the fabrication yard in Saudi to have a dedicated, let's say, set up for Aramco. So this is, let's say, going to be a major chunk of our operations. And as we grow local content is always something that we keep in mind, whether it is in India, whether it is in Taiwan, we always try to develop local capabilities for that particular market.

**Nafez Abbas – Associate Director, Ajeej Capital**

Great. Thank you very much.

**Afaq Nathani – Senior Research Analyst, International Securities**

Thank you, Nafez. Our next question comes from Nikhil Mishra. Nikhil, we've enabled your mic. Please go ahead.

**Nikhil Mishra – Analyst, Al Ramz Capital**

Hello. Congratulations on a very good set of numbers and thanks for this presentation. I'm Nikhil Mishra from Al Ramz Capital. Two questions from my side. Firstly, you mention about non-EPC contracts and especially on offshore wind. Can you just give us some idea or color on what's the opportunity there or in non EPC contracts? How big is the opportunity and how should we look at the contribution of these contracts let's say over the medium to long term to the top

line. And secondly, just to understand the backlog better, I think you know taking the example of the recent Taiwan project, it was mentioned that NMDC group will also be contributing to that particular project. So just to understand the backlog, so whatever backlog you mentioned, that's around AED50 billion So this all belongs to NMDC energy and this will be translating into top line over the coming year. Just to understand is it gross backlog and belongs entirely to NMDC Energy? Those two questions from my side please.

**Eng. Ahmed Al Dhaheri – CEO NMDC Energy**
So the first question, I'll try to cover here. You mentioned about non EPC projects especially under offshore wind. So the strategy we are adopting for offshore wind is only to tackle TNI and TNI is transport and installation so we are starting with the foundations of these turbines. This is what we executed in the past three years and the margins are really good in this sector because it's mainly dependent on your offshore assets. And hopefully we'll continue in this for the years to come.
Now there are lots of opportunities and we can see developers they are after long term commitment. When I say long term, it's between 7 to 10 years for such installation. The second phase hopefully will be investing in a Jack up barge for the installation of the towers, blades and turbines. Now you're saying what is expected from this sector. We are expecting roughly around AED2 billion dirhams of revenues from this business.

**Nikhil Mishra – Analyst, Al Ramz Capital**
OK. And you mentioned that the margins are much higher. Is there where you can you provide any guideline on how much are the margins from these businesses?

**Eng. Ahmed Al Dhaheri – CEO NMDC Energy**
Yes, I mean usually for business pure offshore, it's always double digit, so this might vary depending on the competitive landscape. But today you see that from EPC, we are doing 10% roughly from these, let's say projects we expect something like 20% plus.

**Nikhil Mishra – Analyst, Al Ramz Capital**
And you mentioned this AED2 billion of revenue. So is that annual revenue or is it over the next 2-3 years?

**Eng. Ahmed Al Dhaheri – CEO NMDC Energy**
This is basically what we believe we will be starting with. So hopefully starting from when the asset will be available, this might be the annual revenue.

**Ashish Khandelwal – Finance Director, NMDC Energy**
Just to add from a margin profile perspective. You know, I think there are a number of benchmarks in the market. So you can probably, you know look at those because that of those are the typical TNI margins that you know one would expect in similar markets, right.

**Nikhil Mishra – Analyst, Al Ramz Capital**
Alright, thank you. Then the second question please. Generally, when you mention AED50 billion of backlog, is that all the revenue which will come to NMDC Energy over the coming years as that in the chart you showed or is that a gross backlog and NMDC energy may not be exposed to whole of that backlog. Just to be sure on that side.

**Eng. Ahmed Al Dhaheri – CEO NMDC Energy**
Yeah, yeah. When we talk about backlog. This is secured. This is committed.
So these are signed contracts need to perform. So I hope we are clear on that.

**Ashish Khandelwal – Finance Director, NMDC Energy**
Yeah. So basically you know, I mean when we talk about NMDC Energy's backlog, these are projects which are secured by NMDC energy. So to answer your question, it's not a double count in terms of, you know, NMDC energy, of course, NMDC energy is part of NMDC group. So the NMDC Energy backlog effectively is a part of NMDC group backlog as well, right, Because the group is effectively, you know, a combination of NMDC energy plus a number of entities. So that's basically, you know what we wanted to clarify as well.

**Sreemont Barua – Group CFO, NMDC Energy**
Just to add to that, I think what we are reporting in the energy backlog at the moment is the portion of the project which is attributable to Energy. We're not counting the part which is going to be delivered by D&M in this backlog.

**Eng. Ahmed Al Dhaheri – CEO NMDC Energy**
Yeah. And the second question in relation to Tai Power project, this is a AED4.2 billion project and roughly we're talking about, let's say. 30 to 40% of that is going to be executed by D&M, which would be dredging and marine unit. This is for the shore approach and some of the let's say trenching activities that is under the speciality of the D&M group.

**Nikhil Mishra – Analyst, Al Ramz Capital**
You thank you for the detailed answer. That's very helpful.

**Eng. Ahmed Al Dhaheri – CEO NMDC Energy**
You're welcome.

**Afaq Nathani – Senior Research Analyst, International Securities**
Thank you, Nikhil. In the interest of time, we'll take final two questions. We have a follow up question from Si Ting. si, we have enabled your mic again. You can ask your question please.

**TingTing Si – Analyst, Northrock LLC**
Thank you. Very simple questions for me.
So going forward, are you going to pay dividends just once a year or you're thinking about paying it twice a year? And that's the first question. Secondly, any measures that company targets to take to improve like the visibility of our company in the financial market? How to involve more sell side brokers to cover a company and also how to improve the daily trading volume? Thank you.

**Ashish Khandelwal – Finance Director, NMDC Energy**
Yeah. So listen on the 1st question around dividend distribution.
As you know, as we mentioned it earlier that effectively you know this is a matter for the Board ofcourse. As part of a normal process, we can explain you know how we

look at it from a company perspective. So effectively you know the results are presented to the Board of course every quarter. And effectively, you know the board then decides whether you know there is appetite for the business to pay dividends, any interim dividends, say after the first half of 2025, the board will look into that and then make a determination whether you know, an interim dividend is something which should be paid for the benefit of the investors and for the shareholders. So that's something which you know the board would go through that process is what we can say. Of course, we stand by the dividend policy, which effectively was communicated earlier. Of course, anything over and above that would basically be an upside. We cannot comment on the upside at this point in time.

To your second question was is more around the investor reach and relations right, Hanzada, you want to take that up?

**Hanzada Nasima – Senior Director for Investor Relations & Financial Communication, NMDC Energy**
Can you please elaborate more what exactly do you mean by the questions that you asked?

**TingTing Si – Analyst, Northrock LLC**
I mean any measures the company targets to take in order to like, improve our visibility and among the investors, because I'm like an energy specialist, but based on my communication with the other energy specialist, I think not many people know our company. And I think our company is undervalued great story. So I think it should be brought to the attention of more investors and also consequently, like how to improve like the daily trading volume. Just looking at your peers like ADNOC group companies like ADNOC Drilling and ADNOC Gas, I think their attention among investors has improved with the company increasing their free float. And also getting to MSCI, so any target for that internally?

**Hanzada Nasima – Senior Director for Investor Relations & Financial Communication, NMDC Energy**
OK. Thank you very much. And first of all, thank you very much for saying that It's a great story. It is really a great story that the market has not been paying much attention to. It was recently listed, but there's a lot of potential within the company

and I've just joined recently and we have already my contacts there as you can see in the presentation. Please reach out if you need any questions if you want to arrange any meetings. Communication would be much better, I promise you going forward.

**TingTing Si – Analyst, Northrock LLC**
OK. Thank you so much.

**Afaq Nathani – Senior Research Analyst, International Securities**
Thank you, Si, for your questions. We'll take a final question from Ahmed Hicham Kamal's line. Ahmed, I've enabled your mic again. You can unmute locally and ask your question please.

**Ahmed Hicham Kamal – Portfolio Manager, Azimut**
This is Ahmed Kamal from Azimut. My question is related to a CapEx plan. Can you please remind us your CapEx plan for the next three to five years also on the free cash flow margin, are you planning or should we expect you to maintain your free cash flow margin as is in 2024 the coming years?

**Ashish Khandelwal – Finance Director, NMDC Energy**
Yeah. So let me start with the CapEx question. So, as indicated in the previous call, also, we effectively continue to invest CapEx. We do have a CapEx budget and a number of CapEx initiatives which are currently underway. Some of them are at initial stages, some of them are in the process of being approved or being put forward to the board for approvals. We expect that the CapEx is going to be at the similar run rate that you've seen in 2024 and also in 2023. So that's effectively, you know, the run rate CapEx that we are looking at with the exception of any additional CapEx that we might incur for expansion into offshore wind. And that is something which I think we've already given guidance in terms of you know the fact that we are going to or we are looking at expanding into offshore wind and as a result of that, we are in an advanced stage of tendering for a vessel. That vessel is, you know, if you look at the current market is going to be roughly about anywhere between $450 to $550 million depending on the specs, depending on the design, depending on what exactly we would like the vessel to be capable of handling from a tonnage perspective and also from an electronic equipment perspective.
So that is effectively what would additionally entail from a CapEx perspective for an

offshore wind vessel that is something which you know is going to be incremental over and above what we see as a run rate capex in the previous years.
I must also add that this CapEx of additional vessel that we are talking about will be done over a period of 2 to 2 1/2 years. So it's not that you know you would effectively pay for incurred that CapEx within the single financial year. So for example, if we order a vessel in 2025, I think we will probably be able to get the delivery only by 2027 and therefore the CapEx will be phased accordingly. We will be, of course, looking at financing. If you look at our balance sheet, our leverage position is quite healthy and therefore we would be looking at financing the CapExfrom export credit agencies or from banks in the region. So that's basically what we are looking at. In addition to that we will also be looking at opportunities from a group perspective around acquisition and that also requires some CapEx but of course most of it we expect it to be debt financed.

**Ahmed Hicham Kamal – Portfolio Manager, Azimut**
Interesting on the free cash flow margin. Should we expect the current rate to be maintained the same over the next five years?

**Ashish Khandelwal – Finance Director, NMDC Energy**
Yeah, broadly the same because our margins are likely to remain within the range that we mentioned. So effectively you know the free cash flow profile shouldn't change. Now free cash flow profile for us also depends on new wins and the advances that we get as a result of the new wins. So on the assumption that we will continue to win, we do not expect that you know the free cash flow profile should change materially.

**Ahmed Hicham Kamal – Portfolio Manager, Azimut**
Great. Thank you so much.

**Afaq Nathani – Senior Research Analyst, International Securities**
Thank you, Ahmed. We have a few other questions, but in the interest of time, we will not be able to take those right now. We encourage all the participants who have questions to e-mail the Investor Relations team at NMDC Energy and they will be able to facilitate you. I would like to now thank NMDC team for the financial review as well as taking the questions and I would like to thank all the participants for

joining in today. A recording of this call will be available and you can get in touch with your contact person at either International Securities or NMDC for access. Have a nice day everyone. You may now disconnect. Goodbye.