

Company Name: Prostarm Info Systems Ltd.

Management Participants :

- Ram Agarwal - Promoter, CEO & Whole-time Director
- Abhishek Jain - Chief Financial Officer
- Tapan Ghose - Chairman & Managing Director

11th Annual Valorem Conference Highlights:

- The business model is transitioning from lumpy, order-driven revenue to a more structured and diversified growth engine
- Management is clearly prioritizing scalability over short-term margins, especially in newer segments like BESS and focusing specially on C&I segment under BESS which has good business opportunity.
- There is a strategic shift toward higher value-added and customized solutions, which can structurally improve margins as the mix evolves.
- The company is consciously reducing dependence on government-led projects, which should gradually improve cash flows and working capital cycles.
- The BESS opportunity is being approached with a measured and risk-aware strategy, focusing on segments with better pricing power rather than chasing volume.
- Increasing localization and backward integration efforts indicate a long-term intent to reduce external dependencies, especially on imports.
- Current low utilization is strategic rather than demand-driven, reflecting optimization of capital allocation and outsourcing decisions.

Key Questions & Answers discussed during the Conference:

- **What drives variation in margins across orders?** Margins are inherently project-dependent and vary based on multiple factors including order size, nature of the contract (standard vs customized), competitive intensity (such as L1-driven pricing), and execution complexity. Larger, customized, or technically demanding orders typically command better margins due to limited competition and higher value addition, whereas commoditized or price-sensitive tenders tend to have tighter spreads. As a result, margin dispersion across orders is a structural feature of the business rather than an exception.
- **What is the current manufacturing capacity across facilities?** Our BESS facility at Jhajjar has an installed capacity of approximately 1.2 GWh under single shift, positioning us well for future scale-up in energy storage. On the UPS side, the Gujarat facility is designed to manufacture a wide range of products from 1 kVA to 600 kVA. In terms of volume, we can produce around 5,000–10,000 single-phase units and 3,000–5,000 three-phase units annually, depending on configuration and mix. The flexible design allows us to cater to diverse applications across industrial, commercial, and institutional segments.

- **What is the company’s diversification strategy?** We are consciously transitioning from an opportunity-led model to a structured, vertical-focused strategy. Our objective is to diversify across multiple sectors, products, and customer segments to mitigate cyclical and concentration risk. By building dedicated teams for each vertical and offering tailored solutions, we aim to create a balanced revenue mix across power electronics, UPS, and energy storage, thereby ensuring sustainable growth over the medium term.
- **What percentage of receivables is retention money and for how long?** Retention money typically constitutes around 3–5% of receivables and is locked in for an average period of about five years, particularly in government-linked projects. However, we are actively working to reduce this exposure by shifting toward private sector engagements and partner-led execution models, which offer better cash flow visibility and lower working capital intensity.
- **How is the company positioned versus competitors in UPS and power solutions?** We position ourselves as technologically comparable to global leaders, while our direct competition in key segments includes established players in the industry. Our differentiation lies in our ability to offer an integrated product suite - UPS, lithium battery systems, stabilizers, and complete power solutions - under one roof. This “one-stop solution” approach enhances customer stickiness and reduces reliance on third-party integrations, which is a key competitive advantage.
- **What is the long-term revenue target and segment contribution strategy?** We aim to build a scalable and diversified revenue base by targeting INR 100–150 crore per vertical across 8–10 verticals over the next 2–3 years. This would significantly enhance revenue visibility and reduce dependency on large, one-off orders. Our strategy involves developing sector-specific expertise, strengthening distribution networks, and leveraging digital tools to drive consistent order inflows across segments.
- **What is the revenue potential of the BESS business?** At full capacity utilization, our BESS facility has the potential to generate approximately INR 1,000 crore in annual revenue. However, this will be achieved in a phased manner, depending on order conversion, execution timelines, and market development. We expect the ramp-up to be gradual, with initial contributions scaling meaningfully over the next few years.
- **What is the impact of geopolitical issues on the business?** While we are not directly impacted, geopolitical developments - particularly involving China - have led to indirect effects such as supply chain disruptions, increased logistics costs, delays in battery deliveries, and volatility in raw material prices. These factors can temporarily impact execution timelines and cost structures, although we are mitigating this through diversification and localization strategies.
- **Why is the company focusing on C&I BESS instead of utility-scale BESS?** We are strategically focused on the commercial and industrial segment as it offers higher margins, greater customization opportunities, and recurring revenue streams. In contrast, utility-scale BESS is largely commoditized, volume-driven, and characterized by aggressive bidding and fixed tariffs. Additionally, large conglomerates dominate the utility space, making it less attractive for differentiated players.

- **What gives the company an edge in the BESS and power solutions space?** Our competitive advantage stems from our long-standing experience in power electronics, integrated manufacturing capabilities, strong service network, and early mover advantage in the commercial and industrial BESS segment. Additionally, our ability to provide end-to-end solutions - from power conditioning to storage - positions us favourably against competitors who operate in more fragmented product categories.
- **Why is current capacity utilization low?** Current utilization appears low because we strategically outsource standard products to third-party vendors while using our own facilities primarily for high-end, customized solutions. This approach optimizes cost efficiency and capital allocation. The new Gujarat facility is expected to improve utilization by focusing on standardized UPS production at scale.
- **Why is the company not focusing on data center UPS currently?** Data center clients, especially global players, typically prefer US-based suppliers due to ecosystem alignment and vendor standardization. However, we plan to enter the tier-2 and tier-3 data center segment in the future with cost-effective and integrated power solutions, once we strengthen our positioning in core segments.
- **How will margins evolve with scale?** We expect margins to improve with scale due to better procurement efficiencies, higher contribution from customized solutions, increased integration, and stronger bargaining power. Vertical specialization is also expected to drive higher-value contracts with limited competition.
- **What is the long-term strategic focus?** Our long-term strategy is to build a comprehensive power electronics platform, with UPS as the core cash-generating business and BESS as the key growth driver. By expanding across multiple verticals and focusing on recurring revenue streams such as service and battery replacement, we aim to create a resilient and scalable business model.

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