



“H.G. Infra Engineering Limited
Q1 FY '24 Earnings Conference Call”

August 01, 2023



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MODERATOR: **MS. SANA KAPOOR – GO INDIA ADVISORS**



*H.G. Infra Engineering Limited
August 01, 2023*

Moderator:

Ladies and gentlemen, good day, and welcome to H.G. Infra Engineering Q1 FY '24 Earnings Conference Call hosted by Go India Advisors. 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 touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Sana Kapoor from Go India Advisors. Thank you, and over to you, ma'am.

Sana Kapoor:

Thank you, Seema. Good afternoon, everybody, and welcome to H.G. Infra Engineering Limited earnings call to discuss the Q1 FY '24 results. We have on the call Mr. Harendra Singh, Chairman and Managing Director; and Mr. Rajeev Mishra, Chief Financial Officer.

We must remind you that the discussion on today's call may include certain forward-looking statements and must be therefore viewed in conjunction with the risks that the company faces. May I now request Mr. Harendra Singh to take us through the company's business outlook and performance, subsequent to which we will open the floor for Q&A. Thank you, and over to you, sir.

Harendra Singh:

Yes. Thank you, Sana. Good afternoon, ladies and gentlemen, a very warm welcome to the Q1 FY '24 earnings conference call of H.G. Infra Engineering Limited. We are pleased to welcome you all here today to share the highlights of our quarterly performance, achievements, and our vision for the future. I hope all of you have had the opportunity to review the investors presentation and the financial results which has been made available on the exchange.

The entire country is drenched with a heavy rains and overall; it's much more than expected. Despite of all these abnormal prolonged, which has affected the sector overall, we have been able to meet our expected numbers, though it was slightly less than our expected target of this quarter. At the same time, we are working on the strategies, priorities to overcome these challenges. Performance, quality consciousness and safety measures remain our key element in our success story, which is deep rooted in all our activities.

As a sector, we have firm believe that the government is expected to continue with its thrust on the infrastructure sector, a lion's share of which would be towards the road, highways, and railway sector, considering the highest budget overlay in the sector and the new initiatives being taken to support the project completion on time.

There has been new firms bidding in the first phase, but in the next quarter, it will propel and to cover the targeted numbers. Let me start the growth journey of this quarter and give you the glimpse of the operational highlights first. From quarter ended June 2023, our order book stands



*H.G. Infra Engineering Limited
August 01, 2023*

at INR11,674 crores, which has established our presence across 11 states with the EPC segment comprising of 53% and HAM segment constitution the remaining 47%.

There are the updates on the ongoing projects. Talking about the EPC projects, the Ganga Expressway project has achieved approximately 23.5% completion. The project is running well in the time as per the contract timeline. In Delhi UER project, we have made significant progress of around 65.8% and which is expected to be completed by December '23.

The Neelmangala-Tumkur project is progressing well and has reached an execution status of 10.6%. The progress of various HAM projects is also looking good and moving ahead as per the planned schedule. Below is an update on the same. Progress of total execution of Package 5 of Raipur-Visakhapatnam Odisha OD5 it stands at 43.6% completion. Package number 6 of Raipur-Visakhapatnam Odisha project OD6 it is at 46.3%. Again, in AP1 of Raipur-Visakhapatnam corridor, it has reached completion of total of 46.7%.

At Khammam-Devarapalle package Project 1, we have -- we have already achieved 16.3% completion. While in Package 2 of Khammam-Devarapalle, we have reached 24.4% completion. Rewari Bypass we have applied for PCOD as the project is nearing completion stage, and we are expected to receive it soon.

As you know, we have established our footprint and our order book with diversification and successfully ventured into the railway and metro sector, I would like to touch the progress of these projects. We have completed 13% of DMRC's metro project. Execution of this project is going well on track and will be completed as per the contract timeline. At Bilaspur Himachal Pradesh railway projects of RVNL, where we have recently received the appointed date is progressing well. At the Kanpur railway station project, the mobilization is going on a very fast track.

Let me now share other significant updates. We have received COD of Maharashtra Package 1, 2 and 3 of MorTH -- in this quarter, although we have received PCOD of these packages October 2020. LOA of Kanpur station and small project of NTPC has been received on 5th June 2023 and 23 May 2023, respectively. Apart from this, we have also received a project date of RVNL rail projects on 24 May 2023.

For our 3 new HAM projects, namely Karnal -- Varanasi Ranchi Kolkata Expressway Package number 10 and 13 and Karnal projects. Financial closure is expected to be completed through August 23, and the appointed date will be received in quarter 2 and quarter 3, respectively.

In Karnal ring road, the land availability is around 86%. And at Jharkhand Package number 13 of Varanasi Kolkata Expressway, that is around 50%.

Coming to the financial highlights of this quarter. At the standalone level in Q1 FY '24, the standalone revenue reached at INR1,271.3 crores, indicating a notable 19.3% year-on-year growth from INR1,065.7 crores recorded in Q1 FY '23. The standalone EBITDA of quarter 1



*H.G. Infra Engineering Limited
August 01, 2023*

FY '24 was INR204.8 crores, reflecting a year-on-year growth of 26%. The PAT and the PAT margin for Q1 FY '24 stood at 9.3% and INR118.4 crores. That is compared to 9.2% and INR97.6 crores last year. PAT grew by 21.3% in Q1 FY '24 on a year-on-year basis.

Regarding the company's debt position on a standalone basis, the gross debt amounting to INR665.2 crores, which includes the working capital debt of INR178.6 crores. Term loan and current maturity, along with the trade [inaudible 7:53] totalling INR389.6 crores and the NCD of INR97 crores.

Moving on to the consolidated numbers. During quarter 1 FY '24, the consolidated revenue surged to INR1,351.2 crores, marking a 22.2% year-on-year growth compared to INR1,105.9 crores recorded in Q1 FY '23. At the consolidated level, the EBITDA of Q1 FY '24 was INR280.7 crores, displaying a robust year-on-year growth of 41.1%. The PAT margin for Q1 FY '24 consolidated stood at 11.1%, resulting in a PAT of INR150.4 crores as compared to INR109.4 crores in Q1 FY '23.

The reason of significant growth of 37.4% in PAT on a year-on-year [inaudible 0:08:46] stood at a consolidated level, the gross debt amount is amounting to INR 2,131.2 crores. The total equity requirement for the 12 HAM projects is estimated to be INR1,592.6 crores, and that is until FY '26. As of March '23, INR758.7 crores has already been invested and there is a projected investment of INR407.4 crores in this financial year FY '24.

Progress update on monetization of four assets is as under. Last quarter, we have signed share purchase agreement of 4 HAM projects with highway infrastructure trust backed by KKR we are awaiting some procedural approvals to close the transaction. We have received lender's approval for 2 SPVs and approval of third SPV that is Gurgaon-Sohna in principal is expected by 10th of August. Other conditions that we met are either completed or in an advanced stage of compliance. The final approval from NHAI is expected by 31st of August 2023. Once receipt of NHAI's final approval, we will proceed for the completion of our transaction, including the transfer of shares and receipt of the consideration till 30th September 2023.

For the fourth HAM project that is Rewari Bypass Package 4, approval process will be intermediate and the second tranche will be initiated in December '23 quarters that is post COD of Rewari Bypass. We are optimistic that we would be able to complete this transaction well within the time and we do not see any challenges in the current scenario.

Before I end my speech, let me assure that we would be able to meet our expected numbers of growth with 20-25% upside in the revenue, and we would bring momentum in the order inflow with the new project in the tune of INR7,000 crores to INR8,000 crores this year. We are working mainly on the operational efficiency and executional capabilities to add every penny to our EBITDA and PAT margin.

Digital transformation remains on our priority from automation in the plant and machinery, operations, and other vehicles, which will add a lot of value in our financial indicators, with a



*H.G. Infra Engineering Limited
August 01, 2023*

seamless and transparent real time working environment. That is all from my side. We can now open the floor for the question and answers.

Moderator: Thank you very much. We will now begin the question-and-answer session. We take the first question from the line of Mr. Shravan Shah from Dolat Capital.

Shravan Shah: Thank you sir and congratulations to the team for the robust performance for this quarter. So the first question is just to reconfirm the guidance what we have spoken in the last con call. So on the top line front, we are maintaining the INR5,500 crores, INR5,600 crores revenue for this year. And in terms of the margin, 16% and order inflow, you mentioned INR7,000 crores to INR8,000 crores, but last time, it was INR8,000 crores to INR9,000 crores. And in our annual report we mentioned INR8,000 crores to INR9,000 crores. So can you just reconfirm the numbers?

Rajeev Mishra Of course, I think as we have already done around 20% this quarter on a year-on-year, we can see this because of the monsoon, early arrival because of this Biparjoy and that has impacted some of the progress in the project. But definitely, we are all very much focused on that, that we will be touching upon the 20% to 25% progress. That is where we will be reaching up to 4,500.

And because the order guidance has been reduced by INR1,000-odd crores because we have seen that there has been some delay in the awarding of the projects at NHAI and few other clients. So that is how we are keeping that to INR7,000 crores to INR8,000 crores. Margins definitely will remain -- likely to be remain intact as we have seen into our numbers. So that seems to be the same range of 15% plus on this.

Shravan Shah: And in terms of the breakup of the revenue last time you said INR2,000 crores revenue from Ganga Expressway, INR1,800 crores from existing HAM [inaudible 0:14:06] from the new HAM. So if you can also help us with if anything in that number or if it is same, then it is fine.

Harendra Singh: It is more or less same because in the quarter, we have done about INR500 crores on all HAM projects that are majorly 4, 5 HAM projects. And in the project of Ganga Expressway, we have done this INR475-odd crores coming from the project of Adani Ganga Expressway, other NHAI, EPC and DMRC put together. So we are very much clear on that, whether it's SPV and Ganga Expressway and the other NHAI EPC projects are the major contributors to this particular year revenue.

Shravan Shah: And now on flow front, broadly how much INR5,000 crores would be from the HAM and in terms of the new other than the road sector, we were looking at close to INR2,000-odd crores. So will it remain the same?

Harendra Singh: Yes. So more or less same because the INR1,000-odd crores, we have just taken it as a guidance for this year was keeping that at almost 4 months has passed. But then again, it remains the same.



*H.G. Infra Engineering Limited
August 01, 2023*

- Shravan Shah:** I was saying in annual report, we have mentioned that we want to achieve a INR10,000 crores revenue over the next 3 years. So I think it's -- these 3 years should start from end of the FY '25 onwards. Otherwise, if -- sorry, sir?
- Harendra Singh:** So this year, it is '24 the running year. We are not considering this year, so it can be post '25, 3 years down the line.
- Shravan Shah:** Yes. Because otherwise, the CAGR is much higher versus normal what we are talking 20%, 25% revenue growth CAGR. So that's why I just wanted to reconfirm. Secondly, in terms of the appointed date, you said that both this Varanasi, will be getting appointed in October, December, Q3. And for Karnal Ring Road, it moved -- when we -- we are getting the appointed date.
- Harendra Singh:** See, Karnal Ring Road, we already -- about to submit our financial closure documents. And by September mid, we will be getting the appointed date. Jharkhand Package 13 it would be a bit early in quarter 3 -- by quarter 3 end. And definitive followed by quarter the Jharkhand Package 10 quarter 4 in January to be precise.
- Shravan Shah:** For Kanpur Railway Station, it would be by this month, we will be getting the appointed date.
- Harendra Singh:** In the quarter 2 only.
- Moderator:** We take the next question from the line of Mr. Parikshit Kandpal from HDFC Securities.
- Parikshit Kandpal:** What stage of approvals or are we for these assets, which have been monetized with KKR. So I think you said that by month end and approvals will come in. So when do you expect the money final inflow to come in?
- Harendra Singh:** See the -- out of 3 projects, which we already have completed that COD wants. So 2 projects have already been sent to their finance department from the operational technical division. Just one project within this week is likely to be sent to them and financial -- finance department hardly take normally 7 to 10 days for issuance of the in-principle approval. So this is one stage four stage of NHAI. And post that, the entire formality of -- put together NOC from all the lenders and this again that will be sent to NHAI.
- So since the big delays rather 1 month delay because of some of the changes at NHAI. But then as we are hoping that not -- if not during the September quarter. But in quarter 1, we will -- say October, we would be getting the funds for these three projects.
- Parikshit Kandpal:** What I was asking when you said there has been quite some delay in NHAI giving approvals or NOC there has been big queue of approval to fill have been given, that is why I was asking this question. Are you able to...
- Harendra Singh:** That was very much on the cards, but because of the recent changes at their -- from the task -- from the position changes, so that will delay, eventually it is not us but was never in the control. But things are moving well on track.



*H.G. Infra Engineering Limited
August 01, 2023*

- Parikshit Kandpal:** Because I was asking this question was that earlier. I mean we have done with KKR in the past, they have faced similar issue and earlier got called off with one of your competitors. So is that in that now that whether the timelines and whether the purpose have become more streamlined in terms of NOCs and approvals coming in from NHAI?
- Harendra Singh:** They are also they are putting their total effort on our for getting this project this on time.
- Parikshit Kandpal:** Sir, this is my second question is, on the pipeline. So you can help us understand the rest of the year. We need to understand that -- now even L&T was saying that the fourth quarter, will be mostly model code of conduct, and nothing has been happening in terms of awarding. From now on or August onwards you hardly have 4 months left. So how do you think that will end up this year, what is the bid pipeline from different agencies or institutions like NHAI what is the bid pipeline, railways and also water. So what are we targeting for the rest of the full 5 months.
- Harendra Singh:** Definitely as four months is a lot, but as they have guided, various times the 6,000-odd kilometre to be awarded this year. So -- but it's not so easy. So we are also keeping that -- our target, announced target that definitely, if they will be -- they are in a position to be able to award even 4,000-odd kilometre. Then we are keeping that at least some INR4,000 crores to INR5,000 crores of project coming from NHAI and balance from MSRDC and other sectors.
- Parikshit Kandpal:** Have you please bid for that Pune Ring Road and have you participated in that tender?
- Harendra Singh:** Sorry.
- Parikshit Kandpal:** The Pune Ring Road tender have we participated in that tender?
- Harendra Singh:** Yes, we have already applied for the RFQ. And very soon, I think they are going to declare the results of RFQ post where the price that has to be quoted or bided.
- Parikshit Kandpal:** And for October, November, I think it will be -- so when do you expect the awards to happen?
- Harendra Singh:** Probably by October or say by November, definitely, they are looking to award these projects.
- Parikshit Kandpal:** And just the last question on the station redevelopment sir. I mean are we looking at that as an opportunity to bid, I mean, so in terms of railway capex, so I understand right now we are more on maybe metro will be tracking. So what are the capabilities there and whether in terms of value chain, how are we upgrading ourselves so that we can cover more broader spectrum of awarding from railways.
- Harendra Singh:** Railway business is there, many projects which we have already recently bided. So there are of that nature only where the permanent track linking so does work those kind of works are all included. So they are having a lot many projects in their pipeline, we have in Maharashtra, Gujarat, or the -- in UP also, we have seen those bidding. So for sure, I think the railway and opportunities are coming in a very significant way.



*H.G. Infra Engineering Limited
August 01, 2023*

- Parikshit Kandpal:** Then the other would be largely related to tracking and also not and maybe metro...
- Harendra Singh:** With the kind of a joint venture, not frequently required joint venture with MOU basis, where the -- we are aligned with any of the associates for this track linking, permanent work.
- Parikshit Kandpal:** Station redevelopment anything we can do there.
- Harendra Singh:** It's already there. There are many projects in the pipeline.
- Parikshit Kandpal:** But are we participating in that? And that's the last question are we looking to participate in...
- Harendra Singh:** Yes. We will keep continuing bidding in these kind of situation.
- Moderator:** We take the next question from the line of Mr. Chinmay Kabra from Emkay Global.
- Chinmay Kabra:** I just wanted to know one thing. In terms of Rewari Bypass, has there been any modification in the contract because there's a percentage of completion, it has changed from Q4 FY '23 to Q1 FY '24, what I see right now.
- Harendra Singh:** What you are saying if 96% already has been completed.
- Chinmay Kabra:** Yes. So I mean, what I was -- I am able to understand was 94% is what was showing in Q4 FY '23. And I think if I'm not wrong in Q1 FY '24, it is showing 86.5%, sir, so just...
- Harendra Singh:** Yes, there is some error. I think there is one more -- 2 more errors are there because of the -- I think they are getting it corrected because in 2 of the projects of this RVNL and the last 4 there is like Kanpur Railway Station the percentage that has been quoted, this is -- are wrongly -- now it is being corrected.
- Chinmay Kabra:** I mean -- so yes, so there's no change in the contract or anything like that, right?
- Harendra Singh:** Yes, yes. Correct.
- Chinmay Kabra:** And other than this, sir, just wanted your perspective on -- again, I just wanted to reconfirm the guidance that the FY '24 revenue, which we have said INR5,500 crores to INR5,600 crores and the EBITDA margin of 16%. I just wanted to reconfirm the order inflow guidance which you have given, sir, if you could please state that again?
- Harendra Singh:** Yes. So INR7,000 crores to INR8,000-odd crores we are targeting to add this year.
- Chinmay Kabra:** And of this, how much is -- are we expecting to be from the other projects in terms of railways and metros?
- Harendra Singh:** We are looking at about INR2,000-odd crores needs to be added from these other sectors rather than highways.



*H.G. Infra Engineering Limited
August 01, 2023*

- Chinmay Kabra:** But I mean, since we are being conservative and we are thinking -- I mean we are just assuming that NHAI might just do 6,000 kilometres to 4,000 kilometres. Are we still confident in order to achieve these order inflow targets that we have set?
- Harendra Singh:** Yes, of course, I think there's not a big challenge this -- that we also have seen in the last 2 years, what we have planned and roughly, roughly, we will be able to achieve that on the God is always there, so we would be able to add this number.
- Moderator:** We take the next question from the line of Ms. Ankita Shah from Elara Capital.
- Ankita Shah:** Sir, I wanted to understand about the working capital I think on account of working capital requirement has increased. So is this on account certain projects or reason for the increase in working capital requirement?
- Harendra Singh:** This year before the working capital debt or net working capital requirements?
- Ankita Shah:** Requirement. If I look at the debt breakup the requirement on the working capital has gone up?
- Harendra Singh:** That time I was clear about it. So the working capital with say utilization has gone high at this absolute, as we are talking of 30th of June, but it then between -- it is now coming back to the same range of INR500 crores. This is because of the reason, specific reason that the payments which we are likely to get from SPVs and say even Adani and one more NHAI client. So it got delayed for a few days, just 2, 3 days. So that's why it's very -- for just a week or 10 days' time it shoots up to that level. But otherwise it would be in the same range only.
- Ankita Shah:** And sir, second question is on the RVNL Project Bhanupalli-Bilaspur. Was it the margins that you can cause it -- and how are the payments?
- Harendra Singh:** The payments definitely as RVNL as a public sector undertaking this payments are likely to be on -- very much on track only. There's no issue as much as far as RVNL metro or railway projects are concerned. But definitely, the margins which we have put -- we have kept in sight estimate at about, say, 14%. So that would -- that are likely to be there.
- Moderator:** The next question is from the line of Mr. Jiten Rushi from Axis Capital.
- Jiten Rushi:** Sir, first of all, can you give us the breakup of equity required in next 3 years? As you said that in FY '24 the requirement is almost INR407.4 crores what would be for FY '25 and '26.
- Harendra Singh:** The equity total requirement, which is around INR1,592 crores, INR758.7 crores already invested till June '23. So that the current year requirement would be in the range of INR407-odd crores once we would be getting the solid data around the project and the balance requirement for all 5 running projects. So that is one and FY '25 it is estimated about INR268 crores and FY '26, it is INR158 crores.



*H.G. Infra Engineering Limited
August 01, 2023*

- Jiten Rushi:** You said that the land available for the Karnal project is 86%, while for the Varanasi Ranchi project for both the project is we have got 50%, right?
- Harendra Singh:** No, package 13 a bit ahead because they are -- they have the forest area so package 10 -- there the majority part is forest. So in package 10 it is a bit low.
- Jiten Rushi:** So you said 50% for Package 13 and not for Package 10, right?
- Harendra Singh:** Yes. Yes. Yes.
- Jiten Rushi:** So how much Package 10 will be less than 50%. And sir, on the current outstanding bid pipeline. So can you highlight -- throw some light on the current outstanding bid pipeline? And when are these standards going to open and which sector if you can break up?
- Harendra Singh:** Of course, I think as we have just discussed about MSRDC has got above INR45,000-odd crores, where we would be looking at about say where we are qualified for INR30,000-odd crores -- this is one bid pipeline I think strong one. And NHAI for sure, active projects that are on the portal, where the bid pipeline are showing about INR45,000 crores. And the sooner I think more of the projects which are at the GPR or the approval is yet awaited from there, say, respective competent authority, they would be there. So these are the 2 major ones. And then apart from NHAI and these projects, there are lot many projects which we have seen in the railways, which we are continuously bidding in metro even we are looking for it.
- Jiten Rushi:** Sir, my question was any outstanding bid right now, which you have participated and you're awaiting the total...
- Harendra Singh:** INR5,600 crores.
- Jiten Rushi:** That should be in road?
- Harendra Singh:** Road is about INR3,500 crores and the rest is in railways.
- Jiten Rushi:** So this should open by end of this month?
- Harendra Singh:** Probably by this month August end.
- Jiten Rushi:** And sir, can you just throw some light on the revenue breakup. So as you said that there was a miss in revenue as against your internal target for the Q1 because of the monsoons. But you are very optimistic that we should be able to achieve the full year event target of INR5,500 crores to INR5,600 crores. So what kind of revenue contribution we are expecting from the Adani project like you had guided for around INR2,000 crores at the start of the year and probably from the HAM projects.
- Harendra Singh:** We already believed during the annual con call, that around INR2,000 crores would be coming from this project of Adani, roughly INR2,000 crores and balance majorly Raipur,



*H.G. Infra Engineering Limited
August 01, 2023*

Visakhapatnam projects HAM projects put together, that will be about INR1,800-odd crores coming from those projects. So this is our other EPC of UER, NHAI and Tumkur and then that should put together would be the total.

Jiten Rushi: My last question would be a bookkeeping question. If you can give me the mobilization outstanding mobilization advances, retention money and bill revenue that created in the inventory possible.

Harendra Singh: Yes, sure. You can see the Mobilization Advance is about INR285 crores.

Jiten Rushi: INR285 crores.

Harendra Singh: Is reduced by INR70-odd crores from the last quarter. And the debtors have gone out as early as explained that we have received a significant amount in first week of July only. So that is around, say, INR750 crores plus INR225 crores as retention and deposits. So put together INR978 crores.

Jiten Rushi: So you said INR750 crores attaching, how much the INR228 crores?

Harendra Singh: INR750 crores and INR228 crores correct.

Jiten Rushi: INR220 crores. And what will be the inventory and unbilled revenue?

Harendra Singh: Maybe it's around INR256 crores.

Jiten Rushi: And unbilled?

Harendra Singh: Unbilled. Almost INR500 crores --something. As it was last year, last quarter...

Jiten Rushi: Capex guidance if you can throw some light on the...

Moderator: We take the next question from the line of Mr. Aman Soni from Prudent Equity.

Aman Soni So sir, my first question would be on the asset monetization. So in the previous con call, you mentioned that there will be a reduction in debt at about INR350 crores. So do you have any different amount by in the next 1 to 2 quarters, how much reduction in debt are you planning?

Harendra Singh: I think what we have discussed last time that there would be a likely reduction in the debt because every quarter there is an outflow of about INR55 crores to INR56 crores. The entity due payment and term loan payment is there. So it is likely that INR200-odd crores would be reduced by this year-end and then likely there should be INR60-70odd crores would be added because of the new capex during the year. So put together, we would be in the range of INR425 crores at the year-end.

Aman Soni: So this will be a reduction of INR400 crores to INR450 crores.



*H.G. Infra Engineering Limited
August 01, 2023*

- Harendra Singh:** INR425 crores, INR450 crores. That range would be there for the year-end. So we see anything from the monetization.
- Aman Soni:** This is excluding the monetization?
- Harendra Singh:** That we have not considered.
- Aman Soni:** But even if we, let's say, consider that obviously deal concludes then also there will be a certain portion of and then that will go off. So what will be the consolidated number?
- Harendra Singh:** Sorry, I couldn't get your question.
- Aman Soni:** So you mentioned that this reduction of INR400 crores of debt will be excluding the asset monetization, right?
- Harendra Singh:** Correct.
- Aman Soni:** So if we consider the debt reduction from the asset monetization side after that what will the reduction in debt?
- Harendra Singh:** We have not factored here as of now.
- Aman Soni:** So my next question will be on the Varanasi Ranchi project. So there are certain news reports like going on regarding certain issues with the land procurement. So is there work commencing this project? And can we expect certain kind of revenue in the upcoming quarters from this? Or is there any kind of difficulties?
- Harendra Singh:** Which project you are talking about?
- Aman Soni:** Varanasi.
- Harendra Singh:** Varanasi Kolkata is already on fast track. The land possession is which I am talking of about 50% land in our possession. Varanasi with the 2, 3 months or 4, 5 months, the land of Package number 13 would be first handed over and then before that 10.
- Aman Soni:** So from the second quarter, a certain amount of revenue could come in from this project?
- Harendra Singh:** The third quarter or 4 quarters, some portion of the revenue is likely to come from this projects. We are expecting quarters 3 and 4 the revenue will be coming from this Karnal Munak Road.
- Moderator:** The next question from the line of Mr. Sarvesh Gupta from Maximal Capital.
- Sarvesh Gupta:** Sir, on this order inflow guidance of INR7,000 crores to INR8,000 crores. Now I think till now, we haven't received much this financial year and then Q4 is also most likely going to be a washout. So you're saying around INR5,500 crores is the outstanding bid, which is expected to open this month, assuming that we win maybe INR1,000 crores, INR2,000 crores from here,



*H.G. Infra Engineering Limited
August 01, 2023*

what is the remaining sort of a pipeline that is there for you to win further bids in the coming 5 months?

Harendra Singh: So this pipeline as per NHAI and MSRDC and other railway or metro projects, it's already there, this is almost a good number. It's almost INR1,50,000 crores, odd crores is there. Out of that we are targeting to bid around INR90,000-odd crores. So there, we are looking into the bid strike ratio, if the historical path we have seen that we will be able to make out at least, say, 7% to 8% at the bid strike issued then we would be able to hit that number.

Sarvesh Gupta: And this is -- these are the bids which are expected to be done by end of this calendar year, itself?

Harendra Singh: Yes, of course, by the year-end, we are expecting the quarter 2, 3 and 4 out of these 8 months, we are expecting to add this.

Sarvesh Gupta: And sir, on the Ganga Expressway, any further updates in terms of your payments in the project sort of a thing? Is everything on track? Or are there any...

Harendra Singh: Since you have seen that we have already executed INR475-odd crores during the quarter, which is a runrate, our runrate is about INR160 crores to INR170-odd crores a year on a per month basis. So this is well on track, we are getting the payments well on time. So just over 45 days maximum timeline of the payment.

Sarvesh Gupta: Are the new gross block that we had added, which was quite significant in terms of the construction equipment -- so is that helping us to sort of improve our margins because of lowering our dependence on outside vendors in terms of your EBITDA margin because now some of the operational costs would have been converted to capex related costs.

Harendra Singh: Yes, to some extent, it is helping, but not to the larger extent. But definitely, these are all the internal strategic backward integration and forward integration, which we have done some operational efficiency improvement through technology. So this is all helping us.

Sarvesh Gupta: But we are able to do a decent utilization on these equipment?

Harendra Singh: Yes, definitely. These are all put to use, and we are getting the most benefit. Most of the benefits are coming for that angle only.

Moderator: We take the next question from the line of Ms. Akshada Deo from Vivog Commercial.

Akshada Deo: So the top line expectation for this year is roughly INR5,500 crores to INR6,000 crores, right, with 16% EBITDA margin guidance?

Harendra Singh: It's roughly INR5,550 crores to be very specific.

Akshada Deo: Right. And with the 16% margin guidance.

Harendra Singh: Correct.



*H.G. Infra Engineering Limited
August 01, 2023*

- Akshada Deo:** So is there a reason that we're expecting a dip in margin because you've been able to do roughly 20% consistently for the last few years?
- Harendra Singh:** So I think it doesn't matter, margin with respect to the top line. So all the deployment of the resources, the efficiency, operational efficiency design. So put together or everything matters, hardly depends upon the top line, INR5,000 crores or INR6,000 crores or INR7,000 crores. We are keeping our eye focused that we should be aiming at the those projects where the margins are included and as well as the decent growth in the top line can be maintained as a part of our sustainability.
- Akshada Deo:** So do you expect the current margins that you received in this quarter as they were sustainable for the rest of the year, going forward?
- Harendra Singh:** Yes, of course.
- Moderator:** We take the next question from the line of Mr. Ashish from JM Financial.
- Ashish:** Just one question. Has there been any change in scope or increase in scope in any of the HAM or the EPC road projects that you are executing?
- Harendra Singh:** Yes, definitely, there has been some changes in INR200 crores of variation orders has been issued in 2, 3 projects.
- Ashish:** Would it be possible to just break down this INR200 crores into the individual projects, even approximate number should be, okay.
- Harendra Singh:** Readily, I'm not having this breakup of INR200 crores all the NHAI SPV projects, which is like that.
- Moderator:** The next question is from the line of Mr. Uttam Kumar Srimal from Axis Securities Limited.
- Uttam Kumar Srimal:** And congratulation on a good set of numbers. Sir, what is our capex guidance for FY '24 and '25.
- Harendra Singh:** '24, '25.
- Uttam Kumar Srimal:** Yes. capex guidance for FY '24.
- Harendra Singh:** Yes, we are expecting about, say, 20% year-on-year. So roughly, it would be about INR5,500 crores that one.
- Uttam Kumar Srimal:** No, sir, this is capex guidance, I am asking.
- Harendra Singh:** Capex, roughly, it would be in the range of INR100-odd crores.
- Uttam Kumar Srimal:** For FY '24 and '25, both or the same number will do.



*H.G. Infra Engineering Limited
August 01, 2023*

- Harendra Singh:** Yes. Sorry?
- Uttam Kumar Srimal:** For FY '25 also only INR100 crores or more than that?
- Harendra Singh:** No, it would be like this or same.
- Moderator:** We take the next question from the line of Mr. Shravan Shah from Dolat Capital.
- Shravan Shah:** What is the trade payable as on June?
- Harendra Singh:** Trade payable is roughly around INR680 crores.
- Shravan Shah:** And you mentioned, sir, retention money is INR228 crores. So in March, it was INR111 crores. So any specific reason...
- Harendra Singh:** This Adani projects do have the retention money recovery, which is, say, a significant high number is there. So -- but then again, we would be able to get this back through a replacement through bank guarantee.
- Shravan Shah:** So this INR400 crores plus execution what we have done. So there is INR110 crores, INR120-odd crores kind of a retention money. Is it my understanding, right?
- Harendra Singh:** The retention and finance deposit, there are 2 kind of deposits. So earlier in last year March number, you would -- it was roughly around INR170-odd crores, INR178 crores rather. And now it has gone high INR50-odd crores, which is within this quarter only.
- Shravan Shah:** And you mentioned because of 2, 3 days, this working capital has increased. So the debt number, which is INR665-odd crores as on June. So now this should have come back to a INR450-odd crores.
- Harendra Singh:** Is again coming back to normal. It's roughly about INR450 crores, INR460 crores. And by the year-end, we would be having that say, guidance number is INR425 crores to INR450 crores not more than that.
- Shravan Shah:** Sorry, sir, I didn't get. Can you -- if you can repeat the same thing.
- Harendra Singh:** So in the -- starting of June, it was being utilized on the higher number. But ultimately it is now coming back to the normal, and it is in the range of about INR425 crores, INR470 crores. That is there.
- Shravan Shah:** Sir, again, on coming back to one on the bid pipeline grow is bid for INR90,000-odd crores kind of a project. But any specific, if you can -- if you want to highlight in next 2, 3 months? Is there any sign that this much we want to? Because I'm just trying to understand that post the code of conduct, is there a possibility in terms of awarding goals are -- slows down?



*H.G. Infra Engineering Limited
August 01, 2023*

- Harendra Singh:** So till February '24, I don't see there's a big challenge, but they are also having the big clarity. So by the time the model code of conduct is to be introduced or implemented so that all orders, they are having ample number of bid pipeline readily and with a few changes in the -- at the NHAI level, you can all understand, but those could not happen that is the reason. But we are quite hopeful and that will be done.
- Shravan Shah:** And sir, any idea in terms of Bharatmala Phase II where it is when it's likely to be...
- Harendra Singh:** There is no update as of now, very recently, there is no update.
- Moderator:** We'll take the next question from the line of Ash Shah from Elara Capital.
- Ash Shah:** First question would be how much amount have we invested in these 4 SPV that we are planning to sell and how much are we going to receive in FY '24 in total?
- Harendra Singh:** This is also the INR343 crores as invested into these SPV and post monetization, it is INR531 crores.
- Ash Shah:** But that will also include -- that is on the EV part, but how much would be the equity value in the INR531 crores?
- Harendra Singh:** There's altogether equity only.
- Ash Shah:** There is altogether equity.
- Harendra Singh:** Enterprise value is roughly around INR1,300 crores.
- Ash Shah:** Second question would be, so in our annual report also, we have guided for 20% to 25% from the non-road sector. So do you see any margin contraction in the next 2 to 3 years as we see our non-road order book increase?
- Harendra Singh:** We are very selective in taking on the call as far as bidding the projects part -- apart from the highway. So we are keeping that intake. So we would not be doing very desperately -- that is why we are keeping 25% for 3 years road map that we're gradually venturing taking the projects apart from the highway. So I don't see much of a challenge maintaining the same margins.
- Ash Shah:** Also last question would be, can you give the breakup of revenue for this quarter, like price variation and operate O&M revenue.
- Harendra Singh:** Price escalation is INR71 crores -- if you can see the numbers differently SPV, they have contributed INR500 crores, Adani 2 projects, INR494 crores. NHAI all put together at roughly around INR225 crores. And rest of our DMRC and...
- Moderator:** We take the next follow-up question from the line of Jiten Rushi from Axis Capital.



*H.G. Infra Engineering Limited
August 01, 2023*

Jiten Rushi: My question is more on the competitive engine that you said you see most of these payers are unable to win projects in Q1. So what kind of competition intensity can build up in the next 3 to 6 months? And how are we placed -- do we -- if at all, we are not able to get any projects in next 2 to 3 months, do you see any kind of a desperation from our side where we try to grab inflows at a lower margin, something -- can you throw some light on that?

Harendra Singh: No, I don't see much of a challenge. Definitely, there are many other competitor contractor. They are full of their appetite the projects -- they're having a good number of projects. So we normally have seen the correction in last few months, we have seen that a lot -- a number of bidders as they were as high as 15, 20 or even in EPC 35,40. EPC definitely there is not much how much of an improvement is there and not visible even.

But in HAM hope we have seen that 7, 8 bidders are there ideally. So we believe that is all competitive intensity, which was at a very high cost cutting aggression was high, but then it's not ruled out. We expect that -- without compromising and without looking into that margin shrinkage, we would be able to add this number of projects of -- just about INR5,000-odd crores of highway projects.

Jiten Rushi: So maybe for the EPC, we still see 35, 40 while at HAM there is 7-8 Right?

Harendra Singh: Yes.

Jiten Rushi: Sir, on the road inflow, which you are targeting on INR4,000 crores to INR5,000 crores, this should be mostly HAM or we will get the mix of EPC also? What is your thought on it?

Harendra Singh: Prima Facie it is INR4,000-odd crores you are looking from the HAM projects INR2000 odd in -- that range from EPC, balance we are looking at from the...

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

Harendra Singh: Yes. Thank you, everyone, for bringing their expertise and experience around the table. We appreciate everyone joining us today on the call. I hope that we have addressed your all questions. If you are any other further inquiries, please do not hesitate to reach out to our IR advisors, Go India Advisors. Thank you for the participation. Thank you.

Moderator: Thank you, sir. On behalf of Go India Advisors, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.