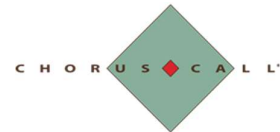




“H.G. Infra Engineering Limited  
Q3 & 9MFY23 Earnings Conference Call”  
**February 09, 2023**



**MANAGEMENT:** **MR. HARENDRA SINGH – CHAIRMAN AND MANAGING DIRECTOR – H.G. INFRA ENGINEERING LIMITED**  
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**MR. RAJEEV MISHRA – CHIEF FINANCIAL OFFICER – H.G. INFRA ENGINEERING LIMITED**

**MODERATOR:** **MS. PRIYA SEN – GO INDIA ADVISORS**



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**Moderator:**

Ladies and gentlemen, good day, and welcome to the H.G. Infra Engineering Q3 FY '23 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. Priya Sen from Go India Advisors. Thank you, and over to you, Ms. Priya Sen.

**Priya Sen:**

Thank you, Vivian. Good afternoon, everybody, and welcome to H.G. Infra Engineering Limited Earnings Call to discuss the Q3 and 9 months FY '23 results. We have on the call Mr. Harendra Singh, Chairman and Managing Director; Mr. Arvind Khandelwal, President Strategy and Mr. Rajeev Mishra, Chief Financial Officer. We must remind you that the discussion under today's call may include certain forward-looking statements and must be, therefore, viewed in conjunction with business 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, Priya. Good afternoon, ladies and gentlemen. Thank you all for joining us on the Q3 and 9 months FY '23 earnings call today. I hope you are all doing well. Since our inception, we have placed a strong emphasis on our bottom line by selecting high-quality projects. We are a symbol of trust for all marque clients. To build a sizable order book, we are endlessly working to think beyond the road segment and diversify our business by showcasing our strengths. With the addition of the new DMRC project to our order book, we are boosting our presence in other segments in order to maximize value creation for all our stakeholders.

As you can see from our earnings presentation, which have all been uploaded on the website and the stock exchange, our company has yet another strong quarter demonstrating exceptional results. Before I talk about the quarter results, let me give you some updates on the infrastructure first. This year's union budget prioritized infrastructure, boosting overall capex outlay by 33% to INR 10 lakh crores from INR 7.5 lakh crores. Talking about the roads, MoRTH was allocated some -- INR 2.7 lakh crores in the union budget, which is up 35% from INR 1.99 lakh crores.

The budget envisaged an expansion of 25,000 kilometers in the highway network in the current fiscal year. A significant opportunity is offered by the NHAI robust pipeline of 4,500 kilometers of projects totaling INR 1,144 billion as a tender. Given our strong pipeline execution is skills, and our healthy balance sheet, we are confident that the center pipeline will result in significant order inflows for the company in the coming months, followed by railways, which has received the highest ever capital outlay till date of INR 2.4 lakh crores. The capital expenditure is expected to be spent on a variety of critical projects including multi-model stations and high-speed networks.



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Also Water segment is a focus area of this budget under the Jal Jeevan Mission. In various states, this flagship project of central has been allocated INR 69,684 crores, and that is again an increase of 27% over the last year. This year airport the union budget includes 50 more airports, haliports, et cetera and advanced landfilling for, that could be reactivated in order to increase the regional aviation connectivity. With such a great impetus on infrastructure, we foresee tremendous growth opportunities, enabling us in diversifying our order book and entering into new segments.

Now let me start with the quarterly financial performance of the company. Quarter 3 started on a positive note with a strong economic activity. During the quarter, we touched highest ever quarter top line of INR 1,131 crores that is the standalone level as compared to the revenue of the corresponding period of last year -- last quarter at about INR 922 crores. The EBITDA during the quarter was INR 189 crores and EBITDA margin stood at 16.7% in Q3 FY '23. There is an upward trend seen in the EBITDA margin due to the reduction of the cost of material consumed by 2% and the receipt of a bonus of INR 15.95 crores.

The profit before tax for Q3 FY '23 was INR 151 crores versus that of Q3 FY '22 at INR 120 crores. PAT grew to INR 111 crores in Q3 FY '23 versus INR 89 crores in Q3 FY '22, showing a growth of 25.3% on a year-on-year basis. Coming to 9 months financial performance. That is on a stand-alone basis, our overall revenue of 9 months FY '23 was INR 2,949 crores, an increase of 13.9% year-on-year from INR 2,589 crores in 9 months FY -- of FY '22.

EBITDA was INR 473 crores in comparison to INR 428 crores during the same period last year showing a growth of 10.4% on a year-on-year basis. In 9 months FY '23, the EBITDA margin was 16%. PAT margins for 9 months FY '23 was 9.3%, while the profit after tax for the 9 months was INR 274 crores as opposed to INR 247 crores for the same period last year. On a stand-alone basis, our gross debt as on 31st December 2022 was INR 471.47 crores. This includes working capital debt with trade limit of INR 81.9 crores term loans and current maturities of INR 39.48 crores and including the NCD of INR 97 crores.

At the consolidated level, our gross debt was INR 1,589.75 crores which comprises project debt of INR 1,118.29 crores. Some of the significant operational highlights on our prominent projects are as follows. I'm pleased to share that we have received -- we have been declared L1 bidder and received of LOA by NHAI HAM project worth INR 997 crores. It is a six lane greenfield Karnal Ring Road project in the state of Haryana. The company has also diversified its order book in the railway and metro segment. Having projects awarded by Delhi Metro, we have received 1 of the -- 1 of our first Metro project worth INR 412 crores including the GST, which is in line with the company's objective to diversify its order book portfolio.

As of December 31, are entire pipeline of unexecuted orders totaled INR 11,064 crores. We are present in 9 different states, and our order book is well diversified including 61% of our EPC projects and 39% and HAM projects. Coming to the progress of the major EPC projects. Our progress is as follows: With regard to the DV packages, that is package number 8, we have made a significant progress in this and about completed around 93.6% financially. The project is



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anticipated to be finished this February, and we have already applied for the COD. For Delhi-Vadodara Package 9, our completion status stands at 86% financially, which is in line with our completion target in this quarter.

In the Mancherial project of Adani, the completion status is 81.7% that is financial. We have received PCOD for this project in December 2022, and the entire project is expected to be completed in Q4 except for certain COS. In the urban extension road of Delhi project, Karala-Kanjhawala, we have finished 39.9% of the job, which is progressing according to our scheduled time lines. In the Ganga – Expressway Project of Adani, we have executed 4.9% of the work and the execution is fulfilling in this project. In the Neelmangala-Tumkur project, the completion status is at 4.8%.

Moving on to the HAM projects, which are under execution, which are also progressing well as per the scheduled time line. In the Rewari Bypass HAM project, about 89.7% of the project is completed. We expect to get the provision completion by this financial year. In Raipur Vishakhapatnam Corridor project of AP 1, the completion stands at 24.3%, which is right on schedule times. Further to the 2 HAM projects of Raipur Vishakhapatnam, that is Odisha Package 5 and 6, we have accomplished about 19.1% and 23.7% of the project, respectively, and they are again moving on right on track. In Khammam-Devarapalle Package 1 and 2, which we have started recently, project execution stands at 6% and 9%, respectively.

For all 10 HAM projects, the total equity requirement anticipated until FY '25 stood at INR 1,273 crores. That includes the equity requirement of recently awarded Karnal Ring Road project. Out of this, an investment of INR 720.3 crores as of December 22 has already been made and a projection to invest INR 38.4 crores is estimated in this remaining financial year that is FY '23. We would like to update the forum that on monetization of 4 HAM projects, it is at an advanced stage with the technical due diligence of these projects is under progress, we are hopeful that we should be able to sign the document formally to conclude this deal shortly, subject to our expected valuation and the satisfactory conduct of due diligence.

Other significant developments at the organisation levels are as follows: We received a bonus of INR 15.95 crores in December '22 from NHAI, that is for Rewari Ateli Mandi Narnaul project and another INR 4 crores bonus is in the approval stage. We are also anticipating to receive a bonus of about INR 4.5 crores for the Rewari Ateli Mandi project during quarter 4.

Now guidance on the bidding outlook and the business opportunities. We are highly optimistic about the sector's outlook and the opportunities for the forthcoming year. The government's focus on infrastructure is evidenced from the current budget. Given that we will be entering the election year soon. We expect the focus on ordering to pick strongly. At H.G., we have laid the groundwork for our phase of expansion.

The 3 main areas of our focus are operational efficiency and effectiveness, cost optimization and timely completion of the project. We are anticipating INR 3,000 crores to INR 4,000 crores order



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before March to maintain the order book, which will result in 2.5x revenue. Furthermore, we have submitted bids for projects totalling INR 80,000. We will be submitting -- sorry, we will be submitting the bids for projects totalling INR 80,000 crores, of which INR 4,000 crores pertaining to railway, INR 2,000 crores from water projects, INR 1,500 crores of metro and some INR 73,000 crores in the highway projects. The opening of some of the tenders is still pending, which are in the tune of about INR 15,000 crores. Together, the diversification of company's portfolio is well underway.

As we have reached the top line of INR 2,950 crores until December 2022, we are hopeful that we will be achieved thus achieving the growth of 22% to 25% in comparison to the last year revenue to endorse our guided numbers. Now I would like to like the moderator to open the floor for the question-and-answer. Thank you.

- Moderator:** The first question is from the line of Mohit Kumar from DAM Capital.
- Mohit Kumar:** Congratulations on another good quarter. So my first question is on the revenue guidance. You said 25% for FY '23, given that the last year base was INR 10 billion, this implies around 50% growth. Is that achievable in the Q4?
- Harendra Singh:** So what we are looking at -- since we are looking at about, say, 25%, which comes at around INR 4,500. So this quarter 4 has to be where we need to run at about, say, 1.5x of the earlier quarter last year. Yes, sure. With all the projects under execution and whatever you can see about the monsoon times and any of the winter times, they are not gone -- now gone. And we are running at about, say, almost INR 20 crores a day in many of the projects yielding that particular number. So we believe that 100%, we would be achieving the target.
- Mohit Kumar:** On the bid pipeline, especially for NHAI, I think that is a very muted last 9 months. Do you think the Q4 there is substantial pick up based on whatever you have?
- Harendra Singh:** Yes, for sure. I think for the first half of this year, nothing much has happened as for the bidding and many of the contractual say, agreement correction modification was going on. Now you see in December and now in the current 3 months, so around INR 78,000 crores, which we have located looked into, to bid up. But they are more than INR 1 lakh crores of projects because at the tender stage.
- Mohit Kumar:** And how the instance way, the execution, especially in FY '24. There is the start part will happen in FY '24 to sense 50% of this order book get executed in the fiscal year?
- Harendra Singh:** Sorry, I couldn't get your question clarity.
- Mohit Kumar:** My question was on the Ganga Expressway. Will that 50% of the execution happened in FY '24, is that a fair assumption?



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- Harendra Singh:** Yes, for sure, because the 27 months duration project, and we started in November. So with that, we need to complete by March sometime by February 2025. So 50% of the execution would be coming in FY '24 from Ganga Expressway.
- Moderator:** The next question is from the line of Shravan Shah from Dolat Capital.
- Shravan Shah** Congratulations for the good set of numbers and the highest ever revenue EBITDA and PAT in a single quarter. Sir, just wanted to understand slightly more in detail in the sense that now we are seeing slightly reduce our revenue guidance for this year to INR 4,500 crores from last of INR 4,600. So is it possible that by your end we may see even INR 4,400 crores. So ideally from the original INR 5,000 to now coming to INR 4,600 and then now we are seeing of 4,500, and also in terms of the FY '24 last time we said INR 5,800 to INR 6,000. So how are now the new guidance?
- Harendra Singh:** Look, I think for this year, the correction has been because of the few delays in the appointed date and the major release of Ganga Expressway, which earlier was anticipated to be started by July, and where the shortfall is clearly visible because of that for INR 5,000 to 4,600. We still are in that the confidence that we would be reaching that number of earlier being guided with 4,600, but we are keeping it say, well within the achievable target that 100% is what 4,500.
- So the reason behind that was for 300 to 400 was the big reason for those 3 projects we already discussed last quarter. Now coming to the FY '24, if you see the total orders, which we need to deliver or execute into FY '24, whatever is was not possible during this year, would be added to the next year. So we are keeping our guidance about 22% to 25% which earlier was not that number on year-over-year, so which always 5,600, 5,500 is always is achievable.
- Shravan Shah:** Okay. Okay. And in terms of the margin, more than 16% even if there is no bonus. So that is achievable.
- Harendra Singh:** Yes. So we are having all our projects, which are having bearing this margins on every delivery were. So we're not seeing much of the challenge as far as getting the 15% margin.
- Shravan Shah:** Okay. So and in terms of a couple of things, just to clarify. The total equity with the new Karnal Ring Road, you said INR 1,237 crores, what's the requirement?
- Harendra Singh:** The equity requirement is now 1200, earlier it was INR 1,100 crores and is now at INR 150 crores that we will add.
- Shravan Shah:** Okay. And fourth quarter, you mentioned INR 38.4 crores. So in '24 and '25, how much to be added?
- Harendra Singh:** It's cutting around INR 325 crores and INR 170 crores in FY '24 and FY '25 respectively.
- Shravan Shah:** 325 and?



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- Harendra Singh:** INR 170 crores.
- Shravan Shah:** INR 170 crores.
- Harendra Singh:** You took into that INR [inaudible : 0:20:22] crores already invested until December '22. So the balance number is of INR 170 crores is being expected in 58.5% here then coming followed by INR 327 or other INR 327 in '24 and '25, 171.
- Rajeev Mishra:** INR 1,270 crores was total investment. Out of that, INR 725 crores has already been invested. So balance INR 550 crores is only to be invested in the next 27 months.
- Shravan Shah:** Yes, I got the point. Sir, need a couple of balance sheet data points. So before that, just in the debt, although it has increased by INR 79crores by year-end, will it come back to again INR 430 crores, INR 440 crores?
- Harendra Singh:** Yes, for sure. This has been an uprate increase because you see we initially have given that the capex addition, which was a key trigger for this particular financial year, early in 5 years back, we all invested around INR 250 crores in '17, '18. So this year, the major capex has been added. So because of that, it is INR 108 crores of debt being added during this quarter, this quarter only.
- So the selling plants or the key equipment which are about to be sold. So they are all on cards, and we would be, say, at least INR 21 crores of equipment would be sold -- we will be selling in this particular -- we will be selling in this particular quarter and then again, if you see to the number, which would be coming down to about '24, '25 by the end of this year.
- Shravan Shah:** Okay. So the data part I need is inventory, trade receivables, trade payables, retention money, unbilled revenue, mobilization advance?
- Harendra Singh:** So the borrowing base you have and that is total INR 471 crores out of the major is a term debt that is INR 292 crores.
- Shravan Shah:** So I need an inventory number, trade receivable number, trade payable number, unbilled revenue, mobilization advance and retention money.
- Jiten Rushi:** Unbilled revenue no, sorry, what you hear on is the debt balance?
- Shravan Shah:** Yes debt, inventory, trade payable.
- Harendra Singh:** So debtor balance is INR 638 crores.
- Shravan Shah:** Okay.
- Harendra Singh:** And then the mobilization advance INR 412 crores.
- Shravan Shah:** 412, okay.



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- Harendra Singh:** Trade payables is INR 630 crores.
- Shravan Shah:** 638, okay.
- Harendra Singh:** Inventory is INR 226 crores.
- Shravan Shah:** 226.
- Harendra Singh:** Rather than the FDRs and GST deposits and et cetera, FDR is 170. So likewise, it is coming at about INR 653 crores these other assets.
- Shravan Shah:** Yes. Retention money and unbilled revenue.
- Harendra Singh:** That is all included and receivable is included and unbilled revenue is about say INR 582 crores, I would like to add here this unbilled revenue has gone high in this particular quarter because there has been what we have executed in Ganga Expressway and one of the projects of the Khammam-Devarapalle. Whatever has been executed it could not be billed because of the -- some GST issues were there that the invoicing was done in January month. So we have not taken that particular revenue in the quarter, revenue means recognized revenue, it's remained unbilled because of that reason.
- Shravan Shah:** Sir, you said the unbilled revenue is INR 512 crores.
- Harendra Singh:** 582.
- Shravan Shah:** Sorry, INR 562
- Harendra Singh:** 82, 82.
- Shravan Shah:** 582 and retention money. So last quarter, it was INR 175. What is the number?
- Harendra Singh:** It's around say INR 190 crores, retention.
- Shravan Shah:** Potential. INR 190 crores, okay. Lastly, in terms of the -- you mentioned that how much orders that we have bidden in terms of to be bidden INR 80,000 crores that you mentioned, how much we have already bidden and.
- Harendra Singh:** There is INR 15,000 of the orders already been, but we are -- yes, they are not open expected to be open within next 15, 20 days.
- Moderator:** The next question is from the line of Ashish Shah from Centrum Broking Limited.
- Ashish Shah:** So my question is on the -- some of the newer segments that we are planning to get into like railways, water and metro recently got into. So what are the margin expectations from these segments? Because typically, when we see the other construction companies engaged in some





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of these segments, their margins tend to be in probably maybe 11% to 13% range, and they do not kind of manage 15% margin or 16% margin. So how do we would like to guide on our future margins?

**Harendra Singh:**

A project which we are looking into a it Metro railway. So there we are keeping. So that's why you can see because we are putting our entire trust with the last 1.5 years or so, but we cannot succeed getting one, say, many projects are out of the water or metro or railways. But then again, we are keeping very, say, clear eye on that, the margin should be there at least, which will be keeping, we are 14% to 15%, not less than 14% margins in other sectors where we can add the entry level -- at the entry level.

And HAM project has already we have given you that last 3 years, we have seen the margins at about, say, 18% to 20% that are coming from HAM and the mix of EPC, which we are seeing in -- even in the EPC of NHAI. We are making margins of about, say, 13% to 15% in that range. So there's an averaging out, it is coming at around 16%.

**Ashish Shah:**

Okay. So even on a blended basis, if these segments become like maybe 20%, 25%, we will still be broadly like 15-plus margins, 15% to 15.5% closer to 16%.

**Harendra Singh:**

Correct. Correct.

**Ashish Shah:**

Right. Sir, also more in terms of the asset monetization that you touched upon earlier. If you can just elaborate a little exactly, I mean, at what stage we are? You mentioned something about technical due diligence. So what is the kind of time frame that you are expecting? And any expectation of how much we expect to get from monetization.

**Harendra Singh:**

No. See, as of now, the number is not very clear on it. So you already in the last call also, we have discussed on it, but our expected valuation is about 1.4x to 1.5x of the equity, which we have invested into these 4 projects. That is one part. it is clear almost is the one of the clarity has come, therefore, the technical diligence has been started because unless that is being principally agreed. So nothing of that nature can be taken up. So we are already into that phase where most of the things are all aligned.

Now post that, anything like SPA and binding agreement to be signed. So within the shortest period we expect, so while everything is over. So within next -- within a month or so, we can conclude upon our deal closure. And therefore, I think the productions and everything of indicating the NOC from the lenders and NHAI, it will take another 3 to 5 months. So probably by September end, we believe that we would be able to monetize those assets and then actually cash can come in the accounts.

**Ashish Shah:**

Sure, sir. Sir, lastly, can you just tell us in terms of this new HAM asset we've got. So what is the rate at which the financial closure can happen? I mean the kind of rate of the banks at this point of time?



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- Harendra Singh:** It's very early to say order. We are initially getting the offer about 8.3%, 8.5%, so but it's very early to say.
- Ashish Shah:** Sure. And the equity debt portion, et cetera, will remain the same. There's no change from the historical.
- Harendra Singh:** Almost will be seen.
- Moderator:** The next question is from the line of Nikhil Abhyankar from DAM Capital.
- Nikhil Abhyankar:** So just to clarify, one, the bonus income has been around INR 16 crores in this quarter, right?
- Harendra Singh:** Yes, it is INR 15.95 crores to be very precise, and that is at the SPV level. At the company level, it has been 90% of that, it is INR 13.7 crores.
- Nikhil Abhyankar:** Sir, if you access that against the revenue, so the margin is coming out to be around 15.6%, 15.7%..
- Harendra Singh:** It is 15.73 to be very correct.
- Nikhil Abhyankar:** Right. So sir, are we still seeing some margin pressures?
- Harendra Singh:** I will explain a few reasons that margins definitely at 16 are much visible. -- the employee cost, which has gone high in this particular stage because the projects which we have recently mobilized and even the capex cost of the CAMP construction, et cetera, has been done in those projects, which is giving a higher number of that particular expense. And so it is coming at because 1% to 1.5% is going into those numbers. So that will be, again, being -- gradually being spread in the coming quarter revenue.
- Nikhil Abhyankar:** Understood, sir. Sir, about the DMRC project, this is our first non-road project. So what are the kind of margins that you are targeting?
- Harendra Singh:** Already, I have, we have given the guidance that is a bid at about same margin, 14%.
- Nikhil Abhyankar:** Okay. Sir, and any guidance as to like you have mentioned a huge bid pipeline of INR 73,000 crores for routes, so what -- can you just give a flavor as to what will be the competitive intensity right now?
- Harendra Singh:** That we cannot just guarantee, but definitely, it has been cooled down. We have seen the number of projects we are like in Karnal Ring Road, there are only 2 bidders were there. In one of the projects of Haryana, they have only 6 bidders. So in many of the projects, they are coming at as high as 9 to 10 or 12 bidders, but many projects are now getting, say, the less number of bidders. So which I believe that amount of opportunities, what amount of bids are there. So when that gives us a fair chance that we would be say, able to at least 3,000 to 4,000 three projects from HAM or another, say, another one from railways or so, we would be able to get in this year.



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- Nikhil Abhyankar:** Understood, sir. And sir, earlier, there was talks of the grant being reduced to 20%. So any news around that?
- Harendra Singh:** No, no, nothing of very concrete outcome is there. It's only a proposal, which was discussed -- as of now, is not concrete outcome there.
- Nikhil Abhyankar:** Okay. Just a final question. What is the total equity invested in all the assets that we have identified from monetization.
- Harendra Singh:** Already has given that the INR 722 crores is the exactly equity, which we have funded, say, INR 120 crores till December '22.
- Rajeev Mishra:** [inaudible : 0:31:43] which is totally is close to INR 340.
- Harendra Singh:** We are talking of the projects which are going to be monetized more numbers for INR 343.
- Moderator:** The next question is from the line of Sarvesh Gupta from Maximal Capital.
- Sarvesh Gupta:** Congratulations on a good set of numbers. Sir, first question, order inflow. So I think till date, we are at INR 6,000 crores. But I guess, net of price variation, it might be somewhat closer to INR 5,000-odd crores.
- Harendra Singh:** Sorry, sorry, sorry. I will just correct. Net of price variation means these are net of GST numbers, which we have added this year. And the price variation is all there, whatever price escalation it is going to be paid over and above these numbers.
- Sarvesh Gupta:** Okay. So INR 6,000 crores net inflow till December from March, then if you add the price variation, then what is that number, sir?
- Harendra Singh:** Exactly, we cannot presume any price variation on a percentage basis. But as a normal trend we have seen, like in this particular quarter, we have received some INR 87 crores of price variation. So it is going as high as 8% as of now. But usually, the trend is 6% to 8% is the trend which we have seen in the past -- historical past.
- Sarvesh Gupta:** Okay. So on top of this INR 6,000 crores, we are guiding for INR 3,000 crores to INR 4,000 crores in this current quarter. So it will make it INR 9,000 crores to INR 10,000 crores order inflow for this quarter. Is that right, sir?
- Harendra Singh:** Yes.
- Sarvesh Gupta:** And then for the coming year, what is the expectation?
- Harendra Singh:** See, we are keeping our guidance on that basis that whatever we will be doing in a particular year, and basis that we would be like to add to maintain a ratio of 2.5 to 3x the bill, say, order to bill.



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- Sarvesh Gupta:** Okay. So let's say, next year, you are planning to do .
- Harendra Singh:** It would be coming roughly in the range of about 8,000 to 9,000 again.
- Sarvesh Gupta:** Understood. Understood. And sir, on this particular corporate group from which there has been a lot of media stories so that occupies a major part of your order book. So any sense on these corporate developments, how can they potentially sort of have a negative impact on us, if at all, if you can throw some more colour on -- are there any risk sort of mitigation measures here should anything happen on these fronts because this is quite significant part of your order book.
- Rajeev Mishra:** I understand your question. So basically, with the recent development which we have also seen as we have experienced and with touching upon authority where the project is coming from UP government and touching upon their higher authorities even with the group. We have understood that operationally, there is no challenge as far as they are having the odd commitment.
- And there is an escrow accounts being dedicated aspects for the all entire SPV is maintained, where I think there are the 3 on a the lenders and the client and the group company. So they are all having that clarity that whatever fund is going to be paid from that particular escrow is going to say, EPC contractors or any small liability of that nature. So with that understanding, it is not a big challenge for us as of now because they also on the comfort and the authority has also given the comfort of that takes time.
- Sarvesh Gupta:** Any sense on how much will be the lenders contributing to this, which is already tied up versus how much will be the funds which will come from your client?
- Harendra Singh:** So ideally, if you see any project of that were about 36% or 36% plus is coming from this UP government, which is coming in the form of grant depending upon the various stages of the completion of the project. And the equity commitment is current of coming about, say, 40% of the remaining portion of that and balance 50% is coming from the lenders.
- Sarvesh Gupta:** So around 15%, 20% of the total is the equity commitment from your client?
- Harendra Singh:** Yes.. Roughly, it is coming to like.
- Sarvesh Gupta:** Okay. And these are all tied up already.
- Harendra Singh:** Yes, these are all tied up projects. Financially, all complete closure is there. Everything is done. And again, you can just -- I can mention upon it. a time frame for the completion of these projects. So accordingly, it's not that the on capex is going to be affected. It is a company -- the country's capex or the state capex is there, which is going to be affected.
- Sarvesh Gupta:** Okay. So you don't see any impact on this particular chunk as such? I mean your execution will continue as it is.



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- Harendra Singh:** Yes. As of now, they are already very clear. They have taken the weekly plan -- monthly plans. And whatever we are running at about, say, that number, they are very clear on it, we should add our resources or rather we should at a more aggressive pace because of the winter and the fog time in January, we could not do much in that. So that is how again, the clarity is there.
- Sarvesh Gupta:** Understood. And sir, on the HAM projects of INR 340-odd crores, I think the expectation, which was there in previous quarters was that in quarter 4, we should be able to materialize these sales -- so now it seems like because of our valuation expectation, we don't know the time lines for these.
- Harendra Singh:** Given the line that the discussion is at a very advanced stage, the due diligence means, it is a proper technical due diligence as at a very advanced stage. The discussion is almost concluded by this financial year-end, as it was already discussed that we will be concluding our deal. And therefore, it will take another 6 months for exit.
- Sarvesh Gupta:** But valuation is not a concern that has already been sorted. Is that the right understanding, sir?
- Harendra Singh:** Normally, it is being principally agreed upon the fair absolute number, I cannot just give right now, but is supposed a binding agreement and the SPA only which can be disclosed.
- Sarvesh Gupta:** Understood. And finally, on the NHAI pipeline, sir, so it has been like quite strong for a long time now for many quarters. And we are not seeing much on action, which is slightly counterintuitive also because, as you rightly said, election, is there it could have been preponed rather than this -- all this pipeline getting stuck and sort of not being given out and/or given out very close to the elections itself.
- Harendra Singh:** No, I think it is very clear because NHAI has given the clear indication to all the construction and contractors to run -- to increase the execution rate as of now, which is quite low. They have also indicated there are not many projects which is coming as a write-down to be bid and in the bidding pipeline as well, so it's hardly matter is the election year or whatever. So what is not visible is they are continuously they are awarding the project, but it's a lot many companies who are not in the listed entities or not in the public domain. So they're getting the projects. So it's not that the bidding is not going on, bidding is going well.
- Sarvesh Gupta:** Okay. So we are confident of getting this as per our pipeline expectation in the coming quarters?
- Harendra Singh:** Correct.
- Moderator:** The next question is from the line of Prem Khurana from Anand Rathi Shares.
- Prem Khurana:** So I think most of my questions are already answered, just a couple of questions from my side. So one was I want to understand the ROW status for the recent hybrid annuity that we have been able to manage, and if you could also help us with the land status for the 2 Odisha packages as



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well, I think we were more like 80-odd percent there. So have you seen any progress there in also in this Karnal project, if you could let us know the line status?

**Harendra Singh:** No, I say. As for the land availability in Orissa and AP projects is more than 90% of the land is available now, and we are running at a decent pace in those projects. And you can see in our total execution what we have done during this particular quarter where significant contribution has come from INR 370 crores is from all Raipur Vishakhapatnam, AP and OD projects. So that is in this particular Karnal Ring Road project, also 40% of the land is right now available. So by the time we completed our financial closure, I'd say, by May or June, we will be able to get the entire 80% plus land.

**Prem Khurana:** Sure. And the second question was on the Ganga Expressway working sort of the data or come to us fair to assume some of these mobilization advances that were supposed to come to us would have.

**Harendra Singh:** Yes. We have taken just 1% of the mobilization advance part out of the INR 49 crores in that particular project. We have again applied for another 1%. That would be in February and March. We've been looking forward on that.

**Prem Khurana:** Okay. Is it -- I mean you are supposed to get 10%, right? So if you want to do it in 1% each or.

**Harendra Singh:** We are okay with we don't want because all our interest bidding, had it be only limits or had to be limit and the mobilization advance wherever. So rather, we would be looking more into this metro where the mobilization advance is interest-free.

**Prem Khurana:** Sure. And the metro projects that were taken, would you be required going to spend any money in terms of any specific equipment that would be required -- by understand.

**Harendra Singh:** We are already having most of the equipment. It's a very nearby projects of urban expansion road Dehli project. It's very nearby. So entire establishment, most of the things are all in place. So what is going to be added as a slight capex addition of entry and not a very big amount.

**Prem Khurana:** Sure. And sir, I'm not sure if you gave this number in your opening marks, how much will be the capex for the full year? And how much is incurred for nine?

**Harendra Singh:** So capex for the full year, which is right now being what we have done is the also all-time high capex because of the phasing out. It's almost INR 243 crores of capex is done during this financial year. But this INR 243 crores is not only the plant and equipment. If you didn't stick into it, that is the land is again there is INR 28 crores of land being invested. There are some offices is going to be developed. And can construction earlier it was going to the expand now it is INR 25 crores of CAMP construction, which gradually is going to be expensed out. So this is how the capex is looking a bit high.



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But otherwise, we are keeping -- maintaining that guidance that INR 80-odd crores of capex would be added in subsequent and not this year, the '24 and '25 in this year, almost it is done about just INR 10 crores likely to be added, not more than that.

- Prem Khurana:** Sure. And you're planning to sell equipment further.
- Harendra Singh:** Other we are going to sell out some not less than us INR 25 crores to INR 30 crores of equipment during this quarter only.
- Moderator:** The next question is from the line of Uttam Kumar Srimal from Axis Securities.
- Uttam Kumar Srimal:** Sir, my question pertains to the competitive intensity is just you talk about. So sir, can you let me know whether competitive intensity has come down both in HAM as well as EPC, or is only in HAM.
- Harendra Singh:** Only in HAM. In EPC, it is almost the same.
- Uttam Kumar Srimal:** So it's still 13, 14 bidders are there in EPC.
- Harendra Singh:** We are getting more not less than 20 bidders per bid. And going as 25% to 35%.
- Uttam Kumar Srimal:** Okay. Okay. Okay. And sir, this quarter, our employee cost has increased. So this will continue in the fourth quarter, also.
- Harendra Singh:** Sorry?
- Uttam Kumar Srimal:** Employee cost has increased in this quarter.
- Harendra Singh:** No, no, this quarter, we would be -- say it all spreads upon your total turnover. So wherever the mobilization was going on, say, we can see in quarter 2 and 3, 3 most of the mobilization was done, execution, we are not seeing that if this is not 1,100, it is really coming at about, say, INR 1,500 plus. So this way, I think the spread would be -- that this employee cost remains the same, but the turnover is more.
- Uttam Kumar Srimal:** Okay. And now coming to the , sir, railway capex. So you would be bidding for most of the railway projects or some particular projects like station development and all.
- Harendra Singh:** We already started bidding few of the projects already bid. Few of them are already -- the bid is yet to be open. So we are keen on that we will be bidding those projects as well.
- Moderator:** The next question is from the line of Deepika Bandari from Phillip Capital.
- Deepika Bandari:** Congratulations on a great set of numbers. Most of my questions have been answered. Just to confirm, I think I missed out on that. What capex, net capex are you planning for FY '24 and '25.



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- Harendra Singh:** Sorry, equipment capex, almost INR 80-odd crores is likely to be added in FY '24 and INR 80 crores to 100 crores to INR 90 crores in 25%. So the most of the capex which we added this year would be sufficient enough to take up next 2, 3 years of that.
- Deepika Bandari:** Okay. This is net of the plan we are planning to sell next year?
- Harendra Singh:** It's net of net addition.
- Deepika Bandari:** Okay. And just the last question. When are we expecting AD for Karnal Munak Road.
- Harendra Singh:** See, as of now, the trend looks like by June or if not in June, by September, we will be taking the project date.
- Moderator:** The next question is from the line of Ashish Shah from Elara Capital.
- Ashish Shah:** Sorry for if I'm repeating the question. But I just wanted to clarify that you mentioned that INR 1,500 crores of revenue, you will do it in Q4.
- Harendra Singh:** Yes.
- Ashish Shah:** So from where will that -- which all projects will contribute most of it, if you could just provide a brief break up?
- Harendra Singh:** Yes, sure this major portion would be coming from if you just take a major project. One is the Urban extension Road of Delhi, where the yield would be coming in the range of about INR 225 crores. So the INR 225 crores and the INR 550-odd crores would be coming from Raipur Vishakhapatnam, AP1, OD5 and 6, 3 projects, HAM projects. INR 125-odd Crore would be executed in Khammam-Devarapalle Package 1 and 2. There's about 10% of the total project cost there. So likewise, I think the Ganga Expressway it is coming about INR 350-odd crores will be coming from the Ganga Expressway.
- Ashish Shah:** Okay. And second question was regarding that you have made some investment in a partnership firm called Safety First. So if you could just provide some details on the same? What is it regarding? And how is it beneficial for us?
- Harendra Singh:** Yes, for sure. This is a manufacturing company, which usually manufactures of [inaudible : 0:48:12]. So these are the [inaudible : 0:48:14] being supplied to us in many of the process that there was the company which we know from the last 3 years. So we found that this is a backward integration in the form of not going into the manufacturing by ourselves. But going into that, it is a dedicated commitment where we will be getting better advantage. And there is a huge growth opportunity in the coming future.
- Moderator:** The next question is from the line of Ca Akash Dhanuka an individual investor.





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- Ca Akash Dhanuka:** And congratulation on good set of numbers. So I just wanted to confirm just one thing because most of the questions are already answered. This is with respect to the margin priority, you said it may be around 15%, 16%. Just wanted to confirm, is this the PAT margin you're talking about or the EBITDA margin.
- Harendra Singh:** EBITDA margin. PAT margin is roughly whatever tax and applicable taxes there. Interest and you will see the table depreciation EBITDA, depreciation and the interest cost, which is roughly coming at about, say, 3.5% to 3.4% in that range. So PBT is coming at about 13% this year. So it would -- the PAT has come in about the 9.3% to 10%.
- Ca Akash Dhanuka:** And that for the next year, that is FY '24.
- Harendra Singh:** So this is the same trend which we are keeping for this year as well as next year.
- Ca Akash Dhanuka:** Confirm it will be somewhere in the range of 9.3% to 10%, right?
- Harendra Singh:** Correct.
- Ca Akash Dhanuka:** And the topline will be somewhere around hovering around INR 5,500 crores to INR 5,600 crores, correct?
- Harendra Singh:** Right, right.
- Moderator:** The next question is from the line of Bharat Gianani from Moneycontrol Pro.
- Bharat Gianani:** Yes, thanks for the opportunity and congrats on good set of numbers. I just missed the number, like you mentioned that you have INR 80,000 crores of project pipeline. So out of that INR 73,000 crores is for roads. And so what is the balance? I missed that number of balance of INR 7,000 crores that you gave -- that is for mid segment basically.
- Harendra Singh:** INR 4,000 crores out of -- from the railway, which we are looking at to bid for the railway project. This 2,000 is the water project and 1,500 are the metro projects.
- Bharat Gianani:** Okay. And so basically, based on the project bid and your plan, now you got a breakthrough in the metro project. So next year on, say, 1 or 2 years down the line, what's your view that what's your target because we have been this point since last many years that office like how much would be the contribution of the nonroad revenues in the -- sorry, what is a nonroad contribution in the overall order book that you expect in the next 2 to 3 years' time line? And in the nonroad segment, what will be major areas that you think you should be getting the projects.
- Harendra Singh:** Already we have discussed, I think we are gradually going to increase other than the roads, 25% in next 3 years, gradually it would be added. So looking to that total revenue sharing from these kind of projects would be in the trend -- right now, if it is only metro and their subsequent in the year FY '24 and '25, you will be able to get many more projects in other sectors. The sectors are



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like metro, railways, water and it can be airport even. So going beyond that, if you see that gradually, the number from a number and revenue would be coming from these sectors.

- Moderator:** The next question is from the line of Shravan Shah from Dolat Capital.
- Shravan Shah:** Yes. Sir, a contract date for this metro project will be 1 to 2 months from now?
- Harendra Singh:** This is already declared. It's 23rd of January. We have already started to work.
- Shravan Shah:** Okay. Okay. Got it. And the INR 15,000 crores projects that we have bid roughly, how much would be the HAM projects from them?
- Harendra Singh:** Mostly are HAM projects, few other EPC just INR 2,000 crores to INR 3,000 crores of EPC and about INR 10,000 crores are on HAM project, remaining, say, about INR 1,500 crores are from railway is, I think, 1 or 2 water projects.
- Shravan Shah:** Okay. In that -- any specific -- any new states that we are -- we have already bid any of the new state?
- Harendra Singh:** Yes, we have bid 1 or 2 projects in Jharkhand as well.
- Shravan Shah:** Okay. Okay. Got it. And sir, any thought or any idea in terms of the Bharatmala Phase 2 when it is likely to be approved? Or what could be the size of that? So structurally, I'm trying to look at in next 2, 2.5 years, this Phase 1 will be over, so what will be the next in terms of the opportunity size. So this Phase 1 was started with INR 5 lakh to INR 6 lakh crores and now close to INR 11 lakh crores, INR 12 lakh crores, so just trying to understand any broad idea? Will it be the same kind of a size INR 10 lakh odd crores kind of Bharatmala Phase 2 and then.
- Harendra Singh:** I am not having any big idea on those things, but definitely, that there is discussion and the plans are very much on that track only. So I think by FY '23 or say, by the year-end, we would be able to get the clear guidance, but for sure, I think about the 1,500-odd kilometers to 50,000 kilometers to be developed in that Bharatmala 2.
- Moderator:** Ladies and gentlemen, that was the last question. I would now like to hand the conference over to Mr. Harendra Singh for closing comments.
- Harendra Singh:** So thank you all. I appreciate you all for taking your time out for attending today's investor call. I hope all of your questions were answered adequately. In case there are any follow-up queries, please feel free to reach out to us or our IR adviser, Go India Advisors. Thank you.
- Moderator:** On behalf of Go India Advisors, that concludes this conference. Thank you for joining us. You may now disconnect your lines.