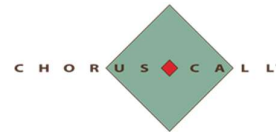




“H.G. Infra Engineering Limited  
Q3 & 9MFY24 Earnings Conference Call Transcript”  
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**MODERATOR:** **MS. SANA KAPOOR – GO INDIA ADVISORS**

**Moderator:** Ladies and gentlemen, good day, and welcome to H.G. Infra Engineering Limited Q3 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 and 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, Manuja. Good morning, everybody, and welcome to H.G. Infra Engineering Limited Earnings Call to discuss the Q3 and 9 months 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:** Yeah. Thank you, Sana. Good morning, ladies, and gentlemen. Welcome to the earnings conference call of H.G. Infra Engineering Limited. We are delighted to discuss the key milestones of our quarterly and 9 months financial performance, other accomplishments, and future vision. The trust -- we trust you got the chance to examine our investor's presentation and the financial results.

Let me start with a brief overview of the infra sector outlook and the latest budget update. The Ministry of Growth Transport and Highways has increased -- received increase of funding 2.7%, totalling around INR2.78 lakh crores for '24/'25, out of which INR1.68 lakh crores is designated to NHAI for development of national corridors. The government plans to accelerate new project award in the upcoming months and also reviving Build, Operate, Transfer module with 54 projects worth over INR2.2 lakh crores.

Additionally, there is a shift from Bharatmala Pariyojana to vision 2047 initiative, a more ambitious plan aiming to construct 30,000 to 35,000 kilometers of access control highways and 50,000 kilometers of high-speed corridors before India's 100th independent anniversary in 2047.

In the railway sector, the interim budget 2024 has earmarked INR2.55 lakh crores sustaining its capital expenditure momentum compared to the INR2.41 lakh crores allocated in '23/'24. Indian railways envisage a substantial 4.2 trillion plan to multi-track 7 high-speed density corridors, expanding 10,959 kilometers over the next decade. Under the Amrit Bharat Station scheme, the government has planned to remodel 1,309 stations by 2030. H.G. Infra has taken

this as an opportunity considering new bidding in various station projects and already acquired Kanpur Railway station. We aim to secure high-value projects in this sector.

Recognizing opportunities in different sectors, we have actively pursued bids to broaden our order books. Let me start the journey of this quarter and give you the glimpse of operational highlights first. As of December 2023, our order book stood at INR9,626 crores diversified across 11 states. Out of the total order book, EPC constitutes 51%, HAM constitutes 37% and railway metro contributes remain 12%.

Talking of the ongoing projects, the execution progress on various EPC project is as follows: the Ganga Expressway project is progressing well and has reached a completion milestone of approximately 42.1%. In the Delhi UER project, substantial progress has been achieved and standing at around 84.8%. It is anticipated to be completed by [March '24]. Neelmangala-Tumkur project is advancing smoothly and has attained an execution status of 19.1%. Karnal Ring Road Project has achieved 10% completion and progress is well accelerated in the next few months, as all initial impediments in the progress has been addressed.

The progress of all HAM projects is also running as per the plan schedule. The update is that the Raipur-Visakhapatnam OD-5 project has progressed to 54.8%. Raipur-Visakhapatnam OD-6 project is currently at 62.4% completion. The Raipur-Visakhapatnam AP-01 project has achieved a completion status of 61.3%. And in the Khammam Devarapalle project Package 1 has progressed 33.6%, while Package 2 is at 38.4%.

Let's dive into the progress of our railway projects. The DMRC metro project has achieved a completion of 36.7% with execution progressing smoothly and in line with the expected timelines. The Bilaspur Himachal Pradesh railway project under RVNL, though it delayed a bit initially because of extensive rains in Himachal, is now progressing well. The Kanpur Central Railway Station project, with North Central Railways has reached a completion of 1.2%, just recently started.

Let me now share other significant updates on quarter 3 FY '24. The appointed date for Kanpur Central Railway station was received on 16th of October '23. The PCOD of Maharashtra Pkg-7 and Rewari Bypass were received with effect from 29th Feb 2020 and 25th May 2023, respectively. COD of Rewari Ateli Mandi was received with effect from 31st November 2021. Financial closure of Varanasi Ranchi Kolkata Package 10 and 13 was declared on 23 November '23 and 20 November '23, respectively.

In terms of the financial highlights of this quarter, we are happy to share considering our financial performance and robust growth story, the outlook on the long-term rating has been revised from stable to positive. The rating committee of ICRA has reaffirmed the long-term rating at AA- and the short-term rating at A1+. Our financial numbers for last quarter has been satisfactory.

At the standalone level, our total revenue for 9 months FY '24 has reached INR3,487 crores, marking a 18.3% year-on-year increase from INR2,949 crores in 9 months FY '23. EBITDA amounted to INR557 crores in 9 months [FY '24] resulting in EBITDA margin of 16% compared to INR473 crores and 16% margin in 9 months of FY '23. PAT for 9 months FY '24 stood at INR386 crores with a profit margin of 11.1% in contrast to INR274 crores and a margin of 9.3% of 9 months FY '23.

In quarter 3 FY '24, stand-alone revenue reached INR1,346 crores, indicating a significant 19% year-on-year, rose from INR1,131 crores in quarter 3 FY '23. Stand-alone EBITDA for quarter 3 FY '24 was INR214 crores, reflecting a year-on-year growth of 13.2%. The PAT and the PAT margin for quarter 3 FY '24 stood at INR205 crores and 15.3%, respectively. Compared to -- that is compared to INR111 crores and 9.9%.

Regarding the company's debt position, on a stand-alone basis, the gross debt amounting to INR470 crores including the working capital debt of INR64 crores, term loan and current maturity and trade limit totalling to INR341 crores, along with the NCD of INR55 crores. Moving on to the consolidated numbers. In 9 months FY '24, the revenue surged to [INR307 -- INR670 crores] indicating an 18.9% year-on increase from INR3,087 crores in 9 months FY '23.

EBITDA reached INR729 crores, resulting in an EBITDA margin of 19.9% compared to INR590 crores and a 19.4% margin in 9 months FY '23. PAT for 9 months FY '24 stood at INR349 crores with a profit margin of 9.5% as compared to INR322 crores a 10.4% margin in 9 months FY '23.

Concerning the company's debt position at the consolidated level, the gross debt amounting to INR1,356 crores. The total equity requirement for 9 HAM projects were estimated to be INR1,331 crores until FY '26. As of December '23, INR604 crores have already been infused, and there is a projection infusion of INR74 crores in FY '24.

Let me now give updates on the key developments in the monetization progress of 4 assets. Pursuant to entering the share purchase agreement on 3rd May 2023, we have finally achieved the milestone of completion of first tranche sale of 3 SPVs, including Gurgaon Sohna, Rewari Ateli, and Ateli Narnaul. 100% shares of this company has been transferred on 21st November 2023 from H.G. Infra to Highway Infrastructure Trust, and consideration has been received against the share transfer.

As far as SPV, total consideration was INR531 crores for all the 4 SPVs. Out of that, agreed consideration for first tranche of the SPV was INR405 crores against with the final total consideration has been closed for INR375.13 crores. Total consideration includes INR313.07 crores against equity and INR52.06 crores against subordinate debt. And that consideration has been received, except holdback of INR59.56 crores being transferred in an escrow account

which will be released on receipt of approval for GST changing law on [NBD] payments from the authority. And the same is expected to be received by March '24.

We would further -- we further would like to inform the variation in final consideration was majorly due to change in the price escalation amount on account of impact of change in law, a change in [CPI] guidelines. Because of this change, there was a negative impact of around INR13.29 crores on the consideration value of these 3 SPV companies.

However, the impact is positive in second tranche of fourth SPV with INR2.87 crores. Additionally, during the period before closing of transaction within the agreed valuation date, unsecured loan of INR16.7 crores was refunded back to the promoter company which was provided to SPV during the construction period as interim arrangements in general course of business.

However, in Rewari Bypass, we would like to receive INR140-odd crores against consolation of INR126 crores as per the SPA. Thus, overall consolation remains unaffected. Also, we would like to update that for second tranche of fourth SPV that is Rewari Bypass where PCOD declared with effect on 25th of May '23. Accordingly, we have applied for the issuance of [NSV] from the authority and lenders for the change in shareholding. Final NOC is given shortly, and we are expecting to complete the second tranche by March '24.

On completion of first tranche transaction in November '23, INR106.74 crores of total capital gain has been recognized, which attracts a tax of INR16.09 crores as per the Income Tax provision for the first tranche, 3 SPVs due to which the overall current component has increased for this period.

Let me now touch upon the future guidance. After the lukewarm awarding in this financial year until now, we are expecting aggressive bidding in the next 2 months, which will give us the opportunity to augment our order book. To date, H.G. Infra has bid for 52 tenders worth INR30,572 crores until January '24. Among these, 3 tenders were awarded totalling INR1,199 crores including projects of NTPC, central railway project of Dhule to Nardana and South-Central revenue project of Aurangabad to Ankai Package 9. Both the railway projects have been awarded in the month of '24.

I'm hopeful, after the addition of 2 major railway projects in the month of January '24, we would further add INR5,000-odd crores more projects in the remaining part of this financial year, keeping total order addition during the year to around INR6,000 crores. For future bidding H.G. Infra Engineering also plans to bid on about 8 more railway projects, that is around INR6,000 crores in this financial year. We are also targeting high-value railway project as invited by Haryana Orbital Rail Corporation to further diversify orders. We have started preparatory work of analysing costs in and doing preliminary discussions with diversification for the sector also to propel our way forward.

Regarding the revenue guidance in this 9 month, we have obtained a revenue of INR3,487 crores and we would like to assure all our stakeholders that this year we'll be achieving INR17 crores to 20% growth in revenue compared to last year, maintaining a margin of 15.5% to 16% flat.

I want to ensure our shareholders and the financial partners of the companies exercising prudence and vigilance to enhance our growth narrative, demonstrating persistence in receiving forthcoming growth capacity soon. We are meticulously focused on enhancing our operational efficiency and execution capacity to boost both our EBITDA and PAT margins. Digital transformation holds a primary spot over our agenda encompassing automation in our plant and machinery, operation at various other verticals. The strategic move is poised to contribute significant value to our financial indicators, fostering a seamless and transparent real-time working environment.

That concludes my update and now the floor is open for question and answers.

**Moderator:**

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Alok Deora from Motilal Oswal. Please go ahead.

**Alok Deora:**

Congratulations on pretty decent numbers and execution improvements. Sir, just again on the - you -- although you gave a pretty detailed opening remark, but just on the order flow because you know, we are already clocking nearly a run rate of INR5,000 crores annual revenue and order book is at around 2x now. So how many projects we have bid now where bids are yet to be opened?

And you also mentioned that there is a pretty aggressive bidding which will happen in the next couple of months. So what's the realistic number we could look at? Because most of the companies are talking or betting on these next couple of months to kind of get the order inflow in place.

**Harendra Singh:**

Yes, sure. I see almost 16 bids are there where yet -- the results are yet to be declared, and there is totalling of about INR14,000 crores. Apart from this, as we have seen that in February and March before prior to the model code of conduct imposed likely that they are awarding at NHAI Ministry and MSRDC and several railway projects, they are on the card, where we also betting upon it.

And definitely, it looks like that during the next 2, quite a good pace of awarding would be done. And it's almost INR70,000-odd crores, or rather INR60,000 crores to 70,000 crores in MSRDC on EPC projects and around INR50,000 crores plus at NHAI and somewhat INR40,000-odd crores at -- for the ministry. So these are all the highway projects which I was talking other than the railway projects are also there, so which we believe that definitely INR25,000-odd crores of railway project are likely to be awarded.

- Alok Deora:** Sure. And I think in your comments you mentioned about you are bidding a lot of these railway projects. So what is the expected margins there? Because the railway margins would be lower than this 15%, 16% margin which you make in the road projects. So what is the margin profile would be there for those projects?
- Harendra Singh:** So we are keeping the same thing let's say, if you are talking about the Dhule projects, there's almost the similar kind of projects as highway, nothing of electrification or SMB. So we are seeking the same margins as we are doing in highway. Definitely, it can be not more than 1%. Because in a highway EPC project, we are keeping ourselves at about, say, 13% range that we are keeping for them. HAM definitely, we are targeting about 18%, 19% as we have done in the past. So this now we are looking at any future railway project to be bid.
- Moderator:** The next question is from the line of Shravan Shah from Dolat Capital.
- Shravan Shah:** Congrats on a decent set of numbers. Sir, just to develop on that. So till now the railway orders, the EPC value for us is INR1,200-odd crores that we have received.
- Harendra Singh:** The recent orders which we have received?
- Shravan Shah:** Yes, sir.
- Harendra Singh:** Net of GST would be around INR1,100 crores.
- Shravan Shah:** Okay. Net of GST. So until now, the order inflow for us is INR1,100-odd crores. And for full year, so by next 2 months, we are looking at the further INR5,000-odd crores. So total would be INR6,000-odd crores that we are looking at?
- Harendra Singh:** Yes.
- Shravan Shah:** So in this INR5,000-odd crores, a railway would be how much more we are looking at?
- Harendra Singh:** See, we cannot just see that we already have bid for almost INR14,000-odd crores that were yet to be awarded. In this INR10,000 crores are railway projects, which we expect definitely 1 or 2 projects from railways likely to be there, out of the INR5,000 crores expected during the earliest part of the year.
- Shravan Shah:** Okay. So this INR10,000 crores revenue project, so these are closer to INR1,000 crores, INR1,000 crores each kind of project?
- Harendra Singh:** No, it's not typically the same. It is INR500 crores to INR700 crores, INR1,000 crores or even INR1,200 crores, INR1,300 crores also.
- Shravan Shah:** Okay, okay. Got it. So for the full year, you mentioned 17% to 20%, so slightly maybe a lower revenue that we are looking at versus the previously INR5,400 crores. So for next year in

terms of INR6,000 crores, INR6,200 crores revenue that we were looking at, so are we able to maintain the same guidance for FY '26?

**Harendra Singh:** For the current year, definitely because of the very, say, weather conditions and the erratic monsoons. So this is why the shortfall has been in the Jharkhand project, which we were supposed to looking at this, probably date of Package 13 which is yet not clarified as far as model likely to be imposed. So this is the shortfall of our INR200-odd crores likely to be there. But definitely, we are keeping the target intact for the financial year '25 with INR6,000-odd crores.

**Shravan Shah:** Okay, okay. Got it. So now these 2 appointed dates, package 13 and package 10, so when can we expect appointed date?

**Harendra Singh:** So looking at the current scenario of Jharkhand, the state government as well as the model code of conduct, we believe that till May, definitely no chances there. And we also would not be taking this risk prior to this -- or only one project which we definitely would be looking at by June, a project, it can be there. The second project, as I am expecting that post-monsoon, that would be declared.

**Shravan Shah:** So package 13 will be by June?

**Harendra Singh:** Yes.

**Shravan Shah:** And package 10 will be October, November?

**Harendra Singh:** Not November, rather August onwards, sometime in September.

**Shravan Shah:** Okay. Okay. Got it. Also, you mentioned significant opportunities in railway, MoRTH, NHAI, MSRDC. Sir, out of total, how much are we planning to bid? If you can broadly help us then it will be great. So INR30-odd thousand-crores that we will be bidding?

**Harendra Singh:** Roughly, there are INR60,000 crores of odd bids, which we are aiming at to be bid in these 3 organizations.

**Shravan Shah:** Okay, okay. Got it. Sir, a couple of data points on the balance sheet side. So first is retention money, the unbilled revenue mobilization advance?

**Harendra Singh:** Mobilization advance is INR308 crores, to be very specific. And the total debtors is INR825 crores, including the retention and deposits, other deposits. And that is if we can -- we want the breakup, NHAI is around INR140 crores, SPV is around about INR250 crores, Adani INR300 odd crores as we have done significantly good in month of December.

That is the same for the month of December only, and others are very negligible at INR135 crores. Unbilled definitely around INR700 crores, the INR700 crores is unbilled of INR250



from NHAI. And Adani is very negligible of INR100 crores. The SPV again is INR300-odd crores, remaining others.

- Shravan Shah:** Okay. Sir, total debtors you -- out of that, our retention money is how much?
- Harendra Singh:** Retention money is around INR114 crores -- INR115 crores.
- Shravan Shah:** And total inventory and total debtor value is how much?
- Harendra Singh:** Inventory is one higher at INR341 crores. What are you talking about?
- Shravan Shah:** Our total debtors...
- Harendra Singh:** INR825 crores.
- Shravan Shah:** And payables, sir?
- Harendra Singh:** Debtors?
- Shravan Shah:** Payables.
- Harendra Singh:** Sorry?
- Shravan Shah:** Payable, creditors.
- Harendra Singh:** Creditors?
- Shravan Shah:** Yes, sir.
- Harendra Singh:** Creditors was INR600 crores.
- Shravan Shah:** INR600 crores.
- Moderator:** The next question is from the line of Nikhil Abhyankar from ICICI Securities. Please go ahead.
- Nikhil Abhyankar:** My question was broadly regarding; we are seeing that the pace of capex increase for NHAI has reduced as well as for railways. And going forward, maybe to reduce the fiscal deficit, the capex might reduce as well. So do you expect higher share of BOT going forward, say, in the next 3 to 5 years? And how will we try to participate in that opportunity?
- Harendra Singh:** Sorry, I couldn't understand. You can repeat it, sir?
- Nikhil Abhyankar:** Sure. Sir, right now, as compared to HAM and EPC going forward, there might be a higher share of BOT projects from NHAI.

**Harendra Singh:** Understood. So definitely, NHAH is having, say, looking to the -- just the response of many of the lenders as well as concessionaires, we have the ToT monetized. So looking into that, they have actually has figured out some 50-plus project of INR2.2 lakh crores on BOT model. And we have certain concession -- modified concession agreement has been modified, which is quite friendly, which we believe is a positive move. And I don't know how it will definitely react on actual bidding rather than awarding.

But then definitely, looking to this opportunity as we are working with Adani, we have already worked with IRB. And Adani and IRB, they are the one who are very -- always try to take such kind of projects. And apart from this SKU and say, 1 or 2 concessions, they are also approaching us.

They are also approaching H.G. as a EPC player to them. So with that, I think this opportunity. If definitely with the government's trend likely to come, we would not be at a risk, so we would be, again, looking into such opportunity from the perspective as an EPC to the developers.

**Nikhil Abhyankar:** Okay. So we are not looking to participate directly?

**Harendra Singh:** We will be taking trial of 1 or 2, not with very aggression, with very, say, whole numbers, keeping...

**Nikhil Abhyankar:** Understood. And sir, what will be the margins on this profile? Usually, what is the margin for BOT projects as compared to HAM, EPC?

**Harendra Singh:** BOT projects and HAM projects, they are all same as far as EPC is concerned. If you talk of the development, so the project being taken by the concession, they do will have definitely a consideration, toll risk is there or in HAM there's no risk as such. So there is their calculation...

**Moderator:** The next question is from the line of Jiten Rushi from Axis Capital. Please go ahead.

**Jiten Rushi:** Congratulations on a good set of numbers. Sir, my first question is on the...

**Harendra Singh:** Can you speak a bit louder?

**Jiten Rushi:** Can you hear me now? Is it loud now?

**Harendra Singh:** Yes. Now it's Okay.

**Jiten Rushi:** So my question was on the equity investment in the HAM project, in which we have completed our monetization. So I'm assuming we have invested around almost INR268 crores, against which we were supposed to receive INR405 crores, which you said, we have received INR375 crores. So sir, in this INR375 crores, INR59 crores, so almost INR60 crores is still pending, right, sir?

- Harendra Singh:** Yes.
- Jiten Rushi:** These 60 crores is related to GST for the change in law which you will receive by end of month once NHAI approves it. That is what my understanding is right?
- Harendra Singh:** Yes.
- Jiten Rushi:** So sir, we have made a capital gain of almost INR106 -- INR107 crores, while that is in the stand-alone, that is correct, right? Because overall, you said INR117 crores, which is including the consol number, standalone -- hello?
- Harendra Singh:** Yes, quite right.
- Jiten Rushi:** So sir, so what was -- you said some negotiation is going on. So what is that negotiation that impacted the valuation? So what is the reason of the impact in the valuation in the first three projects?
- Harendra Singh:** See, this is the entire deal has been for all four projects. So individual project do not have any impact on it. Looking to that, say, I already have addressed like because of the CPI, so this is the consumer price index, where later on guidelines being issued by NHAI for calculation of the price index -- price escalation rather. So there is an impact of our INR13 crores, which is a net impact of INR10 crores, taking consideration of Rewari Bypass as well. So net is INR10 crores.
- But in Rewari Bypass, looking to the equity which we have invested and the likely proceeds or likely annuity which we will be getting in the next 15 years, with all considerations, this INR126 crores initially being considered in this overall valuation of INR531 crores, where it has now -- it would be a INR140 crores-plus. So this is INR13 crores plus in that particular project. So overall, INR531 crores are intact. So we are not going to lose anything out of that. It's a matter of first tranche or second tranche.
- And having discussed that, definitely the capital gain which we have considered in the H.G. stand-alone and the consolidation which we have, we have seen that these three projects where certain discounting is to be done in the profit margin, which actually has impacted the consol number.
- Jiten Rushi:** Okay. So that's the balance number in the consol. And sir, so any capex for 9 months and what is the guidance for FY'24/'25? And what is the balance equity breakup, if you can give us -- like you said for INR74 crores in Q4 this year? And what about the balance INR604 crores, how is this broken down after the INR604 crore which you have invested so far?
- Harendra Singh:** So post this, out of INR1,331 crores, INR601 crores already done December 31. INR730 crores is the balance and the INR74 crores which we are considered for the quarter 4 '24,

INR465 crores is the number which we are considering for '25, and INR196 crores is the balance from '25, '26 or '27, accordingly when Japan projects are particularly declared.

So this is about equity. And as far as execution is concerned, for sure, we are looking at this current year to be closed at around, say, 5,000 to 5,200, that is rough number. And for '25, we are keeping our guidance about INR6,000 crores.

- Jiten Rushi:** Sir, capex so far, what is your targeted capex for FY'24/'25?
- Harendra Singh:** Our capex would not be a big number for the subsequent years. Capex hardly would be in the range of INR75 crores.
- Jiten Rushi:** And this year?
- Harendra Singh:** Sorry?
- Jiten Rushi:** FY'24.
- Harendra Singh:** This year already had done. Nothing has more to be added.
- Jiten Rushi:** So almost like you have done more than INR100 crores, what I understand.
- Harendra Singh:** Yes.
- Moderator:** Thank you very much. The next question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.
- Sarvesh Gupta:** Good morning, sir. Just to confirm, so this year, we are expecting INR6,000 crores order inflow. And what should be the expectation for the next financial year, FY'25?
- Harendra Singh:** Sure. I think for this current year, what we initially has guided around INR8,000 crores to be added. And if we are at that stage where nothing big as being achieved as far as the wording is concerned across infrastructure, especially NHAI and the higher projects are concerned.
- So we believe that whatever bidding pipelines they are having post this election, there will be not many projects as an opportunity would be available to us. So with that, we are expecting about, say, INR10,000 crores being added next year.
- Sarvesh Gupta:** Understood. And just to confirm the number for railways. So you said HAM, EPC 18%, 19%. Highway EPC is 13%, 14%. Then railways are at what margin, sir?
- Harendra Singh:** Yes. Almost similar, what we are keeping for EPC highway, that is around 13%. We are keeping the same number.
- Sarvesh Gupta:** Okay. So with this mix change, do you expect the overall margins to come down because we are getting much more in railways?

- Harendra Singh:** No, it's not that big number of railways. It's just around 18%, 20%. And for highway also EPC project which we are doing earlier was constituting this much. It is a replacement of NHAI EPC projects -- or rather highway EPC project by railway projects. So the margin definitely would not be impacted much.
- Sarvesh Gupta:** Understood, sir. And sir, now if I look at your overall P&L, so of course we have maintained -- broadly maintained the EBITDA margin, if you look at 9 months and all. But what is happening is below the EBITDA, we are using maybe much more of our own equipment. So that is we are paying less to maybe on the lease side.
- But then all those costs are hitting us on the depreciation and interest. And those have increased a lot, much more than revenue growth, 50%, 60% growth. So because of which the overall PAT margin, PAT is not increasing, maybe 7%, 8%. And this quarter would be flat Y-o-Y or 2%, 3%. So despite a very healthy growth, 17%, 18% on the top line, it's not impacting our bottom line. So how do you see that, sir?
- Harendra Singh:** I think the PAT is -- at the stand-alone level, you can see the PAT is around 9.5% to 10%. With that, whatever interest outflow is there, it's now stable. There is the percentage you can see, last two, three years, interest not increasing to that extent.
- And the depreciation definitely in the recent quarter has increased. But for sure, I think it's a part of cash accrual. So we don't believe- we don't see any challenge as far as PAT is concerned. It would be in the range of about 10%, and it can even go up to 11% in the coming quarters.
- Sarvesh Gupta:** So going forward, our finance cost, let's say, as a percentage of revenues, etcetera, do you expect these costs to normalize further? Or this is the new normal. How do you see it? Because this has increased almost 70% on a Y-o-Y basis.
- Harendra Singh:** Finance cost is roughly finance cost [currently about] INR15 crores and this is per quarter. If we are talking INR60 crores to INR65 crores of finance cost, which is likely to be stable, nothing more to be increased. Only depreciation which is around -- earlier it was INR25-odd crores per quarter, now it has gone up to INR36 crores to INR38 crores, which is a big number. But definitely, with the coming years, the capex is not going to be at that high level.
- Sarvesh Gupta:** Okay. So this is not driven by any change in our model assets, wherein now we are doing more of these equipment's on our own, because of which even by seeing lower margins, we are maintaining EBITDA but falling in terms of the PAT margins.
- Harendra Singh:** No, nothing has been changed.
- Moderator:** Thank you very much. The next question is from the line of Mehul Mehta from Nuvama PCB. Please go ahead.

**Mehul Mehta:** Good morning, team. Thanks for the opportunity. We have been exploring possibility to bid for underground metro rail projects. So has there been any progress in terms of JV with any organization?

**Harendra Singh:** We already have tied up, but as of now, we could not see any project where this could be explored. We already had tied up for the tunnel projects, for metro tunnel projects, rather. But for sure, we are not very aggressive as far as with the coming opportunities in highways and in railways, or in railways, even high-speed density network corridor to be developed with the wider construction and the DFCC corridor to be constructed. So we are keeping this, but not very aggressively.

**Mehul Mehta:** I see. As far as you have been focusing on, maybe like go on railway and road projects. But in metro, if we look at like out of operational metro network of about 800 kilometers and currently about 650 kilometers under construction, would you be sharing who are the major players kind of?

**Harendra Singh:** So definitely, we have seen the L&T to a very high level and J Kumar is there, the Ascon and then ITD. So they are the one, say, 5, 7 are the big numbers, big players. They are having somewhat 70% of the entire metro construction.

**Mehul Mehta:** Okay. And say, like out of the proposed network of about 1,000 kilometers, like are there new players entering or like the similar players like who have been so far in this segment?

**Harendra Singh:** Metro projects, mostly the capex being done for the casting-yard and everything. So in these cities where already they are set up, having the setup, so they will be having at least advantage of taking this opportunity. But for sure, the upcoming Tier 2 cities like Agra, talking of Nagpur, even Kanpur, there are many more cities where metro -- Bhubaneswar to be very specific. So there, I think, there's opportunity lies for players like H.G., the other players --- the other companies would be interested.

**Mehul Mehta:** Sure. Other question is in relation to working capital cycle, if we look at FY '23, and we had about 23 days working capital cycle -- net working capital cycles. And currently, it is at about 34 days and which has been mainly driven by 51 days of inventory cycle. So is it like that going forward, we can see like this reducing or we should continue to be like maybe about 30 plus days?

**Harendra Singh:** From the start of this last 3, 4 years, we have seen the trend of about, say, 35-odd days, not crossing 40 limits. So 30 to 40, this is the ideal one where we have seen this inventory going higher. Because if you see -- you can see this current month, in these months, high construction is at a very high pace. So because of that inventory is a bit high. But otherwise, the inventory more or less would be around -- you can see on the top line, around 8% to 10% of the inventory would be there, not more than that.

**Mehul Mehta:** But as far as like this FY '23 was an aberration in terms of 23 days of working capital cycle?

**Harendra Singh:** No, it will be coming back to the same 30 or 35 days. This is a normal trend for the working capital. See, because of some unbilled and because of some debtor receivable at SPV, see, at the end of December, that we have not taken the funds from SPV, from the lenders to SPV and to EPC. So that is where the SPV debt has gone higher.

**Moderator:** Thank you very much. The next question is from the line of Parani Vijay Kumar from Avendus Spark. Please go ahead.

**Parani Vijay Kumar:** You had mentioned in your opening remarks that you are looking to diversify also into solar projects. Can you highlight what are our target projects and what are our scope of versus we are trying to do here?

**Harendra Singh:** In the solar, the renewable energy, government focus is very specific in the state of Rajasthan, which is the best state to set up. So we have seen, we have explored some of the projects in Kusum, Yojana, not big projects are there, very small projects, where the tariff is good and power purchase agreement with the government is being done.

So not going very aggressively, taking some opportunity in that project, where doing EPC at H.G. only, a level only, rather than getting it done through any other contractor. So this is basically start a little bit of learning and doing with a secure model of where the tariff is good and the power purchase agreement being executed with the government only.

**Parani Vijay Kumar:** Okay. So as the capacity of developer, like we will be building these projects...

**Harendra Singh:** We would be entering, we would be entering not only into EPC, we will be entering with the developer, but not very high value projects, very small. To start with, it would be roughly around, say, INR100-odd core project, but later on within six months, if you feel like INR100-odd core can be added. So this is where we are looking into this opportunity.

**Parani Vijay Kumar:** Okay. My second question is on -- in your opening remarks, you mentioned that Bharatmala is being converted into Vision 2047. So what is the progress of this? What is the thought process of the Ministry behind this? Any more details that you can provide, like you mentioned, there's a 35,000 kilometer and then there's another 50,000 kilometers. So if you can elaborate more on this?

**Harendra Singh:** See, the government is looking into 2047 as the year where 100 years marked for this independence. So with that, I think government vision statement, where every organization, it can be a highway to railways. So all has been given the task, consolidation of infrastructure development are to be done in this 25-year -- 23 years ahead.

So with that, we believe that the coming opportunity would be as earlier as we were looking at '28, '29 or '30 rather, this highway opportunity would be dried, likely to be dried up rather. So now they have given this indication that highway also would be there on the cards. And where

we are expecting 50,000 kilometers of the existing National Highway to be upgraded and some 35,000 kilometers to be awarded on the access control greenfield highway.

So this is a vision document where detail of the projects has already been excised. And I think it will take another six months or one year down the line when the clarity would be -- more clarity would be given, rather available. And then I think bidding in the coming years, say, '24, '25 would be in these projects only.

**Moderator:** The next question is from the line of Vaibhav Shah from JM Financial Limited. Please go ahead.

**Vaibhav Shah:** Sir, when do we expect -- this is the proceeds from the fourth asset?

**Harendra Singh:** Likely to be by end of this financial year by March because this is already at the -- in advanced stage with lenders and NHAI. Within next 10, 15 days, we would be likely to -- we will likely get this NOC. And then another 10 -- 30, 45 days for completing entire formalities.

**Vaibhav Shah:** And the receipts we received for the three assets. So where is the money being used? Because our debt has reduced around INR127 crores on a quarter-on-quarter basis and cash is flattish.

**Harendra Singh:** So cash definitely is around INR70-odd crores. You can see that the payments like -- which we like always to receive from our SPV through lenders funding. So which we definitely -- keeping the cash at the company level, we are again looking into this particular arrangement, where we will not be taking the, let's say, loan from the lenders to SPV and SPV in turn to EPC. So there is one way we are looking.

Again, we are now looking into some part of this fund to be used for our advanced payment procurement, advanced procurement to -- from the vendor. We are getting around, say, 1.5% cost benefit, where the dispatch response is being there. So there are a few other models which we are exercising where this cash with the company can be used.

And definitely, all OD limits or such -- only the current accounts definitely would not be there. We will not be keeping our fund into this current account. But then OD limits would be all, say, free from utilization -- use.

**Vaibhav Shah:** So currently, where it is sitting, on the balance sheet?

**Harendra Singh:** Sorry?

**Vaibhav Shah:** Currently, where does cash is sitting on the balance sheet, the receipts we got from the monetization.

**Harendra Singh:** Majorly, which I've seen INR270-odd crores which you are likely to be -- which are kept as a debtor receivable from SPVs. So this we have done intentionally. We have not taken an SPV. So this would be reducing the interest during construction to the SPV.



- Moderator:** Thank you very much. The next question is from the line of Vishal Periwal from IDBI Capital. Please go ahead.
- Vishal Periwal:** On the railway side, sir, the two different sort of work that we are doing. So relatively, where do we find the margins to be better, that is for station redevelopment or the new line that we are constructing for the Bilaspur?
- Harendra Singh:** No, Bilaspur is totally different project. Bilaspur project is on wider construction. See, it's in the backwater of dam where this station and some other things are developed. These railway projects are on 50-odd kilometer broad-gauge, new line to be laid off INR700-odd crores, which is central railway project. In South Central Railway projects, INR447 crores that is a second line. The third line being developed as a broad-gauge line. And these are all new lines or the lines which existing, nothing is to be touched.
- Vishal Periwal:** Okay. No. But then if I look at order book, so the Kanpur work that is there, station development and then there's Bilaspur work that is there. So relatively, where do you find the margins to be better? Like on...
- Harendra Singh:** Kanpur, definitely, as we have done, we are doing our all -- post -- prepaid to postpaid comparison design -- post design. So we are seeing good margins out there in Kanpur Railway station if we compare with railway project of Bilaspur.
- Vishal Periwal:** Okay, okay. And then will it be possible to give some number like relatively how much better it is? Any ballpark range you'd like to share?
- Harendra Singh:** Right now, I'm not having it handy with me.
- Moderator:** Thank you very much. The next question is from the line of Prateek Bhandari from Aart Ventures. Please go ahead.
- Prateek Bhandari:** Sir, I wanted to know as to the exact number of order inflow in the Q3 FY '24, the recent quarter. What was the exact amount of order inflow?
- Harendra Singh:** In Q3, hardly there was any orders being -- only NTPC INR37 crores of new orders. Then there's some variations, some change of scope variation being awarded by the authority. Like in Ganga, we have received variation on INR100 crores, in some of the projects of financial year also they have a variation -- that's why the price escalation also has contributed to the top line, INR130-odd crores of price escalation also has been there.
- Prateek Bhandari:** Okay. So if I talk about nine-month FY24, I mean, like this current year, up until December, what was the order inflow in the nine months?
- Harendra Singh:** In the nine months, hardly there were order of about INR75 crores, both NTPC small projects, but the variation orders for about INR300 crores being passed by the various authorities, so

that is one. So you can see or compare INR12,700 at the start of the year and say, having INR6,000 -- 9,600 at the end of this year. So the difference is almost INR500 crores...

- Prateek Bhandari:** What was the major reason for no order inflows in the nine months FY24?
- Harendra Singh:** As it is all aware, I think, NHAI awarding and highway awarding and other sectors because of the state election also, not much awarding was done.
- Prateek Bhandari:** Okay. So there's no awarding from the organization, right?
- Harendra Singh:** Yes.
- Moderator:** Thank you very much. The next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.
- Shravan Shah:** Sir, just two new railway projects, when we will be getting the appointed date?
- Harendra Singh:** One of the railway projects has been received two days back only, 700 one, Dhule project. So which we are checked upon with the authority, said that within, I think, three months likely that order date would be declared because the land is available with them. And the second project ultimately it's the third line to be developed along with the existing line, ROW is available. So very soon, we would also be getting the appointed date. So probably by April, both the projects' appointed date likely to be declared.
- Shravan Shah:** Okay. So by April -- And sir, if you can again repeat the equity infusion. So INR74 crores, we will be increasing in fourth quarter. And the FY25, we said INR465 crores.
- Harendra Singh:** Yes, that we have kept INR465 crores, looking into both Jharkhand project requirement and all five projects which are our other six project, where the balance equity requirement would be there. So that -- from 55%, 60% already invested, taking to 75%.
- Shravan Shah:** Okay. And so total balance requirement is INR730-odd crores until today. INR604 crores, we have invested INR730 crores is to be invested.
- Harendra Singh:** Correct, correct.
- Shravan Shah:** Okay. And then the fourth quarter, when we received the entire monetization on the fourth project, the second tranche. So how much gain post tax we will be...
- Moderator:** Sorry to interrupt Shravan...
- Harendra Singh:** I think what you are saying that INR140-odd crores, which we would be getting and INR59 crores -- INR60 crores, which is lying in the escrow already being, the effect has already been considered in the balance sheet. So there is one -- both the project transaction to happen. And

look, for sure, I think whatever tax is there as far as the consolidated EPC is there, there is a calculation to be done once the transaction is being done.

**Shravan Shah:** Okay. And the debt level will further reduce from here on?

**Harendra Singh:** Yes, definitely. We are keeping that about the debt level would be roughly around, say, INR400 crores from now and better and -- but say, majorly effect would be in the debtors.

**Shravan Shah:** Okay, okay. So as you mentioned, sir, you have kept the money whatever we have received to fund the SPV so that the interest construction is on the lower side. So SPVs debtors on the higher side, so that's the major reason. But broadly, in terms of the working capital days, it will be back to the normal 30 to 35 days, will come back to the normal level.

**Harendra Singh:** That's right. Yes.

**Moderator:** Thank you very much. The next question is from the line of Jiten Rushi from Axis Capital. Please go ahead.

**Jiten Rushi:** So my first question is on the, as you said, within nine months, you had bid for almost INR30,507 crores project of which you are able to get INR1,200 crores. Our win ratio was almost 3.5% - 4%. And now we are targeting, there is a INR14,000 crores open pipeline which the bids are yet to open and another INR60,000 crores which we are going to put in the roads and INR6,000 crores within railways for the -- probably INR80,000 crores.

It's kind of a bids which will be, which you have bid like 14,000 plus the new bids. So with this 4%-win ratio, inflows can be anything between INR3,000 crores, INR3,500 crores. So, then as you said, like we are targeting around INR5,000 crores of moving cost. So do you believe that we will be going aggressive within the project?

**Harendra Singh:** I understand your question. The bid strike ratio normally depends on sector-to-sector. In railway, we are bidding many projects rather than only selected project. And the highway, we usually are taking few selected projects to be bid. And that's why the bid strike ratio is better in highway projects.

**Jiten Rushi:** So how much, so basically out of 60...

**Harendra Singh:** In the past year, we have seen that we were roughly at about 6% to 8%.

**Jiten Rushi:** 6% to 8% is the ratio in highway? Yes. Railway is low because of our qualification criteria sometimes. And sir, you are not targeting any projects in the water segment? Like...

**Harendra Singh:** Right now, these are the two state governments which are already now in place, state of Rajasthan where almost INR15,000 crores of order, which could not be awarded by the earlier government, where now they are looking at this opportunity. But definitely, we are looking into these two-state government, MP, and Rajasthan, and third, UP, where we would be adding

these water sector projects looking for -- but definitely for -- this year we are not keeping anything, because hardly few months are there...

**Jiten Rushi:** So next year, how much you're expecting from MP and UP in terms of bids for [H.G. Infra there]?

**Harendra Singh:** Total -- at H.G. level, highway, and all of the projects?

**Jiten Rushi:** No, no. You said that water segment, earlier you said Rajasthan and some of the...

**Harendra Singh:** We would be looking at add at least INR500 crores to INR1,000-odd crores of single or two projects.

**Jiten Rushi:** Renewable, you're newly setting up a solar small park and will be supplying to the -- under KUSUM scheme to the farmers, solar pump. Is that understanding, right?

**Harendra Singh:** No, no, it's not that. KUSUM Yojana is where the power purchase agreement, the government is taking back the power, and they are being installed near to the grid substation, already in operation, say, with all Bijli board. So nothing of that here, we'll supply to the -- but definitely, government subsidy scheme is there in that. Central government scheme is there. And the power purchase agreement, which a normal -- which is normally, it's about INR2.5 or INR2.6 unit, here it is INR3.5 -- around INR3.5. So there's a good gap in that particular. Margins are good.

**Jiten Rushi:** And sir last question on the...

**Moderator:** Sorry to interrupt Jiten. I request you to re-join the queue.

**Jiten Rushi:** Yes. Thanks.

**Moderator:** Thank you. The next question is from the line of Abhishek Dixit from Hem Securities. Please go ahead.

**Abhishek Dixit:** So sir, my question is on the consolidated level, what is the reason for dip and the margins in this quarter?

**Harendra Singh:** What margin?

**Abhishek Dixit:** Sir, dip in margin for this quarter, in quarter three FY24?

**Harendra Singh:** Dip in the margin, in the -- Yes, I already explained. So this is the effect because of these three projects will say, it's to be very specific in Gurgaon-Sohna, there is a negative revised margin being there majorly. Because the entire, say, four HAM projects where this effective 1.55 times of the investment which you have done. In SPV, whatever margins we have built up in

the last two, three years, we have a major effect in Gurgaon-Sohna. Otherwise, they are all same.

- Abhishek Dixit:** Okay. And sir, for FY24, how much EBITDA margins are we seeing?
- Harendra Singh:** This current year?
- Abhishek Dixit:** Yes, sir, for current year.
- Harendra Singh:** You're talking about number or percentage?
- Abhishek Dixit:** No sir, percent.
- Harendra Singh:** Percent would be roughly around we are doing at 14.9%, roughly in that range only.
- Abhishek Dixit:** Okay, 15%.
- Harendra Singh:** Yes.
- Abhishek Dixit:** Okay, sir. And sir, for a major order book within the road segment. Are we targeting to diversify in more segments?
- Harendra Singh:** Which sector?
- Abhishek Dixit:** Sir, our majorly order book is in the road segment. So are we diversifying in more like water, metro projects?
- Harendra Singh:** Already, we have given the guidance that this year, we are having 18% of the orders, balance orders of railway other than road only. And keeping that in line, in '25, '26, we would be roughly targeting at about 25% to 30% of orders on the other sectors other than highway.
- Moderator:** Thank you very much. The last question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.
- Sarvesh Gupta:** Sir, just one question. So going forward, what -- so out of your interest cost, let's say, INR20 crores this quarter, what would be the overall split that we should assume between financial charges, which are levied by the banks and the interest cost? So what would be the split that we should assume in general? And secondly, going forward, given that you have, let's say, around INR400 crores net debt on the balance sheet post the receipt of sale proceeds, then what should be the interest cost on a yearly basis?
- Harendra Singh:** See, interest costs definitely for this particular quarter as we have seen, there are a few quarters where the bank charges and commissions are a bit high. In this quarter three and quarter four, normally in the past also, we have seen that good trend. But overall, if you see the interest portion in INR22 crores as of this quarter, it is around the interest on OD and it's about INR10 crores to INR11 crores interest by the clients from the client advance.

So BG commission and these bank charges are a bit high, so this is very high about, say, INR6 crores. So, now looking into that the entire trend once we receive this, roughly around INR65-odd crores on a year-on-year basis would be the trend of interest including charges, bank charges, processing fees. BG commission etcetera.

**Sarvesh Gupta:** Of which around 60% should be the financial cost and remaining would be the charges?

**Harendra Singh:** Roughly, you can consider that.

**Sarvesh Gupta:** Understood, sir. And on depreciation, should we -- we are at INR37 crores on a stand-alone basis per quarter. So what should be sort of the going forward rate we should assume?

**Harendra Singh:** This number is coming around INR140 crores, likely to reduce because the capex what we have done in last year and this current nine months to the very high capex being done. So just kept -- in the coming years, this capex is good enough to take the 15% to 20% year-on-year growth, just INR70 crores, INR75 crores of net, say, capex to be done in the next subsequent two, three years.

So this is going to likely to come down significantly, not in these two, three quarters, but definitely later on.

**Moderator:** Thank you very much. As there are no further questions, I would now like to hand the conference over to management for closing comments.

**Harendra Singh:** I extend my gratitude it to everyone who is contributing their experience and expertise to the discussion. We value our presence on today's call and trust that we have addressed all your queries. Should you have any additional questions, please feel free to contact our Investor Relations adviser, Go India Advisors. Thank you for your active participation once again. Thank you.

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