



# “H.G. Infra Engineering Limited Q2 & H1FY24 Earnings Conference Call”

**November 08, 2023**



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



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**Moderator:** Ladies and gentlemen, good day and welcome to the Q2-FY24 Earnings Conference Call of H.G. Infra Engineering Limited 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 the operator by pressing '\*' then '0' 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.

**Sana Kapoor:** Thank you, Yashashri. Good afternoon, everybody and welcome to H.G. Infra Limited Earnings Conference Call to discuss the Q2 & H1 FY24 Results.

We have on the call, Mr. Harendra Singh – Chairman and Managing Director; 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:** Thank you, Sana. So, good afternoon, ladies and gentlemen. A very warm welcome to the H1 FY24 and Q2 FY24 Earnings Conference Call of H.G. Infra Engineering Limited. We welcome you all here to share the highlights of our Quarterly and Half Yearly Performance, achievements and our vision for the future. I hope all of you have had the opportunity to review the "Investors Presentation and Financial Results" which have been made available on the exchange.

As we all know, the NHAI tendering has been in the slow lane till September '23. The major reason behind lagging in numbers is because of the prolonged and uncertain monsoon across the country that is for the execution as well. It has now recently picked up due to certain changes in the bidding process and internal conditioning of the department. The next 4-5 months will be vital for the sector due to upcoming Center and State elections as known to each one of us. We are working on our strategy for priorities to overcome these challenges and we are optimistic that bidding will definitely accelerate in coming months.

Let me share some thoughts on the opportunities in other sectors as we wish to diversify our order in all other mentioned sectors.



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In railway sector, PM Narendra Modi on August 6, 2023 launched Amrit Bharat Railway Station Scheme to transform and revitalize 1309 railway stations across the nation. It aims to transform railway stations into modern, well-equipped hub. We have already bid for 2 tenders amounting to Rs. 1000 crores and we are working on 3 new tenders of Rs. 1200 crores in this scheme for the Financial Year FY23-24.

We have also bid for 14 projects costing Rs. 6500 crores on various authorities like Indian Railways, RVNL, etc., in railway sector. The results of these bid projects are yet to be awaited. In this financial year we are planning to bid about 15 more bids of Rs. 8000 crores in this sector.

In Metro Sector, we are eligible to bid for elevated Metro and RRTS project that includes Orbital Railway as well and started bidding for various metro projects. We are also exploring the possibility to bid underground metro rail projects in association with other organizations. This sector remains our focus in the coming months.

Awarding in the water sector was quite slow during six months because of the state elections in few of the states. We are expecting momentum in this segment in the coming months.

I would like to assure our shareholders, all the financial partners and other stakeholders that the company is prudent and vigilant to ramp up the growth story and persistent to grab the upcoming opportunities in the near future.

Let me start the journey of this quarter and give you the glimpse of operational highlights first:

For Quarter ended September 2023, our order books stand at Rs. 10,678 crores which has established our presence across 11 states with the EPC segment comprising 51% of our entire project and HAM segment constituting the remaining 49%.

Now the updates on the ongoing projects of EPC:

The execution progress on various EPC projects is as follows:

The Ganga Expressway project has achieved approximately 29.3% completion. The project is running well in the time as per the contractual timelines.

In Delhi UER projects we are around 78.8% that is the financial progress and expected to get complete in December '23.

The Neelmangala-Tumkur Project of NHAI is progressing well and has reached an execution of 15.6%.



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The progress on various HAM projects is also running as per the planned schedule. The update is that all three Raipur-Visakhapatnam packages of Orissa, OD-5 and 6, and Andhra AP-1 are progressing well and we are around 50% completion in these projects and we would be completing two out of these three projects before Quarter 1 FY25 that that is by June '24.

In Khammam-Devarapalle project Package-1 we have achieved 20.9% completion. [inaudible 6:02] It has reached up to 28.1% completion.

In the case of Rewari Bypass, we have received PCOD dated 25th May 2023. This project will be monetized in the second tranche.

For our New Karnal Ring Road HAM project, financial closure has been declared on 29th August 2023 and we have received the appointed date of Karnal on 31st August 2023. Till now we have executed 5.3% of the work in this project.

As you know, we have set our footprints in the current order book with diversification to railways and metro. I would like to touch upon the progress of these projects as well.

We have completed 26.6% of DMRC Metro project. The execution of this project is going well on track as per the contract timelines. We have received an appointed date of RVNL Rail Project on 24th May 2023. Now post-rainy season, the project is progressing well as per the scheduled timeline.

The LOA of Kanpur Railway Station Project has been received on 5th June 2023 and very recently the appointed date is also declared. The source and machine mobilization in this project is already completed and the progress is going to be very well in this quarter as well as from the last quarter of this year.

Let me now share other significant updates for H1 FY24:

The PCOD of Mancheria Project received on 26 July 23. That was with effect from 30th December 2022. For Varanasi-Ranchi-Kolkata package 10 and 13 final sanction from lenders HDFC and Axis has been received and the documents for the financial closure will be submitted to NHAI this month.

Coming to the financial highlights of this quarter:

At the standalone level, our overall revenue in H1 FY24 was 2140.8 crores, which is an increase of 17.8% year-on-year compared to Rs. 1817.7 crores in H2 FY23. EBITDA stood at Rs. 343.2 crores in H1 FY24, resulting in the EBITDA margin at around 16% as compared to Rs. 283.2 crores at 15.6% margin in H1 FY23. PAT in H1 FY24 was at Rs. 180 crores with 8.4% profit margin as compared to Rs. 162.3 crores at 8.9% margin in H1 FY23.



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In Q2 FY24, the standalone revenue reached Rs. 869.5 crores indicating a notable 15.6% year-on-year growth from Rs. 752.1 crores recorded in Quarter 2 FY23. The standalone EBITDA for Quarter 2-FY24 was Rs. 138.4 crores reflecting a year-on-year growth of 14.6%. The PAT margin for Quarter 2 FY24 is stood at Rs. 61.7 crores and 7.1% as compared to 64.6 crores that was 8.6% last year.

Regarding the Company's debt position on a standalone basis, the gross debt amounting to Rs. 597.3 crores, which includes the working capital debt of Rs. 157.1 crores, term loan and current maturities along with the trade limit totaling Rs. 359.4 crores and NCD of Rs. 80.8. The increase in debt in this quarter was due to excess utilization of working capital limits on account of less execution at projects and due to prolonged and erratic monsoon condition.

Earlier, the Company mobilized all the resources as per the planning of the execution at all the projects. However, we are optimistic about reducing the debt in the coming quarters with improved receivables.

Moving on to the consolidated number:

The revenue of H1 FY24 surged to Rs. 2305.7 crores, an increase of 21.2% year-on-year compared to Rs. 1901.6 crores in H2-FY23. EBITDA stood at Rs. 500.9 crores, resulting in an EBITDA margin of 21.7% growth as compared to Rs. 360.1 crores and 18.9% margin in H1 FY23. PAT in H1 FY24 was Rs. 246.5 crores with 10.7% profit margin as compared to 191.4 crores at 10.1% margin in H1 FY23.

During Q2-FY24, the consolidated revenues surged to Rs. 954.5 crores, marking a 20% year-on-year growth compared to Rs. 795.7 crores recorded in Q2-FY23.

At the consolidated level, the EBITDA for Q2 FY24 was Rs. 220.2 crores displaying a robust year-on-year growth rate of 36.7%. The PAT margin for Q2 FY24 consolidated stood at 10.1% resulting in the path of Rs. 96.1 crores compared to 81.8 crores in core Q2-FY23. This represents a significant growth of 17.3% in PAT on a year-on-year basis.

Regarding the Company's debt position at the consolidated level, the gross debt amounting to Rs. 2029.2 crores that was on 30th September 2023. The total equity requirement for the 12 HAM project is Rs. 1606.2 crores as on FY2026 that was the next three years as of September '23 Rs. 777.7 crores has already been infused and there is a projection of infusion for the year at Rs. 395.3 crores.

Progress update on the monetization of four assets:

During the last quarter, we signed a share purchase agreement with Highway Infrastructures Trust backed by KKR for sale of 4 HAM projects. This is certainly one of the most coveted transactions for us. For the first tranche of existing 3 SPVs, we have received all NHA and



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lender's approval for change of control. We have completed and submitted all the condition precedents required for the successful closure of this first tranche. We are expecting to close the transaction during the month of November '23.

Before I end my speech, let me assure you that we will achieve our expected numbers with (+20%) upside in the revenue that will bring momentum in the order inflow with new projects in the tune of Rs. 5000 crores to 6000 crores to be added this year considerably from road and other diversified sector. We have started preparatory works of analyzing costing and other bidding elements and undergoing preliminary discussions with various clients in the solar and metro sector to propel our way forward. We are working minutely in our operational efficiency and executional capabilities to add every penny to our EBITDA and PAT margin. Digital transformation remains on our priority cards from automation in our plant and machinery operations and other verticals, which will add a lot of value in our financial indicators with seamless and transparent real time working environment.

That's all from my side. We can now open the floor for the question and answers. Thank you.

**Moderator:**

Thank you very much. We will now begin the question-and-answer session. We have our first question from the line of Shравan Shah from Dolat Capital. Please go ahead.

**Shравan Shah:**

First, from the order inflow, so in your opening remarks you have talked about 5000 crores to 6000 crores order inflow versus originally when we started the year, were looking at Rs. 9000-odd crores kind of inflow. So, just trying to understand why we are having a low confidence and also is there a possibility this 5000 crores to 6000 crores may further reduce to 3,000 to 4,000 crores for this year and at the same time also if you can repeat the value of projects that you have bid that would be help.

**Harendra Singh:**

I think the order inflow, which say almost seven months completed, so now we are having five months during the year so definitely it was a very slow pace which never has been in the historical past at NHAI but because of some consolidation, some kind of a project appraisal. Now the things are moving very fast as they have indicated and as in 2047 the Gati Shakti and every scheme is giving a very promising note of the highway and awarding. We believe that not 6000, but at least if 3000 plus kilometers being awarded and about say this 2000 to 2500 kilometers in next four months, out of that we expect that definitely we have lowered our number by this number which should be bare minimum for the year and we are hoping that it can be 8000, but we are keeping at a low level about 6000, this is one part of NHAI. The second is MSRDC where the RFQ results have been delayed. We expect that is going to be awarded by January, February earlier. It was almost October, November. But then again there are also say almost 45,000-odd crores of project to be awarded. We expect from them as well. Apart from this diversified sector, as we have already started bidding and evaluation in metro and which can be underground, we have bid for say railway projects around 6500 crores. We have already done two railway station bidding. So, we are looking into 8000 crores of



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railway bids and RVNL which are upcoming in the upcoming months. So, that is how we have the certain bids already done. But these results are not yet declared. So, with that we are keeping about 5000 crores to 6000 crores for this particular year with only four. Five months balance.

**Shravan Shah:** Two aspects, first whatever let's say we get the lower order inflow this year. Are you confident to compensate for the next year so on a broader sense, how much one can look at in terms of the order info for FY25?

**Harendra Singh:** For sure, I think whatever is the will be shortfall for the year, we will try to compensate for the next year as well, but only because of 5-odd states going into election this year and then looking into this Central Election next May so by that time we would be in a position that entire thing would be consolidated and Quarter 2 onwards for next year, we expect that we would be adding not less than 10,000 crores to 12,000 crores, which is a deficit of this particular year being added next year.

**Shravan Shah:** In terms of the revenue, also now we are looking at 20% growth this year versus 25%, so that will also get compensated in the next year because broadly in annual report we have talked about 10,000 crores revenue for FY27, so that is a kind of a 23% CAGR so on a sustainable basis, can that be achievable?

**Harendra Singh:** In the annual report, we would talk about that by say next five years, we were looking to take this revenue to 10,000 to be very specific and roughly 17% to 18% let me be clear on that. One thing is that for this year we were looking at about 5400 crores and this is roughly 21%-22%. We are almost on track because we have done about 17% year-on-year and we believe that always the latter half of the year is very good for our kind of infrastructure where highway and all monsoon activities or festival activities doesn't hamper our progress. So, with that Quarter 3 and Quarter 4, we expect that we will be touching upon the same number from 20% to 21%.

**Sharavan Shah:** In terms of the breakup of the revenue segment wise, what last time we had talked about 1800 crores from HAM and 850 crores from EPC, Ganga Expressway 2000 crores and then new HAM and all this so that more or less the remains the same, marginal decline across all the 4 to 6 segments.

**Harendra Singh:** Yes, almost all the same. Like Ganga Expressway, we initially had projected Rs. 2100 crores to Rs. 2,200 crores and again during the remaining part of six months, we are looking at Rs. 1350 crores coming from Ganga Expressway and all six HAM projects. So, all six HAM projects would be giving about Rs. 1250-odd crores. So, major chunk is coming from these Odisha, Andhra and Khammam - Devarapalli and Karnal. The appointed date is already with us and then the metro and other sectors like railway, we would be adding say for this Rs. 250 crores to be done. Tumkur EPC then one NTPC small project is there is about Rs. 150-odd crores value. UER would be completed and Mancherial - Rewari the balance small work portion which is going on will be completed. A few works of Maharashtra say both projects



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were going on, but small part that would be completed. We are not looking at the appointed date Jharkhand Package 13 which we expect that by January, February but we have not counted that progress in the year. So, roughly the total number is coming as the same which we had projected earlier.

- Shravan Shah:** And the appointed date for Package-13 and Package-10 is now when we are expecting?
- Harendra Singh:** Package-13 we are expecting by January they would be giving this appointed date, and the Package-10 would be delayed by another two months by say April we are expecting because a few forest permissions, which yet not obtained.
- Shravan Shah:** Lastly, a couple of data points on the equity break up to be invested in 2024, 2025, 2026 and the retention money, mobilization advanced, unbilled revenue as on September.
- Harendra Singh:** For the year, we have capped Rs. 395 crores to be invested. For the next year it will be Rs. 270 crores and only Rs. 163 crores balance for FY26 for the projects which we are operating on HAM basis. So, this is one part. You asked about the mobilization advance. The mobilization advance includes the material advance including Rs. 335 crores. So, what else did you ask?
- Shravan Shah:** Unbilled revenue and retention money.
- Harendra Singh:** Unbilled revenue is about Rs. 755 crores and retention is Rs. 172 crores and debtor is Rs. 550 crores.
- Shravan Shah:** And the CAPEX, you actually have increased Rs. 129 crores and were looking at 100 crores. So, for the full year, how much now we can look at the CAPEX and the debt we have mentioned that we will be reducing. So, previously we have talked about Rs. 425 crores to Rs. 450 crores so what's the new number?
- Harendra Singh:** Debt in any case, would be in the same range, about Rs. 425 crores to Rs. 450 crores. Whatever repayment is going to be there for the second half of the year is very high and you can see because we already paid one tranche of NCD and the second tranche would be paid by December. So, looking into that whatever CAPEX which was supposed to be done for all these projects has been done. Hardly there is any CAPEX which is to be done for the balance part portion of the year. So, only Rs. 100 crores to Rs. 125 crores. So, it's the major part going into capital work-in-progress is related to shutter say, for Metro, for RVNL, for Kanpur Railway Station and even for Raipur-Visakhapatnam, where the elevated portion was being constructed. So, there I think of Rs. 40-odd crores being invested into shutters, cranes and launchers.
- Moderator:** Thank you. We'll take our next question from the line of Mangesh Bhadang from Centrum Broking. Please go ahead.





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**Mangesh Bhadang:** My question regarding monetization. So, I think we are looking to sell or transfer 4 HAM assets to InvIT. Out of that we have received the approvals for three. So, just wanted to understand you know will we go ahead with the transfer of the three assets first or we'll wait for the fourth one. And what are those time lines for actual cash flow to come from this?

**Harendra Singh:** See, these are four projects which we have already entered and assigned the SPK with KKR. In these particular three project which we already got the PCOD and COD, they are the ones who are going to be transferred first where entire NOC are in place everything has been done. We are expecting that the fund would be coming in our account within this month only and the fourth one where the PCOD which we got on 25th of May say post-25th of November six months down we would be applying to NHAI and our lenders for the for the NOC proposals and by the end of this year we expect that the amount for that particular fourth projects also would be transacted in our account.

**Moderator:** Thank you. We have a next question from the line of Vinit Prasad from Investec. Please go ahead.

**Vinit Prasad:** Sir. I've a couple of questions. One is what has been the reason for the increase in unbilled revenue, if you look at last two years or 24-odd months consistently, that number has increased. It was closer to Rs. 250 crores to Rs. 270 crores at the end of 2021 and gradually it is shot up to almost Rs. 730 crores to Rs. 740 crores. So, what has been the reason for this number one? And #2, Sir, what gives you confidence that NHAI ordering will pick up significantly? Is it the case that the pipeline is extremely healthy? How much worth of projects are under the pipeline as of now?

**Harendra Singh:** Your first question was regarding this unbilled revenue, which has now gone up very high, say earlier two years back it was about Rs. 200 crores. So, very significant reason for this. One part is in the Ganga Expressway Projects were having the milestone payment which was not actually. What is the physical progress and the financial progress, so physical progress in this particular portion project is always 2% to 3% gap into that, this number is Rs. 4400 crores, out of Rs. 4400 crores, Rs. 150 crores to Rs. 200 crores were lying unbilled, but definitely it is a matter of only every month we complete one milestone and then this portion being released. But this is a continuity of that unbilled, which has been significantly gone high, but definitely an NHAI projects are there because in UER we have gone through because all structure related projects there again some milestone payments are not giving us. SPV again some portion has gone very high because we have started execution in many of the projects. We have started execution but then again, we are not say targeting and getting the certification from SPV one but it is a very time gap arrangements. This is going to be stable somewhere around Rs. 500 crores by Quarter 3 because in the many of the old projects NHAI or MoRTH projects where certain receivables are unbilled, where the conciliation and certain say the claims are unbilled, but they are likely to be released in Quarter 3 and Quarter 4. By Quarter 4, we expected to be in a range of about Rs. 500 crores not beyond that. And the second question was NHAI, NHAI



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is definitely having a strong bidding pipeline, which will at the end of this financial year in March '23, they were having almost Rs. 60,000-odd crores of project at that point of time to be awarded. And then could not be avoided because of certain reasons. Now those 60 and another Rs. 40,000 crores of order they are expecting to award by the end of this year as they have guided, and we are expecting that definitely around 2500 to 3000-odd kilometers are already on the bidding pipeline would be all awarded.

**Moderator:** Thank you. We have a question from the line of Jiten Rushi from Axis Capital. Please go ahead.

**Jiten Rushi:** My first question would be on monetization. So, in terms of the proceeds, what could be in terms of value, we are expecting the proceeds from the first three projects and the last project in total, Sir.

**Harendra Singh:** The first one is Rs. 405 crores for all three HAM projects. The remaining portion would be in the Rewari bypass that is the 4th project that is Rs. 531 crores minus 405 roughly Rs. 127 crores.

**Jiten Rushi:** So, the equity which we have invested as mentioned in the presentation that will not change?

**Harendra Singh:** Yes, obviously Rs. 343 crores to be very specific was the original number that remains the same.

**Jiten Rushi:** And sir on the debtors, so can you give the breakup between the SPV debtors and Ganga-Expressway?

**Harendra Singh:** Yes of course this unbilled we have already explained that in Ganga Expressway there is Rs. 150 odd Cr in Adani Ganga Expressway unbilled, NHAI is about Rs. 180 crores SPV are Rs. 270 crores and railway and metro they are Rs. 58 crores and the others about what has already done that explained about it that we are having certain ministry project, ministry funded projects and certain NHAI consolation projects which Rs. 115 odd crores into that.

So, they all would be stable and the debtors and retention altogether is Rs. 721 crores. So, major portion is definitely Ganga Expressway. NHAI is Rs. 145 crores SPV is Rs. 225 crores and others stood at 133 crores; Adani is Ganga Expressway project is Rs. 220 crores which we have received and every month we are getting the payment. It's not that just being stuck for longer period. So, within 45 days we are getting the payment, but due to the higher range of execution this is the figure.

**Jiten Rushi:** And sir the PCOD date which you mentioned for Mancherial was which date?

**Harendra Singh:** So, this was 30th December 2022, but the later we received very recently.



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**Jiten Rushi:** And, sir, in terms of your revenue guidance probably this year you have said almost 5,400 is achievable plus or minus here and there, but what about 25 and 26 because now what we see is the inflow guidance is coming down. So, we'll have to catch up on the inflow in the first quarter was first half of FY25. So, what kind of revenue growth have we seen in 25 now?

**Harendra Singh:** The project which we are already operating except for [inaudible 32:35], Kanpur railway station or even RVNL. So, most of the projects are going to be completed next year, say FY25 if you see. So, the orders order backlog is 10,600 and if we are going to execute some 3,400 crores during the year later part of the year. So, with that almost the balance would be in the range of 7,500 or even more than that, so probably 8,000.

So, with that 7,500 and if order we are looking to add 5,000 to 6,000. So, the number would be coming almost the same as we started this year. So, with that the orders which we are having that exhibition were Odisha, Andhra all SPVs except for Karnal and Ganga Expressway even they all would be completed in FY25. So, that way I think 5,500 plus crores is going to be executed in these from this portion only.

**Jiten Rushi:** That is you expect 5,500 crores revenue from the existing order backlog what I understand?

**Harendra Singh:** So, it's a matter of only getting new orders to the tune of Rs. 12,000 crores that is where if we restrict ourselves to 5,000 to 6,000 this year.

**Moderator:** Thank you. We have our next question from the line of Vaibhav Shah from JM Financial. Please go ahead.

**Vaibhav Shah:** Sir just to reiterate, our revenue guidance would be around 5,400 crores for FY24?

**Harendra Singh:** Yes.

**Vaibhav Shah:** And what would be our margin guidance for the year?

**Harendra Singh:** The margin roughly would be the same as you have seen that in this the monsoon months also we could maintain the same margin that would be roughly the same 15.5% to 16%.

**Vaibhav Shah:** And sir you mentioned about some claims in the unbilled portion, so what are those claims related to?

**Harendra Singh:** So, basically they are not those kind of a claim, but claims we actually quantify or taken to our accounts only those claims which are legitimate [inaudible: 34:51] and some kind of we do not take those opportunity claims, time overrun, idling cost into our account. We always take those things very separately.



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So, these are very small, almost 12 projects will be completed right from 2016 to 20. So, those are the projects where some kind of a pending say variations approval and so this is the amounts coming from those 10 to 12 projects.

**Vaibhav Shah:** And what could be the amount?

**Harendra Singh:** This is Rs. 115 crores.

**Vaibhav Shah:** And sir was there any reduction in scope in any orders during the second quarter?

**Harendra Singh:** No, there is no reduction as such.

**Vaibhav Shah:** Because when we take the difference of the order backlogs, we can't reach the revenue that is some gap of 50%, 60%?

**Harendra Singh:** I think there is hardly there is a Rs. 50 to Rs. 60 crores of gaps because in few of the HAM Maharashtra projects, three projects were there where the supplementary agreement was executed for the balance portion of the work where the land was not handover to us in 20 when the completion was given, but then now supplemented agreement being say likely to be exhausted. So, they've reduced that number from the supplement agreement this is Rs. 100 odd crores. So, this is a shortfall, I think.

**Vaibhav Shah:** So, the backlog for Maharashtra and Rajasthan would be what amount as of September?

**Harendra Singh:** See today I think if you see from backlog from Maharashtra and Rajasthan is roughly about Rs. 72 crores.

**Moderator:** Thank you. We have our next question from the line of Ash Shah from Elara Capital. Please go ahead.

**Ash Shah:** So, I had two questions. The first one with the recent construction ban in Delhi NCR and we have got two main projects out there, one in the metro segment and one UER 1. So, are these projects going to be affected in any manner for this quarter or something if possible?

**Harendra Singh:** I believe I think these because they are the project where this is very high priority PM office is monitoring these projects, linear projects rather I'm talking about especially UER. As of yesterday as well we were discussing that the special permission is going to be given for at least for this particular project UER and Metro, of course, they are looking at some waiver because in these projects hardly there is any pollution as they have guided that the pollution department is going to give us a special relaxation for these projects.

**Ash Shah:** And second one would be do we have any arbitration claims against NHAI or any other government body, if you could provide some color on that?



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- Harendra Singh:** No, we don't have any say like claim. It was a very small claim with Agra Development Authority Rs. 10 crores out of that we have already provided Rs. 6 crores out of unbilled and in the consolation also we are running with the say consolation is going for 4 projects of NHAI, old projects within 2018 we completed those projects, but there is very small amount with hardly it's Rs. 22 crores for all four projects. In Maharashtra also, it's only a matter of small amount of consolation being done for certain...
- Ash Shah:** So, could you provide the revenue break up segment wise roads, metros and railways for Q2 FY24 if possible?
- Harendra Singh:** You are asking for Q2 what we have done.
- Ash Shah:** Yes, the revenue breakup.
- Harendra Singh:** Revenue you see Ganga Expressway Mancherial which is Adani project we did Rs. 290 crores. In NHAI EPC it was 188 and SPVs it is Rs. 303 crores on a very broad line. Metro and railway it is almost Rs. 52 crores.
- Moderator:** Thank you. We'll take our next question from the line of Uttam Kumar Srimal from Axis Securities. Please go ahead.
- Uttam Srimal:** So, you have bid for a few railway projects. So, what kind of margin profile will be there in this project if awarded?
- Harendra Singh:** In railway projects we are keeping our margin at the bidding level at about say 14%.
- Uttam Srimal:** Around 14%.
- Harendra Singh:** Yes.
- Uttam Srimal:** And sir how is the competitive intensity currently in both HAM and EPC, if you can elaborate on that?
- Harendra Singh:** The competition definitely as we have seen last year, this year not many bids have been called and opened, but definitely in HAM it is a bit easier EPC is very aggressive, but then again I think 20 odd to 25 odd bidders are normally being seen in EPC. In HAM it is coming around 7 to 10 bidders.
- Uttam Srimal:** Sir, in case of water projects, you are also facing margin profile there will be 14% to 15%?
- Harendra Singh:** Sure, we are keeping our margins for these diversified sector projects. It can be water metro on there about say 12% to 15% range.



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- Uttam Srimal:** And all these diversification projects how much this will constitute in terms of railway because currently I think it's around 80% is coming from road over 90%. So, this diversified sector will constitute at least 20%, 25% of revenue model?
- Harendra Singh:** See for the year, we are keeping that at least 10% of the total turnover would be coming from these metro and railway project which we already have started three projects and by the two years down the line rather than 25, 26 we are looking at about 20% of the total order execution would be from these sector and by that year 26 we are looking at about 25% order backlog should be from these sector other than roads.
- Uttam Srimal:** Sir, depreciation has increased in this quarter. So, what is the reason and this run rate will continue for the whole year?
- Harendra Singh:** Definitely this will continue for the whole year as you have seen in last year, we added about Rs. 235 odd crores of CAPEX, which are the new and some say all shutters last year this year also 6 months we have added say this almost Rs. 25-odd of shuttering being added. So, the shuttering usually depreciates faster and that is the reason because in the entire project within three years duration we usually depreciate all the entire shutters. But then again, I can just see that depreciation and interest cost is going to be almost in the similar lines hardly there would be a change of about 0.25% if you see last year to this year, at the end of this year this time it has seen on the higher side.
- Moderator:** Thank you. We'll take our next question from the line of Devang Shah from AC Mehta Investment Intermediated Limited. Please go ahead.
- Devang Shah:** I have two questions. First is what is your execution timeline for such kind of road project or the railway project because earlier in a concall transcript I have read that 24 months to 36 months. So, whatever the order book you are comprising both of road and railway or metro just give us a segregation sir what is the execution timeline of all three?
- Harendra Singh:** Just roughly the same, I think as you are also saying that 24 months is the minimum timeline for highway or even for if you see in Kanpur railway station it is 36 months RVNL railway project is 30 months. Metro usually is 30 months. So, water also is 36 months. So, just two to three years of time.
- Devang Shah:** And one more question sir so we have seen recent quarter in a standalone number there is a decline in a PAT margin due to rise in our interest cost. So, moving forward by considering the fact that you are also using the asset monetization of HAM project that you have mentioned. Will it be margin is going to further touch the earlier level that we have seen somewhere close to 8.6% or something. I'm talking about the PAT margin standalone basis.
- Harendra Singh:** Of course, I think PAT margin would be coming to the same range these days because you see the employee cost has been all time high for the quarter year because all the project being



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mobilized, but the execution was not that range. So, there is one reason was that, but then again finance cost and depreciation put together we would be by end of this year finance costs would be in the same range as we were doing earlier. It was coming at about 1.4% this year we will be in a range of 1.25% of the total turnover, which we are going to execute.

- Devang Shah:** Moving forward you feel that it is going to improve from here on PAT margin?
- Harendra Singh:** Yes, quite correct.
- Moderator:** Thank you. We have a next question from the line of Darshit from Robo Capital. Please go ahead.
- Darshit:** So, I just wanted to know if we see the previous say 18%, 19% of margins coming back anytime soon, probably in FY26-27?
- Harendra Singh:** At the company level?
- Darshit:** At the company level, yes?
- Harendra Singh:** Yes, it would be almost in the similar range 15.5%, 16% as we are doing in last four quarters, we have delivered those margins and we almost maintaining that discipline.
- Darshit:** For the medium term we're going to maintain this and some view medium term view on order book and order inflow?
- Harendra Singh:** Order inflow definitely as we have earlier discussed during the call in one that in during the year we are expecting to add at least 5,000 to 6,000 odd crores of order. The highways and other sectors and then the execution which we believe that we would be almost doing 20% plus of those from the last year.
- Darshit:** But like for the medium terms FY26-27?
- Harendra Singh:** Sure, I think for FY26 and FY27 with the government focus on infrastructure, especially highway again in thrust and we have seen all other sectors, their budget allocation has gone has been all time high in railways and most of the sector.
- So, we believe that in everything because of the election time, we are putting just keeping a caution that we may not have these many orders, but then FY25 and FY26 they are the years we would be we believe that we would be adding at least 10,000 to 12,000 crores of order for next year beyond next year.
- Moderator:** Thank you. We'll take a next question from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.



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**Sarvesh Gupta:**

Sir, one question on the Ganga Expressway now. See that was a very sizable sort of an order which came our way and that helped us grow both the order book as well as the revenue profile. Now going forward as such a large project gets runs off from our revenue profile as well as order book, do we think that overall revenue growth etcetera will taper down because we don't have any such large order in either in pipeline or maybe expect to win in the coming years?

**Harendra Singh:**

Your concern is very valid. So, basically with the recent project being executed where UER at Delhi were about 8 kilometers of elevated portion being done, Gurgaon Sohna its almost similar to Gurgaon Sohna with [inaudible: 48:15] being constructed in Odisha projects almost 8 kilometers to 9 kilometers. So, this gives us the qualification and capacity to bid for the huge size projects like if being called if you see high speed network corridors to be developed for railways where the dedicated like bullet trains being developed.

So, in that the range of projects are big size projects, we believe that we would be say putting up are in a race to bid those projects say bid as a sole entity or as well as some JV. That is the only I think what you are saying 4,500 crores of order this cannot be from any say one single size project is a very high magnitude. We are looking into these sectors and in it tunnel also we are looking with some joint venture alliance. We are also looking into this sector.

**Sarvesh Gupta:**

Secondly, sir on the order inflows till date for this year now of course the NHAI ordering has been small, but we have been seeing at least the peers have been able to manage to get something even in the last 7 months, 8 months while for us it has been almost negligible in terms of what we have been able to win in this 7 months, 8 months. So, how do you explain that sort of a market share loss in the orders went till date for this year vis-a-vis with your peers?

**Harendra Singh:**

Probably we bid few projects, but the margins which we are expecting which should get were not there. So, we have lost almost 7 projects, 8 projects even for NHAI awarded, but then again this is not a very many numbers of projects being bid and awarded. So, we are expecting this momentum, or this tempo is going to be right now in November onwards.

This would be going to be all time high and as we have seen last 6 months, almost negligible that we believe that we would be getting the same as we have guided that we can have say 5,000 crores to 6,000 crores of order and then again as MSRDC results have been delayed that is again the potential is there with almost individual order size is about 1,500 crores individual say project.

**Sarvesh Gupta:**

And on depreciation and interest, so what I understood was that in the absolute amount it will remain the same now. So, as you scale your revenues in H2, your overall PAT margins would increase, but going forward, let's say in FY25, how do you see these two items moving because this quarter and this half year, we have seen that these two-line items below EBITDA has sort





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of hurt our P&L percentages. So, for FY25 then from that base of end of FY24, how do you see them moving up?

**Harendra Singh:** The depreciation we have added almost a very high CAPEX last year and this year also Rs. 128 crores, Rs. 130 crores and this is going to end up roughly around 150 with net of CAPEX rather. So, what is the reason behind was that 5 years, 6 years back when we added all machines, the technology of the machines being upgraded, so taking out or phasing out the old machines and replenishing and getting new equipment with BS-VI and BS-IV technology and fuel efficiency is there. So, this is one reason that you can see the all-time higher depreciation going this time, but then again '25-26 it would be all eased out to a normalcy that in that range, the depreciation and interest put together would be in the range of 3.5%.

**Sarvesh Gupta:** So, FY24 you are saying 5,400 crores of revenue guidance in FY25 sir what is the guidance?

**Harendra Singh:** So, roughly, we are keeping our number about say 6,000 to 6,200.

**Moderator:** Thank you. We have our next question from the line of Vishal Periwal from IDBI Capital. Please go ahead.

**Vishal Periwal:** I think in terms of bid, you did mention on the railway where you are eying. So, apart from that is there any other sector in the railroad side where we are bidding or any bids have been submitted?

**Harendra Singh:** So, in the road sector there are 6 bids which we already had done. There's a Chambal Expressway this we already have bid, and one project also is there I think that is the state of Chhattisgarh where the results are yet to be declared.

**Vishal Periwal:** No, I was trying to understand in roads definitely there are submitting bid and railway again we have already shared the opportunity of roughly 8,000 odd crores, but apart from these two sectors any other sector where we have bid, or we are eying and order inflow for us?

**Harendra Singh:** No, we are expecting that we will be bidding for Metro where we have already had qualified say with this recent completion of this project. So, that is where I think we will be bidding and we are looking into some tunnel opportunity in say Northeast this state of Himachal and with DRO. So, this is where we are looking into that.

**Vishal Periwal:** And then when we say Metro, it is over and above this 8,000 crores opportunity which you mentioned the railways that's on top of it, right?

**Harendra Singh:** That's probably we would, yes, we are looking for bids.

**Vishal Periwal:** And sir non roadside when we are bidding say a couple of projects that is there in order book also. So, these you have bid on our own or they are in JV with any partner?



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- Harendra Singh:** Which project?
- Vishal Periwal:** The non road orders that we have in the order book?
- Harendra Singh:** As on date all orders are with sole entity HG has already backed those orders without the JV and in the future I think as we are looking in some water projects where we are not qualifying 100% not qualified into that, even for tunnel we are not qualified, so big size projects of Metro even we are not qualified. So, we would be looking into these opportunities where the joint venture alliance could be done.
- Moderator:** Thank you. We'll take our next question from the line of Shravan Shah from Dolat Capital. Please go ahead.
- Shravan Shah:** Sir, just to again clarify on the numbers so in station redevelopment, you mentioned we have bid 1,000 crores projects and plans to bid three more station redevelopment projects worth for 1,200 crores?
- Harendra Singh:** Correct.
- Shravan Shah:** The 1,000 crores would be bid on two projects which are these railway station?
- Harendra Singh:** One is Gorakhpur, and one is in the South.
- Shravan Shah:** And 14,600 crores also initially what we said so that we are planning to bid on the 8,000 crores also the number that we are planning to bid that is Rs. 8000 crores is the road sector where we are planning to bid and what is this 14,600 so that includes everything that we are planning to bid?
- Harendra Singh:** No, That's not included of anything highway I have not touched upon as a number, highway definitely as we were discussing our own is 45,000 crores of highway bidding opportunity at MSRDC and 60 something 1,000 crores bidding opportunity at NHAI. So, this is what we are looking into bid during the year.
- Shravan Shah:** And non road we are further planning to bid for 8,000 odd crores?
- Harendra Singh:** Correct.
- Shravan Shah:** And on the working capital sir. So, core cash days we have seen now actually it has reduced and 31 days came to the March level, so will it remain the same or it will further inch up?
- Harendra Singh:** No, I think it's a net working capital cycle. It would remain almost 35 days with say in between in the intermediate intervals it will always require where the working capital even you see the



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bank limits being used. Now again it is coming to the same level that 35 days ideally would be range of working capital.

**Shravan Shah:** And when we will receive this monetization this November for three projects. So, in terms of the gains which will be booking also one is how much the gain that we will be booking and in terms of the tax treatment how will it be a 20% tax capital gain tax kind of a thing so how it will work out?

**Harendra Singh:** So, we are working on it. Definitely it's not that big a number because it's almost years we started investing equity. So, whatever gain is there, there are two kinds of one into SPV, so one is in for equity invested by HG. So, these are the two numbers, but that is not a very big say number.

**Shravan Shah:** So, on standalone level it will not be a major number?

**Harendra Singh:** Yes.

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

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

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