"H.G. Infra Engineering Limited
Q2 & H1FY23 Earnings Conference Call"
November 11, 2022

MANAGEMENT: **MR. HARENDRA SINGH – CHAIRMAN AND MANAGING DIRECTOR – HG INFRA ENGINEERING LIMITED**
MR. ARVIND KHANDELWAL – PRESIDENT-STRATEGY – HG INFRA ENGINEERING LIMITED
MR. RAJEEV MISHRA – CHIEF FINANCIAL OFFICER – HG INFRA ENGINEERING LIMITED

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

Moderator:: Ladies and gentlemen, good day, and welcome to the H.G. Infra Engineering Q2 FY '23 Earnings Conference Call hosted by Go India Advisors. As a reminder, all participant lines will be in the listen only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Sana Kapoor from Go India Advisors. Thank you, and over to you.

Sana Kapoor: Thank you, Inba. Good morning, everybody, and welcome to H.G. Infra Engineering Limited earnings call to discuss the Q2 and H1 FY '23 results. We have on the call Mr. Harendra Singh, Chairman and Managing Director; Mr. Arvind Khandelwal, President, Strategy; and Mr. Rajeev Mishra, Chief Financial Officer.

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

Harendra Singh: Yes. Thank you, Sana. Good morning, ladies and gentlemen. Thank you for joining us on Q2 and H1 FY '23 earnings call today. Hope you all are in high spirits and keeping fine. I trust that you would have looked at the earnings presentation uploaded on the exchanges and company's website and as you would have seen from our presentation, there has been another good quarter for the company and that is despite being the weak quarter across the sector due to the prolonged monsoon.

As a listed company, over the last five years, we have ensured that all our efforts are in a direction which create superior shareholder value, and we will continue to focus on building sustainable long-term value on for them. Our strong focus is always on growing bottom line, maintaining strong balance sheet and selection of high-quality projects to augment our order book.

Let me give you some update on the infrastructure sector first. Taking on to road, as you can see that coming to the NHAI tendering status, NHAI has set full year target of 6,500 kilometers of road projects to be awarded this year which is a bit slow in the first half of the financial year, which is likely to pick up in the second half of this year, which gives us the opportunity for winning new projects and further strengthening of our order book as a priority sector.

Railways also, there are a lot of development in the railways, which are announced in the recent past. The total of 1,253 railway stations that have been identified for development on the Adarsh Railway Station scheme. That is modernization of railway station of as many as 199 stations are likely to be awarded this year. So we have bided for few and we are likely to build many in this sector. Apart from this, other track doubling and high-speed network corridors are all there, which are to be developed and are current DPR stage. Water is again our priority focus, which we, again, are looking at to bid and the JJM in Rajasthan, UP and MP state.

All these developments will give a lot of opportunity to us to enter into these segments and diversity business beyond groups. Let me first start with quarterly financial performance. So during the quarter, we reported a revenue of INR 752.1 crores. At a standalone level, just the revenue for the corresponding period last year stood at INR 753.2 crores. The EBITDA stood at INR 120.8 crores in Q2 FY '23 and EBITDA margin stood at 16.1% in Q2 FY '23.

The EBITDA margin stood moreover at the same level with last year despite increase in the cost of materials, but our drive with better operational efficiencies, strong execution capabilities has been leading with the cost and margins. Profit before tax for Q2 FY '23 stood at INR 86.24 crores and profit after tax for the same period at INR 64.6 crores. Now coming to the half yearly financial performance at a standalone level.

Our total revenue for H1 FY '23 stood at INR 1,817.74 crores an increase of 9.05% year-on-year as compared to INR 1,666.81 crores in H1 FY '22. EBITDA stood at to be INR 283.2 crores as compared to INR 275.8 crores same period last year. EBITDA margin at H1 FY '23 at 15.6% and PAT stood at INR 162.3 crores for H1 FY '23 as compared to INR 158.8 crores during the same period last year. And PAT margin for H1 FY '23 stood at 8.9%.

Our total Gross debt as of 30th September 2022, stood at INR 392.2 crores at stand-alone level. This includes working capital debt of INR 42.4 crores and term loans plus current maturities of INR 349.8 crores. That also includes payable under MSME trade receivables, INR 66.6 crores, and NCD of INR 97 crores. Our total gross debt at consol level stood at INR 1,425.3 crores, which includes project debt of INR 1,033.1 crores.

I will now briefly cover our key updates on our operational highlights of prominent projects. Our total earning secured order book stood at INR 10,851 crores as on 30th September which with our presence in nine states of the country, and it is well diversified with 64% of the EPC projects and 36% HAM projects. We are pleased to inform you that we have recently received the appointed date as 3rd November 2022 for our most prestigious Ganga Express Way project, where almost 94% plus land is available, and we have started the execution on this project. Coming to the progress of other major EPC projects, In Delhi- Vadodara package 8, we are inching toward the completion of the project as we have made good progress and have completed around 92%. We expect the project to be completed in this quarter say, quarter 3.

In Delhi Vadodara Package-9, where we have completed around 81%, we expect the project to be completed by February '23. In the Mancherial project of Adani, we have completed around 72% and applied from PCOD, which is likely to be received in November '22, and that project is expected to be completed by -- in Q4.

In UER Package 1 Karala- Kanjhawala of Delhi, we have completed 27.4% of the work, which is running as per the scheduled time lines. In Neelmangala-Tumkur project, we have mobilized our resources and project site and execution work has been done, both the appointed date, which has been -- which is 25th August 2022.

Coming to our HAM project under execution, which are also progressing well as per the schedule time line. In Rewari Bypass HAM project, we have completed around 86%, and we are moving ahead for project completion as per the schedule time line. In Raipur, Vishakhapatnam, AP-1 corridor, we have completed 13% of the project further into HAM projects of that Raipur Vishakhapatnam Corridor, that are Odisha Packages, 5 and 6. We have completed about 8.4% and 12%, respectively. In Khammam Devarapalle Package 1 and 2, we have received the appointed date on 30th September 2022 for KD Package 2 and post our financial closure declared on 15th September 2022 for KD package, the appointed date is likely to be declared very soon.

We have started the project execution of these projects post all these developments. Almost 80% plus land is available in these two projects. For all HAM projects, we have a total equity requirement of INR 1,137 crores that is projected until FY '25. Out of this total amount, we have already invested INR 69.54 crores as on 30th September 2022, and we project to invest some INR 200 crores in this remaining part of this financial year. It is important to update the other significant developments of projects and at the organisational level. We have received the completion certificate for Gurgaon-Sohna HAM project in September. That's where we received the PCOD date at 25th of February 2022.

Also for the Narnaul Bypass we received a COD letter from the authority, where the completion was PCOD was with the platform of 11th of March 2022. At this point, I feel immensely proud and pleased to share that we have been awarded as the fastest-growing construction company in medium sector. In October 2022, at the construction world global work awards 2022 bases our financial indicators of last minus five years, which shows our strong presence and recognition in this sector.

A guidance on the bidding outlook and the business opportunities, we are very positive on the sector outlook and opportunities in the second half of this financial year. As covered in my opening remarks that tendering is expected to show a strong pickup, which gives us the opportunity for winning new projects and further expanding of our order book. We are all aware that government is taking numerous initiatives in various infrastructure development program, including the national infrastructure pipeline, the Gati Shakti program that will give thrust to this sector and ample opportunities for the players like us.

We are at H.G. are readying ourselves for the next level of growth through various steps. Like in last quarter, we have initiated various in-house initiatives to strengthen our executional capabilities and enrich our system and processes, the new synergy in our thought process with external environmental like vendor meet and annual operational meet with the project and top management interaction and with external stakeholders.

This will help us to build a robust business model, having a complete integration in operations, along with a large fleet of in-house equipment and skilled human resource. Our strong focus is on operational efficiencies , cost optimization and strong project execution skills that give us the confidence to close this financial year close to our earlier stated guidelines with 25% growth year-on-year and EBITDA margin close to 16% plus as compared to last year.

Our key focus ahead will be on winning selective projects that complement our order book and ensure efficiencies. Our goal is to achieve additional guiding numbers of INR 4,000 crores to INR 5,000 crores new order inflow in this financial year.

Now I would like the moderator to open the floor for question and answer. Thank you.

Moderator: The first question is from the line of Shravan Shah from Dolat Capital...

Shravan Shah: Thank you, sir. First coming on the guidance front. So you mentioned in your opening remark a 25% growth. So does that mean we are looking at INR 4,500 crores revenue versus earlier guidance of 5,000 -- and now are we confident to achieve this INR 4,500 crore or is there also a possibility to slightly even further lower number by the year-end?

Harendra Singh: See, as it is all evident that here the monsoon has early arrival to prolonged monsoon and entire country has experienced good rain. So this is the first factor which has affected the progress during the quarter two and again, if you see to the appointed date, which likely was supposed to be of the Ganga Expressway in 15th September , sometime in September, which has been delayed by a 1.5 months as per our expectations, affecting the progress. So this has impacted almost INR 150-odd crores progress altogether in quarter two. But again, as we are very clear on that the appointed date of almost all the projects are in hand and execution, in all the projects.

So with that, we doesn't see much of a challenge this quarter two, definitely in quarter three, quarter four, whatever is possible, we would be likely to cope-up with that. And for 25% plus means that own 4,600 around 4600, we will be reaching to this year. And with the major execution which we have looked into it would be coming in quarter three and quarter four will be from Raipur Vishakhapatnam, all 3 packages of HAM and Ganga Expressway, of course, would be the one which will be the major contributor in this quarter three.

Then UER package, again, we did INR 183 crores in last quarter and Delhi- Vadodara package, eight, nine, again at INR 181 crores in last quarter. There around INR 300 crores left in Delhi-Vadodara packages. And again, INR 900-odd crores is left in UER package. There, again, the most execution is at the very good trend where INR 200 crores of execution is expected in quarter 3 200-plus in quarter 4. So this is now gives us a fair outlook that we would be reaching this INR 4,600 crore level.

Shravan Shah: So broadly, we did INR 1,800-odd crores, so to INR 4,600 crores, we need INR 2,800-odd crore. So around INR 1,300, INR 1,400 crores run rate would be required in third and fourth quarter -- so that can be doable and also for the FY '24 previously we were looking at INR 6,000-odd crores revenue. So what's the new number and in terms of the margin, when we say it's 16%-plus, so that is for entire full year of FY '23 or in the second half we are looking at 16%-plus margin?

Harendra Singh: The trend of margin has now been restored at again within say, last say, almost four quarters, five quarters we were dealing under this pressure of this community price. Now it is all back on track with 16%-plus margin, which will all be visible now. As quarter three and quarter four altogether INR 2,800 crores, definitely in quarter three, we always see that the four quarter comes at about say 35%. So there we are very clear about it. The quarter four would be really a big number. But in quarter three, altogether quarter three and four it would be coming at INR 2,800 crores, roughly.

Shravan Shah: And for the next year, for FY '24?

Harendra Singh: Next year, definitely we will be on the same track as we have already seen that about 22%, 25% year-on-year. That is it, which if you can see that INR 4,600 crores if we add some 22% to that as it's coming at around INR 5,800 crores to INR 6,000 crores.

Shravan Shah: And on the order inflow, last time when we said we will be looking at close to INR 3,000 crores to INR 3,500 crores from HAM and INR 1,000 crores to INR 1,500 crores from the other JJM and NHI EPC. So that remains the same or are we now looking at more Railway orders than the NHAI EPC orders?

Harendra Singh: Of course, as already said in the opening remarks, that in Railway remodeling, there's a new concept coming in on the EPC mode from Railway. And there we have already bided few of the stations, though we could pay on those projects, the earlier ones. But now we again believe that EPC of NHI or EPC of Railways or any EPC of water together would come at about INR 1,500 crores. Balance INR 3500-odd crores will be coming from HAM.

Shravan Shah: And any of the projects in terms of the value size apart from the Railway where we have bided, what's the value and where we have bided and when likely the results are to come?

Harendra Singh: No, we have already sent some INR 15,000-odd crores of project bided in INR 11,000 crores is in NHAI and some INR 4,000 crores in our Railway and Railway Stations and the Water. I think there were about eight bids which yet to be opened.

Shravan Shah: On the equity front, just you mentioned INR 200 crores this second half also in for FY '24 and FY '25, how much we'll be needing then in terms of the monetization, we were previously looking at four HAM projects. So any progress, when can we see the announcement from that front?

Harendra Singh: The total equity requirement for FY '24 and FY '25, after this INR 200 crores as already INR 1,137 crores, out of this INR 610 crores, we already invested and some INR 200 crores would be invested in the latter half of this year. So the balance would be in '24 and '25, its hardly coming at about INR 190 crores in ‘24 and balance in '25.

Moderator: Mr. Shah, may we request you to return to the queue? There are several participants waiting for their turn. The next question is from the line of Mohit Kumar from DAM Capital.

Mohit Kumar: Congratulations on a very-very good order book, sir. Sir my two questions. First is, how is the road bidding pipeline looking like from NHAI's side? Till date, I think the bidding has been pretty lukewarm. And are you seeing higher proportion of HAM in the pipeline?

Harendra Singh: See, almost it was expected in the first half of this year, not much of the bidding activity, which always has been experienced in the last few years. But as they already guided, I think let say, 1,000-plus kilometers to be awarded by NHAI this year. So they were looking at a few modifications into the cash support from NHAI from 40% to 20% which is in that advanced stage of discussion. But by that time, I think now we have seen that almost there are around 60-odd bids which are to be, say, bided or to be awarded within this quarter three. So this gives us a clarity that now in NHAI again, with all majorly into HAM. EPC are not many, but definitely a few of the people, BOTs.

Mohit Kumar: So expect the H2, the odd bidding to pick up substantially. Is that right, sir?

Harendra Singh: Yes, quite right.

Mohit Kumar: Second question, sir, on the railway side, I think you would gave a detailed outlook on the opportunities. Are you looking at Railway station redevelopment work and does it mean that we need to build some capabilities and investment in the resources?

Harendra Singh: No, I think as you can see in any of the redevelopment work like station building, terminal building, it doesn't require much of a capex. It's a major of the procurement and the labor-oriented labor and the work. But these are good works which you believe they are the steel frame structure works, which gives us possibility and opportunity that we may go for any of the one or two stations.

Moderator: Mr. Mohit Kumar, may we request you to return to the queue please. Thank you.

We will take the next question from the line of Parikshit Kandpal from HDFC Securities.

Parikshit Kandpal: Congratulations on a decent quarter. Especially tight control on the balance sheet and working capital. My first question is what is the total order in flows, mention year-to-date? And for the next year, how are you looking to replace this large order of Ganga Expressway because that's one bulky order which is coming. What will be your first task to exceed this year's order in flows?

Harendra Singh: For sure, I think which initially as we expected INR 9,000-plus crores rupees to be added during the year with INR 4,500 crores orders already there. We now say we're at least, but now again, as usually it happens in the year, that around INR 3,000 crores to INR 4000 crores of orders of NHAI, added the HEM or EPC, usually being added in last two years trend. So this is our prime focus, that with a good phase, any of the orders having bearing the good profit, that is the first focus. And then again, beyond the road, beyond highways, which we, in Railways, we have already bided five of the place that has a Railway new track or a doubling of those things. And the high speed network, which are the DPR at advanced stage, which is likely to come in the latter half of this year or next year. This again would be the likely opportunities in Railway other than the Railway remodeling of the stations.

And again in water, we have already bided some three of the projects. We look forward to that in quarter three and quarter four. So altogether we would be looking into the mix the balance of all the three, four sectors.

Parikshit Kandpal: The second question is on the monetization plan. Now, we have already invested INR 600 crores. We have projects where we have achieved funds, there is the COD. So, what's the timeline for monetization and how much, how many projects, value of the book value of the equity are looking to monetize?

Harendra Singh: Again, I think it is almost two quarters, three quarters it was at a standstill. But it has been initiated at again a very aggressive pace during the quarter 2 of this year. We are now having three particular proposals going on side by side. And we are working on it and most likely by end of this year the dealP would be concluded. And we are getting a good response from the investors. Because they are all waiting and we also are waiting for the entire completion of which we have completed in two of the projects where the COD is received. And just one project where a small portion is left out, the earlier PCOD already in November 21, we received the Rewari Ateli. With that, the entire completion of the project is done and very soon we will be completing Rewari bypass. With this small work project, almost INR 350-odd crores of equity, which we are looking that at least we should have a recent talk about 40% that is about 12%-plus are the discounting number.

Parikshit Kandpal: As you're saying by 40% premium to your INR 350 crores in equity investment is what you are looking at 12% discount rate?

Harendra Singh: Correct.

Moderator: We will take our next question from the line of Ashish Shah from Centrum Broking.

Ashish Shah: Sir, I know you have given an overall guidance for the execution for the year, but just wanted to understand that a couple of projects like OD5, OD6, we haven't seen a great lot of progress in the first half. I mean, after the appointed dates had been received sometime in end of May. So, what is the reason why the pickup has been a little on the slower side?

Harendra Singh: See this monsoon gained in North and South, it behaves differently. So you can see in this eastern part where the entire corridor is lying, AP and OD5, OD6, there was not much of the progress visible. It's hardly in all these projections are hardly about, say, INR 150-odd crores is the progress during the quarter, which not would have been much better. But now we are there. We have mobilized. We have having the entire resources, waiting for the monsoon withdrawal, and that has now been restored that. And we would be coming back to the track. We would be progressing very good progress in these projects in quarter 3 and quarter 4.

Ashish Shah: So any number you would like to put let's say, by the end of the year in OD5, OD6?

Harendra Singh: All three corridors in Raipur Visakhapatnam, we would be doing INR 325-odd crores in Q3. And around INR 450 crores in Q4. We're around INR 2,700 crores is balance works as on 30th September.

Ashish Shah: Also, on Ganga Expressway, how is the ramp-up likely? How much do we expect to execute by this financial year end and how much you're looking at next financial year?

Harendra Singh: Earlier it was expected about INR 1,000 crores of execution during the financial year, but now it has -- we would be looking at INR 700 crores because of almost delay by one and a half months or two months delay. So that is one reason. And again, if you see that in North, the fog and winter rains do affect these kinds of projects, which earlier when you started, then I think the work and related activities, it hampers a lot. So in any case, this is a INR 300-odd crores, which is likely to be where INR 5,000 crores gone down to -- its likely to be going down to INR 4,600 crores. That is the reason.

Ashish Shah: So 700 crore this year and next year, what would be the numbers, sir?

Harendra Singh: Next year, definitely we will be looking at about INR 2,000 crores of execution coming on from Ganga Expressway.

Moderator: We'll take our next question from the line of Jiten Rushi from Axis Capital.

Jiten Rushi: My first question when I was reconciling the revenue based on the order backlog opening and closing order backlog. The revenue seems to be INR 656 crores. So against the reported number it is short by INR 96 crores. So any other revenue other than the execution we have booked in the quarter sir?

Harendra Singh: What you are saying is that the amount which has been executed INR 750-odd crores.

Jiten Rushi: Again, so is the reconciliation?

Harendra Singh: The big number is coming from price variation as well.

Jiten Rushi: It's price variation. And sir, any utility shifting or something like that?

Harendra Singh: It's a minor number, not a big number. INR 15 crores, INR 20 crores is coming from utility shifting and INR 10 crores, INR 12 crores is coming as a O&M revenue. The major number is about 8%, 10% is coming from price variation, price escalation.

Jiten Rushi: And sir, on the book-keeping side, can you just highlight the outstanding mobilization advance unbilled revenue retention money and if you can give us the breakup of debtors if it is possible sir, as on September?

Harendra Singh: Yes, sure. I think it has been reduced by INR 337 crores if you see altogether. There was a debtor including the retention., so INR 873 crores that June 30th, now it gone down to INR 536 crores. So it is a bit of an increase in the contractor set because it is unbilled because major portion is in Ganga Expressway and DV-89 which is approaching completion. This is again a significant number is there, which is certain COS approvals are likely to be there in quarter three only on this. And I'll say a bit of a HAM projects in Maharashtra and Sakinaki projects. So altogether this is an increase in INR 100 crore on contract, which is likely to come down again to the same range as we have always do in INR 300 crores to INR 350 odd crores. But Debtors would not -- doing anything major surprises would be coming in as we are now having INR 350 crores Debtor.

Jiten Rushi:: Ma'am the question has been incomplete. So let me get the answer please.

Harendra Singh:: This is regarding the better regarding the debtor.

Jiten Rushi: I just didn't get the number. What is the outstanding unbilled number and what is outstanding mobilizing advances and what is outstanding sir ?

Harendra Singh: Unbilled number is INR 458 crores where the major I already have given, which the project is charged major, which again is going to drop down to INR 350 crore, not beyond that. Whether still on the project, nearing completion and HAM projects again where we have completed, we have certain COS approval we have committed. So that is one part. I think it has been increased by INR 50-odd crores. Again, we again – I am coming to that, that there is an INR 60 Crore increase in , which is a INR 347 crores rupees.

Jiten Rushi: And retention, sir?

Harendra Singh: The retention is almost the same.

Jiten Rushi: That is what?

Harendra Singh: INR175 crore.

Jiten Rushi: Okay sir. That's it for my side. I'll back in the queue. Thank you sir.

Harendra Singh: Thank you.

Moderator: The next question is from the line of Romil Jain from Electrum PMS.

Romil Jain: Hello. Yes, thanks a lot sir. Sir, I hope you can hear me?

Rajeev Mishra: Yes, Yes. Sure.

Romil Jain: Yes. Sir, actually, I just missed, I could not hear properly. What is the equity requirement for current year and '24 and '25?

Harendra Singh: Current year balance is INR 200 crore for the balance half of this year, and next year, it is coming at around INR 190 crores. Say out of t INR 1137 crore , we have already invested INR 610 crores.

Romil Jain: Okay. And '25 number?

Rajeev Mishra: Balance is coming in '25, hardly it is coming from around INR 100 crore.

Romil Jain: And sir, one question on the competition. So as you mentioned, most of the projects are from HAM -- from NHAI. So how is the competitive intensity in the last couple of months? And do we see some pressure in the competitive intensity?

Harendra Singh: No. EPC is not yet improved, but definitely HAM, the major shift has been there. I think now the number of players are getting lesser and lesser. And with that, again the percentage where the discounts were passed on, now we have seen a bit of a premium over rate.

Romil Jain: For the upcoming projects?

Harendra Singh: The upcoming projects from the recent past we have seen a few of the risk the margins, it looks like the aggression is a bit better competitive intensity , because earlier -- now it has been improved.

Romil Jain: Okay. But any specific reason why it has been improved, I mean, there are players who are not able to bid or capital issues are there?

Harendra Singh: Actually, not a big reason, but definitely, you can consider that the major initial say, about 20 to 25 bidders were there, which was a small, midsize company. They are having enough of the appetite orders in hands. So they are not participating much now.

Moderator: Mr. Jain, could you please return to the queue.

Romil Jain: Okay. Thanks.

Moderator: We'll take our next question from the line of Nikhil Abhyankar from DAM Capital.

Nikhil Abhyankar: Thank you sir. Thanks for the opportunity. Sir, I'm really sorry I had joined the call late. So have you mentioned your guidance for FY '23, the revenue, EBITDA margin and the order inflow?

Harendra Singh: I already, kind of, repeated it's about 4,600 and EBITDA upto 15% plus somewhere in that range.

Nikhil Abhyankar: Okay. And why sir? INR 9,000 crore to INR 10,000 crores?

Harendra Singh: Already in any case, which we already received is INR 4,500 crores, where the INR 4,500 crores would be likely to be added during the year in roads and other sectors.

Nikhil Abhyankar: Understood. No problem. Sir, and you also mentioned that we are looking at the railway station orders. So I would like to know that whether the margin profile on these projects will be the same as our current margin?

Harendra Singh: We are keeping our intent clear that we would be not going further for sales to lower margins or any of the other sectors even.

Moderator: The next question is from the line of Sarvesh Gupta from Maximal Capital.

Sarvesh Gupta: Good afternoon, sir, and thanks a lot for taking my question. Just one question is on these large projects like an Ganga Expressway, which you have in your order book. So do you expect the margins to be in similar range? Or do you see any efficiencies or do you see because these are very large orders that you have got, you see some lowering of margins?

Harendra Singh: No, probably I can understand your question. Say in any case these 150-kilometer is obviously a huge magnitude of INR4,500 Crore, Raipur- Visakhapatnam package, again, about say INR3,000 crores. So this gives the cluster-based approach, where the margins definitely, operation efficiencies are much better. The margin would be good. No doubt that it was -- there was a bit of a shrinkage in the earlier quarters. Now, we are coming back to the track. 15% plus margin would be there.

Sarvesh Gupta: Understood. And secondly, in railways, while we've been trying to enter these two segments; railways, water, but we haven't yet got any significant order, which will move…?

Harendra Singh: No, I think it doesn't say -- give us that we need to be very -- thrust has to be there. But no doubt, we are having a clarity of that, but we should not be compromising looking -- the margin compromise are there. So we are on track. We would be getting the orders. In any case, as we are looking for 10% to 15% this year for the other sector.

Sarvesh Gupta: And in railways, specifically, sir, some of the other EPC players have burned their hands badly in terms of track laying and many other escalating…?

Harendra Singh: I think, there is a big change in the execution pattern. As you can see in last few years in NHAI also earlier the land was not there. The project over run -- time over run was there, four to five years completion. Now it is coming at two years, 2.5, three years. So again, the big change is coming in the railways as well with this Gati Shakti monitoring this program, it happens like that, the things are being monitored very closely.

Sarvesh Gupta: In HAM, we are expecting around INR 350 crores release this year. Is that right? And what is the…?

Harendra Singh: Yes. What I'm saying is the deal is going to be completed this year. The fund may or may not come this year. But definitely, as the deal concludes in this financial year, we within six months we will be getting the fund.

Moderator: Mr. Gupta, may we request you to return to the queue?

Sarvesh Gupta: Just one second, this is the continuation of the same question. So the next 18 months, what are we expecting of the overall equity release from the HAM projects?

Harendra Singh: Release?

Sarvesh Gupta: Release sir. I mean, the HAM monetization, what are we expecting the equity amount to be monetized for this 18 months, let's say, this six months and next 12 months of the next financial year?

Harendra Singh: This is INR 350 crores of total equity, all the for this 4 projects, which are in proposal for monetization. So we're -- exactly we are looking at 40% over the equity deployed. This again, we can expect in next year, say 18 months again away from now.

Sarvesh Gupta: Understood, sir. Thank you, and all the best.

Moderator: Our next question is from the line of Jiten Parmar from Aurum Capital.

Jiten Parmar: Yes. Good morning. My question is basically on the consolidated margins, we did 19% last year. Are we on track to maintain that or better that for this year? And what is the outlook for next year?

Harendra Singh: Currently for the first half of this year is at 18.9%. You are talking about the consolidated margin?

Jiten Parmar: Right.

Harendra Singh: Sir it would be in the range of about 19% to 20%. That would be the same range.

Jiten Parmar: And for next year also, you are guiding the same?

Harendra Singh: Probably it may increase a bit with the entire monetization and a few things of SPV level where I think bonus and few expenses are incurred, but the revenue is not yet realized.

Jiten Parmar: Okay. My second question is on the order inflow. So I think you answered that, but I couldn't get it clearly. For half two, you are saying that you should get order inflow around INR 4,500 crores, just want to make sure of that. Is the right?

Harendra Singh: Yes. Definitely, we are looking at it about INR 3200 crore, INR 3500 crore coming from HAM project of NHAI, and other than that EPC NHAI or say in other sectors.

Moderator: Our next question is from Shravan Shah from Dolat Capital.

Shravan Shah:: Yes. Thank you. Sir, Khammam-Devarapalle package one appointed date will be expected by?

Harendra Singh: That is by 10th of November, sorry, 10th of November, JMS has been already signed. And within next few days, we will be getting the appointed date.

Shravan Shah: Okay. So before this month end, sir we will be having the appointed date?

Harendra Singh: Yes, for sure.

Shravan Shah: Yes. Second is in terms of the capex for this, 1H we have done INR 149-odd crore. Previously, we were looking at even a sale of the equipment at INR 135-odd crore for this year?

Harendra Singh: I can give a clarity on the breakup of the capex, which has been done and likely to be done. So this is INR 434 crore of capex out of the INR 18 crores. Earlier this capital work-in- progress, which is there, it is camp development, which earlier was our expense, categorize as our expense. Now it is capital work-in-progress to be depreciated within say, two, three years for the duration of the contract. So that is how the number looks bit.

So that is now INR 91 crores of capex already done, and INR 25 crores of land and building are there, and INR 30 crores of camp is there. So, total INR 150-odd crores of capex done, another – say INR 45-odd crore would be done later part of this year, and INR 45 crores is likely to be received for the disposal of old assets.

Shravan Shah: And in terms of the debt level, which is INR 392-odd crore. So by March end, we will be seeing some reduction from here on?

Rajeev Mishra: Yes, INR 350 crore to INR 400 crore that is the likely number, which would be there.

Shravan Shah: And lastly, on the -- we were expected to get the INR 26 crore bonus in the second quarter?

Harendra Singh: This gain is at a competitive authority approval level and in quarter three, we will be getting.

Shravan Shah: So we will be getting INR 26 crores in the third quarter? And is there any other projects where we will be getting a bonus in fourth quarter?

Harendra Singh: No, as of now, there's no possibility.

Moderator: Our next question is from Jiten Rushi from Axis Capital.

Jiten Rushi: Thank you for taking my question again sir. The railway bids, you said, you will be bidding for the railway lining projects, and also on the station redevelopment projects. So sir these projects are we qualified, or we -- shall we bidding in joint venture sir?

Harendra Singh: So mostly, we are qualified in metro and this side of our projects. And if in case of any critical requirement, qualification requirement, we are -- already we have tied up, we would be doing for those interesting projects. But as of now most of the projects are bided by the single entity.

Jiten Rushi: So what is the size till, which we can bid as an independent entity?

Harendra Singh: So it's almost at a level of INR 1,000 crores or even INR 1,500 crores, we are eligible for those projects.

Jiten Rushi: Sir, is it INR 1,500 crores?

Harendra Singh: Yes. I think we are not getting many projects, which size is over INR 800 crores or INR 1,000 crores, but we are eligible.

Jiten Rushi: And so water projects obviously will go in joint venture?

Harendra Singh: That is with our partner, yes.

Jiten Rushi: And sir, on the escalation part. So these projects are mostly commodity-driven projects. So these projects will include escalation, right sir?

Harendra Singh: Every project is having this slight escalation clause.

Jiten Rushi: So that should not be the challenge for us.

Harendra Singh: Correct.

Jiten Rushi: And sir, on the margin front, obviously, you've given that H2 should be better in terms of EBITDA margin. But sir, going forward, you said that there are large ticket projects like you are executing like the Raipur project, the Adani project. So in that, we are seeing a 15% odd margin, so do we see that going forward margin overall should come down to 15%, 15.5% against 16%, 16.5%, which you say?

Harendra Singh: I don't see now onwards with the commodity prices almost has pulled down, and now it's all at a stagnation stage. So whatever bids we have done in 1.5 years back. Now we are getting the equivalent price escalation for that as well a similar number. So we don't expect that the 15% plus margins would be, say, a big question in coming months or coming years.

Jiten Rushi: And sir, in the revenue terms, you said INR 2,000 crores we expect from the Ganga Expressway in FY '24. So what, kind of, revenue you're expecting from the Raipur package and the PV 1 and 2 in FY '24, sir?

Harendra Singh: If you can just look into the breakup of that, which is a project where we are targeted to complete it by June '24, sorry, May '24 rather. So then in any case, the most significant portion would be completed in FY '24.

Jiten Rushi: Question, you said that you're expecting a revenue of INR 5,800 to INR 6,000...

Harendra Singh: At least, it would be coming at most INR 1,300 to INR 1,400 of revenue all 3 packages of Raipur,-Vishakhapatnam in FY '24.

Jiten Rushi: And on the – this KD Khammam-Devarapalle Package 1 and 2 how much do you expect in the UER how much do you expecting in FY '24?

Harendra Singh: So probably with the entire order book, which is at about INR 10800-odd crores, which is supposed to be completed by the time of this year in FY '24 in November 24. So with that, you can very well understand because majority of the project where we would be targeting within the stipulated time line where the land is not a challenges other challenges are not there. So we need -- we are according to the contract and accordingly we are also prepared to execute on time.

Moderator: We'll take a next question from the line of Prem Khurana from Anand Rathi Shares.

Prem Khurana: So my question was with respect to hybrid annuity and we already have two, which are operational now and we've started receiving annuities as well. So one was I wanted to understand if are receiving our annuities in time and second is essentially given the fact that both these are such operational -- so have you been able to manage the refinancing of these assets? I mean has the interest rate come down? And what's the spread now that we're able to make with this. And just to continue on this, I mean you spoke about some 40-odd percent premium that you expect once you were to sell these assets, right? So is that the hurdle rate? I mean, if let's say, I mean there is a buyer who doesn't agree to 40%, would you be willing to settle for a little lower number or not?

Harendra Singh: In the first part where you are saying that the entire this project which we completed COD. We are getting the right annuity -- right on time, number one. So operation costs and maintenance costs, which we are incurring is say, very below what we are getting from NHAI that is or in control. The numbers which has been indicated as a premium, which we are likely to get on the equity invested, which is coming from -- because of that only because of the interest rate, which most of these assets, which we are having this around -- it's about 7.4% rather, 7.4%. So with that, I think it had added advantage to us basically are in the cash flow of at SPV level on the recent one -- and this number which you are saying that 40% we are looking at, definitely 30% to 40% has been indicated but the possible negotiation with is going well.

Prem Khurana: And the payments would come in two tranches, right? I mean, you'll get to a first 49% and then another 51. So the first two as I can I understand you've already spent six months of which is where you'll be able to have by then, but then the third and the fourth, you would have to wait for some time, right?

Harendra Singh: Obviously, I think this is gradually -- it's just a process in taking warier process almost.

Prem Khurana: Sure. And would you be able to help the receivable from IRB and Adani?

Harendra Singh: Yes. Adani, there is not a big balance receivable as a debtor hardly INR 60 something crore, which we received very regularly, which are receiving regularly -- and IRB, I can update upon it. Basically, at the start of this financial -- sorry, in this quarter, we were having a I do give you an update. So we were having the INR 306 crores, this was better and retention in unbilled all 3 together, the start of this quarter. Now it's coming down, and we have received INR 133 crore in quarter. We have received some INR 40 crore also Quarter -- and now it is coming in roughly in tension in major portion is INR 92 crores, which is not yet due. In any case, the two-year GST period. INR 68 crores out of INR 68 crore debtor we have received INR 40 crores and INR 30 crores of unbilled, which is likely to be billed within this as . This mostly on our track.

Prem Khurana: And for Ganga Express way, is already the capex is a taken care of, right? Or there is some more, which we have ;s bps...

Harendra Singh: So I think the capex which we have done and the capex, which is likely to be done, which again is going to be set out with the disposal plan, which we are going to dispose of the.

Moderator: Another question may answer start. The next question is from the line of Uttam Kumar Srimal from Axis Securities.

Uttam Srimal: Sir, this quarter, our employee cost and other expenses have been increased. So can you please throw some light on that?

Harendra Singh: See the mobilization in all the big sides and all the projects and parts been delayed and which we will see very recently. So with that, I think that manpower cost in those of the projects is being reflected as an expense in this quarter two. Number two, as a percentage is all high. If you see the execution end up, then it would be, I think, coming back to the same percentage as we have been in most of the year last few years.

Uttam Srimal: Sir, you said that the competitive intensity has reduced. Earlier, there were 20, 25 players. So now at this juncture, how many players are bidding for the particular HAM project?

Harendra Singh: No. So what I'm saying in HAM there has been reduced. And EPC is not that. EPCs always a similar number of players which are...

Uttam Srimal: No, I am asking about HAM only?

Harendra Singh: Earlier, it was going out about 13, 15 numbers now coming down again to, say, 8 to 10. So that is a significant reduction.

Moderator: Our next question is from line of Franklin Moraes from Equentis Wealth Advisory.

Franklin Moraes: So you had alluded to the fact that you had some monsoon impact for the quarter. So has this impact spilled over for this quarter as well and in Q3?

Harendra Singh: As earlier being asked that in any case, if we are looking at about INR 2800 crores of execution during the balance part of this year. So quarter four would be the highest one and then quarter two, because you can see in all Odisha, Andhra, Bangalore, nearby area those areas Telangana because monsoon withdrawal has been some time, say, 15 or 20 of October. So a bit of a proportion being affected. But now again, we are execution is on well tracked We are doing almost INR 15 crores to INR 16 crores of execution a day now. So, we would be completing -- significantly, it will be coming at a decent number in this quarter 3 as far as year-on-year growth is concern.

Franklin Moraes: And last four to five years, we have seen EBITDA margin improvement also from 15% to 16% plus this is a steady improvement. So one is, is it a function of your internal efficiencies or is it a function of the product mix? And going forward, maybe for the next three, four years, can we expect margins to improve going forward as well or are they likely to be stable?

Harendra Singh: Now I think it's even stable at 16 to 17 range 3.5 range even. So that we already -- this is a mix reason where it can be the big size project magnitude, operational efficiencies being improved, certain modification to the operational model is there, execution strategy is there. So this is how, I think, looks like in coming years also, we would be maintaining that number.

Franklin Moraes: And in the last 5 years, what was the reason for the improvement, internal efficiency?

Harendra Singh: No, I think the commodity price, which were really damaged say few quarters, they're going down as low as 15% now coming back to 15%, so that is the main reason now.

Moderator: Our next question is from the line of Mudit Jain from HEM Securities.

Mudit Jain: My question was regarding on the margin front. Our standalone margin last year was around 16% and the consolidated margin is 19%. The considering the revenue difference is not very much between standalone consolidated revenue, what contributing to this additional margin, so can you just throw some light on that?

Harendra Singh: This is a consolidation of our books only really because of SCV, there is not much of expense only the revenue and profit is top line and bottom line is coming almost at a similar range.

Moderator: That was the last question. I now hand over the floor back to the management for closing comments.

Harendra Singh: Thank you all for your time today for attending this investor call. I hope all your queries were answered satisfactorily. In case you have any follow-up queries, please feel free to reach to our IR advisers, that is Go India Advisors, wishing you all a very good weekend. Thank you.

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.