"H.G. Infra Engineering Limited
Q1 FY '25 Earnings Conference Call"

August 07, 2024

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

Moderator: Ladies and gentlemen, good day, and welcome to H.G. Infra Engineering Limited Q1 FY '25 Earnings Conference Call hosted by Go India Advisors.

As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

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

Sana Kapoor: Thank you, Shlok. Good morning, everybody, and welcome to H.G. Infra Engineering Limited Earnings Call to discuss the Q1, FY '25 Results.

We have on the call Mr. Harendra Singh – Chairman and Managing Director, and Mr. Rajeev Mishra – Chief Financial Officer.

We must remind you that the discussion on today's call may include certain forward-looking statements and must be, therefore, viewed in conjunction with the risks that the company faces.

May I now request Mr. Harendra Singh to take us through the company's business outlook and performance, subsequent to which we will open the floor for Q&A. Thank you, and over to you, sir.

Harendra Singh: Thank you, Sana. Good morning, everyone. I am pleased to welcome you all to the Q1 FY '25 earnings call of H.G. Infra Engineering Limited. Our Financial Results and the Investor Presentation have been uploaded on the exchange and I hope you have had the chance to review them.

I am delighted to share that H.G. Infra has demonstrated strong financial and operational performance in the first quarter of FY '25. We have strengthened our position in the highway sector and done tremendous progress in railways and a decent progress in the solar sector during Quarter 1 of FY '25. Our commitment to operational efficiency and strong execution has resulted in impressive performance across all key metrics including revenue and margins.

Last year we ventured into the solar segment as a part of our strategy to diversify our order book. Our expertise now spans roads and highways, railways, metro and solar energy. Our focus on expanding and diversifying order book is well on track.

Now I would like to provide some updates on the infrastructure sector. Regarding roads and highways, the recent Union Budget has made a substantial allocation of Rs. 111 lakh crore to the roads and highways sector, underscoring the government's focus in road development.

Additionally, the Vision 2047 outlines plan to construct 30,000 to 35,000 kilometers of highways and 50,000 kilometers of high-speed corridors those are the Greenfield.

For the year '24-'25, the Ministry of Road Transport has been allocated Rs. 2.78 lakh crores with Rs. 1.68 lakh crores earmarked to the National Highway Authority of India to develop national corridors.

The government plans to expedite new project awards including reviving the built operator transfer that is a BOT model for 54 projects valued at over Rs 2.2 lakh crores.

Recently, the Ministry of Road Transport announced plans to award road contracts worth Rs. 3 lakh crores within the next three months with the target of reaching Rs. 5 lakh crores by the year-end.

We believe that post-election, there will be significant positive momentum in infrastructure projects awarding. As a result, we anticipate abundant opportunities to galvanize on the expected order inflows.

Talking of railways and metros, the Union Budget of '24-'25 assigned a record allocation of Rs. 2.55 lakh crores for multi-tracking corridors, station remodeling, replacement of old tracks, electrification and signaling system and other than that, construction of flyovers and underpasses, highlighting a strong commitment to railway infrastructure and connectivity. Over the next decade, the budget aims to expand railway networks by 10,959 kilometers with a total allocation of Rs. 13.67 trillion for railway projects from this FY '20 to FY '25.

India's solar power sector is a key component of its renewable energy strategy. With installed capacity expanding 30-fold over the last nine years to 82.63 Gigawatts as of April '24, this growth is supported by major government initiatives including the target of 500 Gigawatt of renewable energy by 2030 with the solar energy playing a major role. The National Solar Mission and the Production Linked Incentive schemes have been very crucial in this expansion. The Union Budget of '24-'25 allocated Rs 10,000 crores for the solar power grid.

Additionally, the green hydrogen sector is also poised for significant growth. This is with the target of 5 million metric tons annually by 2030 and then investment of Rs. 8 trillion crores, that is approximately $100 billion.

Let me start the journey of this quarter and give you the glimpse of operational highlights first. As of June 30, 2024, our order book stands at Rs. 15,642 crores, marking a significant 34% increase from Q1 FY '24.

Over the years, our order book has been diversified beyond roads and highways. For the Q1 FY '25, the order book from different segments stands at roads and highways stood at Rs 11,452 crores, railway and metro Rs 2,498 crores and solar Rs. 1,691 crores. Our order book comprises 28% from HAM and 78% from EPC.

Let me now provide an update on our ongoing EPC projects. The Ganga Expressway project is approximately 67.5% complete, adhering to the contract timelines. The Delhi/UER project is around 98.1% completed and anticipated to complete it within this quarter only. The Nelamangala-Tumkur project is at 23.9% completion only due to the land availability issues. We are working with NHAI to work on the faster regulation and coachman clearances. Simultaneously, we are also in discussion with NHAI for settlement agreement of the pre-closure of the project due to non-availability of land.

Let me brief you on the progress on the HAM project. The Karnal Ring Road project has achieved 38% completion, Raipur-Visakhapatnam OD5 and OD6 are at about 72% and 79.4% respectively. The Raipur-Visakhapatnam AP-01 project is 74.4% complete. Khammam-Devarapalle project Package 1 is 59.7% and Package 2 is 56%.

So, in all these 5 projects of OD-5, 6, AP-01 and Khammam-Devarapalle KD-1 and 2, we are expecting to complete them within the Quarter 3 and Quarter 4 of this year.

Now turning to the progress of railway project, the DMRC Metro project is 55.8% complete. The Bilaspur Himachal Pradesh railway project is 29.3% completed and progressing well after initial delays caused by heavy rains. The Kanpur Railway Station project is 8.1% complete as there has been some clearance of land and utilities in the initial stage which are now settling down. The Dhule-Nardana Railway project is progressing well, and we have completed 1.9% and that too in Karanjaon project 2.5% and Gaya-Son Nagar project 2.1% where we have received the appointed date with effect from 22nd of June 2024.

Now let us focus on the solar project. The last quarter, H.G. Infra capitalizing on the promising opportunity in the solar sector, actively pursued and secured solar power projects under the KUSUM-C scheme.

Recently we have entered into MoU with Ultravibrant Solar Energy Private Limited for take over and development of 116-Megawatt DC of KUSUM solar projects. At present, all the projects are totaling 700-Megawatt DC and valued at Rs. 1,763 crore. That is the EPC value excluding of GST. They are all progressing as planned. Execution is currently at about 4% and progressing smoothly according to the planned timelines.

The total equity requirement for the solar project is estimated at Rs. 692 crores. Out of this just 1.3 crore has been infused till June 30th, 2024. Rs. 350 crore is estimated to be infused in FY '24-'25 and balance will be in '25-'26.

Let me now share other significant updates for Q1 FY '25:

I am pleased to announce that in Quarter 1 FY '25, H.G. Infra has been awarded two new projects by MSRDC. That is the first project of construction of access control expressway of NC Nagpur-Chandrapur Package-4 that is the EPC value of Rs. 1,991 crore.

And the second project is just about by side of this project is construction of access control NC-05 that is Nagpur-Chandrapur Package 5 valued at Rs. 2,151 crore. In July 24 we secured new two-lane HAM project worth 763.11 crore. That is near to Ayodhya which is 84 Kosi Parikrama Marg.

Now I will provide an overview of the Financial Highlight of Q1 FY '25:

The Standalone Financials for Q1 FY '25, the revenue from operation reached to 1,506 crores, an 18.4% increase from Rs. 1,271 crores on Q1 FY '24.

EBITDA was 243 crores with a margin of 16.16% in Q1 FY '25 as compared to Rs. 205 crore and a 16.11% margin in Q1 FY '24. PAT stood at Rs. 140 crores in Q1 FY '25 with a profit margin of 9.27% compared to Rs. 118 crores and a percentage of 9.3% margin in Q1 FY '24.

On a standalone basis, our gross debt totals Rs 622 crores. This includes working capital debt of Rs. 280 crores, term loan and current maturities and TReDS limits amounting to Rs 309 crores along with the NCD of Rs. 32 crores.

Moving on to the consolidated financials for Q1 FY '25:

Our revenue from operation was Rs 1,528 crores reflecting a 13.1% increase from Rs 1,351 crores in Q1 FY '24. EBITDA reached at Rs. 312 crores with a margin of 20.44% compared to Rs. 281 crores and a margin of 20.78% in Q1 FY '24. PAT was Rs. 163 crores in Q1 FY '25 with a margin of 10.6% compared to Rs. 150 crores and a margin of 11.13% in Q1 FY '24.

On a consolidated basis, our gross debt is approximately Rs. 2,015 crores. The total equity requirement for 10 HAM project is Rs. 1,461 crores. As of June, '24, Rs. 728 crores has already been infused with a projected infusion of 425 crores in the remaining 9 months of FY '25 and balance will be infused in FY '26 and 27.

Regarding the monetization of 4 HAM assets, the first tranche of 3 projects like Gurgaon Sohna, Rewari Ateli, and Ateli Narnaul was completed on 21st November '23 with 100% SPV shares transferred to Highway Infrastructure Trust. We have received Rs. 315 crores and Rs. 60 crores will be released on receipt of approval on GST change in law from NHAI which is expected to be received by September '24.

For the fourth HAM project that is Rewari Bypass, NOC was received from NHAI and lenders in March '24. The compliance with SPV conditions is in progress and expected to complete by

October '24. There is around Rs. 130 odd crores expected to be received from Rewari Bypass proceeds where we have invested equity of Rs. 75.7 crores.

Let me touch base on the future guidance before I conclude this speech:

This year is a pivotal for us as we continue to drive forward with our key projects. We are nearing completion on several significant projects including UER, Khammam-Devarapalle Project packages KD1 and KD2, Raipur-Visakhapatnam packages of OD-5 and 6, OD-5 and 6 and AP-1 in Andhra Pradesh and even in Ganga Project. We are also focusing on optimizing the execution of newly awarded projects making sure to adhere to the stipulated timelines.

We are committed for an order inflow of Rs. 11,000 crores to Rs. 12,000 crores in FY '25 with a revenue growth of 17% to 18% and a margin of 15% to 16%, out of which we have already secured Rs. 4,142 crores of highway EPC from MSRDC, Rs. 763 crores of highway HAM that is from MoRTH in state of UP and Rs. 409 crores of solar projects.

We are also actively pursuing opportunity in new segment and focused on the operational efficiency, prudent capital allocation and strategic selection of projects that would ensure margin sustainability and enhance our shareholders' values.

As we are moving to FY '25, H.G. Infra aims to further increase its order book share from non-road projects while continuing to strengthen its position in the Roads and Highways sector maintaining this year's execution of about Rs. 6,000 crores and with a margin of 1516%.

That concludes my remarks. I would like to ask the operator to open the floor for questions and answers. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sabri Hazarika from Emkay Global. Please go ahead.

Sabri Hazarika: So, I have just one question. So, in terms of your solar power, solar business, so can you just like run us through on the equity IRR once again, how much you are targeting?

Harendra Singh: All such projects do have that we have built our SPV margin at about 15% equity IRR and EPC margin at about 18%.

Sabri Hazarika: So, the SPV level also you are like separately also around 15% equity IRR you are expecting, right?

Harendra Singh: Right.

Sabri Hazarika: And this is based on the overall 25 years DCF, whatever you have done. It's like at a project level DCF which you have done and that way you have derived at it, right? So, in itself, I think the SPV business will also be, I mean, it is not just the EPC business where the main driver would be independently also the SPV business will be like 15% plus equity IRR. Is that right?

Harendra Singh: Sure. I think this is of both ways. In EPC as well as SPV level, we are having handsome margins. And also, we are not considered yet any CFA, which is around Rs. 24 lakh to Rs. 25 lakh roughly in all such projects per megawatt, which will add a value of about 4% to 5% at SPV as well as EPC.

Sabri Hazarika: And 3.28, I think that is the blended realization we should assume, or this has gone up given that we have won some new orders. The realization of the solar power, it is like 3.25 what you have guided in the last call. That's what we should assume, or it could be like higher than that.

Harendra Singh: It remains the same. That is the same.

Sabri Hazarika: That's the same.

Moderator: Thank you. The next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.

Shravan Shah: Sir, first, I just wanted to understand the changes that we are likely to making the memorandum of association particularly on the solar and venturing into the international business. So, I wanted to understand in the perspective that what right now we are doing in solar, what extra are we planning to do in solar, and also the renewable? And also, in terms of the entire value chain of hydrogen, what are we planning to do to venture into that and also in international, where we are looking at only the solar or renewable, or even the pure EPC projects also, we are in?

Harendra Singh: As far as international market or doing anything out of India, as of now, there is no chance of doing such thing. And then hydrogen, it's a very basic stage. We have just registered our company for any opportunity looking into the hydrogen space of solar renewables or renewables.

In solar EPC and solar IPP, we have recently what we have received as a KUSUM-C, we are now looking into the larger portfolio averaging out into the weighted portfolio of solar path, where the infrastructure development would be done by us, aggregating the land and we would be offering such projects to the companies where they really want that infrastructure readiness and connectivity is available. So, this is one part.

And then KUSUM-C, which we already have secured almost 700 Megawatt projects. So, we are not very aggressive on taking on further projects in this. But then we want to see further into captive or group captive kind of a project, not big, 50 to 100 Megawatts. It can be installed wherever we are planning our solar power. So, this is all together. We want to see that averaging our rooftop also is somewhere we want to explore. But then we want to go into a very gradual manner, not very aggressive here, but very abruptly.

Shravan Shah: Now coming to the couple of data points, which I needed. So, on the balance sheet front, on the equity, in terms of the yearly wages that we need to put in hand, so on the balance sheet front, inventory, trade receivable, payable, mobilization advance, retention money, unbilled revenue as on June.

Harendra Singh: The inventory is plus by Rs 124 crores, now at Rs 421 crores and the contract asset that is the unbilled and the debtor, now the debtor is including retention and miscellaneous deposit is around Rs1,051 crores, that is plus by Rs 134 crores. Because of the SPV debtors has gone high, we have not taken much of funding from SPV in that manner.

Contract assets a bit higher at Rs. 1,130 crores, that is the unbilled, and investment of equity and this is marginally increased to Rs. 748 crores. And there are other assets increase of Rs. 75 crores because of some advances to the vendors related to solar and others.

As far as the equity is concerned, we are at say in equity for HAM, Rs 733 crores is balance equity to be infused and for '25, we are expecting to add Rs. 425 crores, '27, 177 and 131 in '27, '26 and '27 it is 131. For solar, it is 692, although that 690 whatever is balance 350 would be in 9 months and 340 balance would be in subsequent say '25-'26.

So, put together this year requirement would be 775. Out of this, in '25-'26, we do expect if there is a total of 518, that we do expect that the equity of stock well component of Rs. 125 odd crore would be coming back in that year only and then the total of 5 HAM assets which we are looking that they would be complete, we would be completing this year only. So, there is Rs. 757 crores of equity, 556 already has been infused.

Shravan Shah: And in terms of the monetizing further HAM and plus also in terms of the solar is there any plan?

Harendra Singh: Yes, definitely, all these 5 HAM projects we are at a very decent stage of discussion where say 2, 3 funds and parties they already have expression of interest has been shared and we are looking at by October, November we would be sharing them the first part data and by November or December once we expect any one or two EPCs and then by March definitely all the projects will be completed by that time with few exceptions of 5% to 10% in one or two project which we left out. So, definitely we are looking into monetization of all these 5 HAM projects.

Shravan Shah: Yes, it was continuing to the numbers only. Just clarifying the number what the sir said. I didn't get the exact number of unbilled revenue, mobilization advance and trade payable.

Harendra Singh: Mobilization advance, it's lower by Rs. 130 odd crore because we have seen that the mobilization advance rate of interest is quite high and that's why we are now looking into further debt, higher debt where the rate of interest is quite low or just 1.5% difference is there. The unbilled also has given that it's you are talking of trade receivables or trade payables.

Shravan Shah: No, total unbilled revenue in terms of the trade receivable and then the trade payable.

Harendra Singh: Rs. 700 crores of unbilled and trade receivables is Rs. 1,051 crores including retention.

Shravan Shah: 1,051, okay.

Moderator: Thank you. The next question is from the line of Nidhi Shah from ICICI Securities. Please go ahead.

Nidhi Shah: My first question would be on the guidance side, last quarter you had given a guidance of revenue growth of 11% to 12% and order book of Rs 11,000 crores. Do we still maintain the guidance or given how our order book has performed this quarter, would you like to revise the guidance, increase it in some way?

Harendra Singh: As far as order info is concerned, we are well on track, 11,000 to 12,000, which we are maintaining the same. Almost Rs. 50 crore to Rs. 300 odd crore already has been added till first quarter and till July rather. As far as the execution is concerned, we are very much hopeful that we would be doing it in the range of 18% to 20% year-on-year.

Nidhi Shah: I meant the order book. Would you like to increase the guidance for the order book given how the order booking has been better than expected this quarter and Q1?

Harendra Singh: I couldn't get your question very clearly.

Nidhi Shah: Are you looking at order inflow of maybe more than the guided amount? Is the guidance conservative given how well we have done in order booking this quarter?

Harendra Singh: Sure, we are hopeful because in NHAI and Ministry, they are looking at say, because the last 1.5 year plus nothing much has happened as far as the awarding front is concerned. So, we are quite hopeful that we would be adding more and more orders from highway front for sure.

Nidhi Shah: Again, on the guidance, one last thing would be what is your CapEx guidance for the whole year and what have you already spent in Q1?

Harendra Singh: Even hardly something has been added, it is only Rs. 15 odd crore which has been added in Q1. But not much during the entire year, we are expecting that Rs. 75 odd crores would be the total number.

Moderator: Thank you. The next question is from the line of Deepesh Agarwal from UTI AMC. Please go ahead.

Deepesh Agarwal: With the recent Vibrant Ultra order, our portfolio in solar will become 644 Megawatt. Is that understanding correct?

Harendra Singh: Ultravibrant, yes, what you want to know about it?

Deepesh Agarwal: So, my question is with the receipt of the recent order from Ultravibrant, our solar portfolio will increase to some 644 Megawatt, is that understanding correct?

Harendra Singh: Yes, we have included this number. We have already included. Now this 700 Megawatts including this 116 Megawatt of DC from the Ultravibrant.

Deepesh Agarwal: And sir, what is the time of PLI we can expect in this given this would be closer to that, I guess, Jodhpur belt? So, it should be higher PLI?

Harendra Singh: PLI, basically it's a CFA where the Central Financial Assistance is there. It is roughly around, I believe, Rs. 24 lakh per Megawatt.

Deepesh Agarwal: My question is with respect to PLI. Basically, what is the utilization we can expect? Would it be 27%-26% or would it be lower?

Harendra Singh: No, see the CFA, minimum is 19%, but in any case we have seen wherever the power plants are established like Bikaner and Jodhpur, they are maintaining about 23% to 27%. So, whatever we will be doing, billing extra, we will be getting more invoicing and revenue at the SPV level.

Deepesh Agarwal: And I want to understand incrementally, would there be similar projects with such margin profiles because the kind of margin profiles which you are guiding and the IRR which you are guiding seems to be very rare in solar projects? So, would there be similar such projects for us in the future?

Harendra Singh: Sure, I think this is an exceptional margin which we have also seen, but definitely may or may not as an opportunity in any of the solar is now the same as we have seen that the government focus is to look into 2030, this much of Gigawatt production is to be done. So, we believe that the companies like NTPC, Coal India and other PSUs, they are coming for the more and more solar installations and when they are coming, they would definitely look into any of the EPC player with a larger player which we can do EPC for them, even the land availability and such thing. But in a later future, we can have more clarity on how the margins would be even say at that stage or marginally lower than this. But definitely not update factoring would be done.

Deepesh Agarwal: Those projects generally come with 6%, 7% percent kind of a margin, the NTPC kind of a project you said. So, would we, as a company, be open to take solar projects, which would be sub-10% margin?

Harendra Singh: For EPC, definitely as we are doing so in highway or railway, for all EPC projects, we are looking at projects with 11% to 12% and with HAM projects a bit higher means 18% range. So, that is averaging out about 15% to 16%. So, we believe that with solar also, we have recently seen few numbers where the margins are around 12% in NTPC and Coal India.

Deepesh Agarwal: And lastly, would we also look at module manufacturing? Would we also look at module manufacturing, solar module?

Harendra Singh: No, not at all.

Deepesh Agarwal: Not at all, okay.

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

Jiten Rushi: Sir, you said in the opening remarks that you are looking for a solar park which where you will procure land either to ownership or lease it and you will develop a park of 50 to 100 Megawatt for C&I customers. So, have you identified any park to develop this project and what kind of capital commitment we are looking for such projects in the future?

Harendra Singh: The solar park basically we have seen the recent past that the land aggregating being done. So, the government is looking when the agreement is being given to many big players, so if we are here and we can just consolidate and aggregate the lands with the connectivity with a good amount of infrastructure. So, this gives us a recent amount that whenever we are offering such projects, so we have seen that number, but as of now we are not marked anything. But we are working on it. Our team is working on it. We look forward that for any power 500 odd Megawatt it can be done at our stage and being offered 400 to 550 odd Megawatt to the people who are looking at this kind of an opportunity and working as a EPC for them as well.

Jiten Rushi: This would be like a merchant plant where you will be selling on a merchant basis, right?

Harendra Singh: Almost it’s a mix kind of arrangement doing EPC or even merchant arrangement, then we are investing some amount of say Rs. 40 crores, Rs. 50 odd crores and getting even within the shortest period while taking out that giving the opportunity then, okay, plus Rs. 100 crore. This is how we are looking into it.

Jiten Rushi: So, you said that in the existing solar EPC project, you will be making 12% EBITDA margin because of the CFA which you will be passing 100% will be passing us from the SPV to the EPC contract, so that is the parent, and so you will be making 12% EBITDA margin. Is my understanding correct?

Harendra Singh: For the project which we are right now executing, it is 18%.

Jiten Rushi: 18%.

Harendra Singh: Looking in to the future opportunities where the awarding may be from any public sector like Coal India or NTPC, which we would look forward to get any of such opportunity at about 12%.

Jiten Rushi: Sir, this seems to be very high because we haven't seen such high EPC margin in solar segment for any other like-to-like players. So, what is driving such high EPC margin that what differentiating H.G. is doing except for the CFA which we are upstreaming, what other differentiating we are doing versus the peers who are making sub-10% margin?

Harendra Singh: I believe, I think that the project where the geography is there, where the land availability is quite easy, we are not paying much in land acquisition means it will not for the rental agreement, lease and rental of those land as well as also the connectivity of such where the transmission line is very short means just 1 to 2 kilometer. So, these are the few factors which we are gauging where they are adding value to the EPC as well as good value to the CV.

Jiten Rushi: If you are able to win such KUSUM scheme projects, you should be making 18% EBITDA margin going forward?

Harendra Singh: Going forward if we want to see that this is a good number which we will be doing and this is a time which we want that during the year and next year, so this is within say almost 40 months we need to complete all such projects. So, first, we will be focusing on the completion of such project and later on if we want to see because there is a 8,000 odd megawatt is yet to be ordered in KUSUM-C only, but we don't want to see because the post 31st of March, there is some stringent condition where the DCR, non-DCR has been imposed. We don't see that there is a much of opportunity which would be available with the same margins.

Jiten Rushi: You have won the project before March. Yes, this is last question.

Harendra Singh: These are the projects which we received before March. So, there is a basic difference. If you see any margins of about 6% -7% is the lowered post March. Well, it's the obligation of usage of the non-DCR not allowed. It is only DCR now.

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

Vaibhav Shah: Sir, for the MoRTH's HAM that we have won in UP, what would be the equity requirement for that project?

Harendra Singh: Roughly, would be in a range of Rs. 95 crore,-Rs. 100 crore.

Vaibhav Shah: Sir, we saw that we have agreed for around 15% discount to the MoRTH cost estimate. So, are we confident on making those margins? Why was the bidding so aggressive?

Harendra Singh: No, we have seen that the estimate of them because of the adjourning project which we lost, we were L2. The discount was 32%. It was very high. It was 15% which we are having good margins in the range of 17%-18%, which we have factored while bidding.

Moderator: Thank you. The next question is from the line of Prem Khurana from Anand Rathi Shares and Stock Brokers. Please go ahead.

Prem Khurana: In our presentation, what I see is the two MSRDC projects have been taken into account now. So, have we received letter of awards for both these? Because I think the perception was that these bids are being renegotiated. It will take some time. So, if you would clarify if the renegotiations have been or the conversation has already taken place and the LoAs are already in place?

Harendra Singh: See, the negotiation already has been done and post that negotiation, whatever process the government follows for their approval as well as the minimum land of 70%, which is required for issuance of LoA. This is one reason and whenever I think 70% land tentatively by August 10th or September 1st week is likely to be there and then we will be issuing of the LoAs.

Prem Khurana: And the construction essentially would start after September, right? Because by then only you will be able to have LoAs in place and the land.

Harendra Singh: Sometime after the election or December even.

Prem Khurana: And sir, I think in your opening remarks you spoke about the government's intent to kind of give out Rs. 3 lakh crore of orders over the next three months and Rs. 5 lakh crore. I mean, is this number realistic? I mean, historically, we have never seen them give out these many projects in any given year and do we have those many tenders in the market today or it is just an aspirational number? And would you be able to comment on the mix? I mean, how would the mix be in between, let's say, EPC, hybrid or BOT tolls here?

Harendra Singh: Definitely what you are saying this number are quite aggressive as we have seen in the past that nothing much has happened in the ordering front. But the orders pipeline where the DPRs or Bharatmala-I projects, Phase-I and Phase-II projects, they were all almost has been prepared. It's only warranted approval or appraisal which is to be done. And as I believe, but not that Rs. 3 lakh crore, but I believe for 100 days the target they have kept a good number to be awarded. A mix of HAM and BOT, but then again, EPC, they are very less number of EPC. As we have seen last week only, some cabinet approval has been given for, say, there were seven projects in which three or four are BOT and three are HAM. Two are HAM and one is EPC.

Prem Khurana: And if you could share your thoughts on the debt number for us? This quarter I am assuming this has gone up because we would have extended some support to hybrid.

Harendra Singh: Every Quarter 1 we see, we have seen in the past also, that because of government at Quarter 4 almost target to spend and utilize their budget. But in Quarter 1, it's a bit delayed and again, as we have seen that because of the working capital have gone a bit high, but it will be all stable and streamlined. And for sure I think we will see a debt increase as the replacement of mobilization advance where the mobilization advance earlier we were having about Rs. 350 odd crore. Now it is just Rs. 200 odd crore and even less than that. So, this is almost a shift of mobilization advance with all interest varying to debt with all interest gained with a lower rate.

Prem Khurana: And by the year-end, where do you see this number either, let's say, gross debt of Rs. 620 odd crore or net debt of 500 by FY '25 and where should we expect this number with all the transition that you spoke about in terms of mobilization?

Harendra Singh: You see any more mobilization advance or in this particular, it would be a kind of a mobilization advance being replaced with the term loan, where the recovery of the term loan would be based on the mobilization advance recovery as we progress our any project. So, typically, it would be around Rs. 500 crore to Rs. 600 crore, if you see, and if not more than 500. If we are replacing the mobilization advance, it will be even more to see the mobilization advance in the form of term loans.

Prem Khurana: And sir, I think for one of the projects that you said, there is some land acquisition issue on the EPC side. I think it is Neelmangala-Thumkur that you spoke about. I missed your comment.

Harendra Singh: There are two phases of the project were there. First phase was 18 months, and second phase is 18 months. So, first phase almost has been passed and we have not seen any significant completion into that. And once that is completed, only then the main carriage way as the Phase-II would be taken up. So, in that case, we are struck, and we are working with NHAI how either this project is to be totally scrapped or terminated or in the other case, it can be some settlement agreement, like they would be looking at some execution of settlement agreement.

Prem Khurana: As I say, either it will be de-scoped to the extent they have done or if the land comes to me, I would still be willing to go ahead with the project, right?

Harendra Singh: Right.

Moderator: Thank you. The next question is from the line of Vishal Periwal from Antique Stock Broking. Please go ahead. The current participant seems to have disconnected. The next question is from the line of Uttam Kumar Srimal from Axis Securities. Please go ahead.

Uttam Kumar Srimal: Sir, you mentioned for the order inflow, Rs11,000 to 12,000 crore in FY '25, so can you, sir, quantify how much we will receive from highways, railways, and solar in the order inflow?

Harendra Singh: We are looking at definitely adding orders from railways as well, but we have seen the significant number being added in highways. And our focus primarily and majorly would be in highways only, and that too in HAM only, and EPC, of course, if we are having good margins. So, we would be maintaining at about 60% to 65% orders coming in from highways only. And other than highway, it is railway of about 20-odd percent if we are looking into some EPC projects of railways. Other than that, we are looking into further opportunity of water and a bit of solar.

Uttam Kumar Srimal: And sir, in terms of bidding pipeline, can you quantify how much is from HAM, EPC, solar, and railways?

Harendra Singh: Roughly, as the bidding pipeline is railway, definitely all are EPC. And wherever we have already embedded, there are 10-odd projects or about around of 8,000 crore where the results are yet to declare. But then again, apart from HAM, we are seeing that 60% of the projects coming from any MoRTH or NHAI are all on HAM model only. EPC are very lower, about 10% to 15%. And remaining we have seen that the BOT, they are all available because three or four projects have recently been approved. And there are few many projects which are all on the BOT mode only.

Uttam Kumar Srimal: So, you are also planning to bid for BOT projects on your own or with any partnership?

Harendra Singh: We are not interested to bid for any BOT project, but we are, as earlier also, we are doing work for the private clients. We would be looking to partner ourselves, associate ourselves as a EPC partner to such companies, if at all the margins and it works out well.

Moderator: Thank you. The next question is from the line of Pramod Dangi from Unifi Investment Management. Please go ahead.

Pramod Dangi: Just one clarification. Between the standalone number and the consolidated number, the difference is the HAM revenue or anything else is also going into the consolidated.

Harendra Singh: No, in standalone and the consol, there is the only difference is whatever SPV margins which are there at all SPV levels, they are added into the revenue as in the bottom line.

Pramod Dangi: And most of the SPVs are actually for the HAM projects, right?

Harendra Singh: Most of them are from the HAM projects only and recently, we have a few many SPVs for solar as well.

Pramod Dangi: So, the standalone number is purely the EPC number and the SPV number will come on the consolidation. That's the clarification I wanted.

Moderator: Thank you. The next question is from the line of Franklin Morris from Equentis Wealth Advisory. Please go ahead.

Franklin Morris: So, we have seen diversification into various segments in the last maybe three, four years. What I wanted to ask is any other segment that we are exploring which may come up in the next one-year or so?

Harendra Singh: Yes, we are exploring water to be very precise. We are looking into water not only to JJM. We are looking into some treatment plants. We would be looking into some kind of a HAM projects, which are likely to come in water as well, like in the Namami Gange and rest of the other treatment plants like water treatment plants.

Franklin Morris: And what could be our equity requirement in case of the HAM projects?

Harendra Singh: That remains almost the same. It is 15% of the equity, 15% not maximum if you consider including GST, it is 17, 18%.

Moderator: Thank you. The next question is from the line of Niteen Dharmawat from Aurum Capital. Please go ahead.

Niteen Dharmawat: Sir, my first question is regarding this monetization of HAM. You mentioned that the fourth project is expected by October 2024 wherein we are expecting Rs. 1,000 odd crores and in which we have equity capital of Rs. 75.7 crores. So, how much is the debt component in this if you can highlight that aspect?

Harendra Singh: No, see, what you are saying is for Rs. 1,000 crore is not that. The fourth HAM project which is the Rewari Bypass in which Rs. 75.5 crore equity already has been infused. Where all four projects, this is just a SPA to be executed, NOC being obtained from both lenders as well as NHAI. Likely by September end we would be getting Rs. 130 odd crore into that and say Rs. 60 crore for GST payout which is a change in law approval which is to be obtained from NHAI which is at an advanced stage again. So, this is one. The project which what you are saying is the 5 HAM projects which would be completing at a later stage, that would be again offered for monetization.

Moderator: Thank you. The next question is from the line of Yash Dedhia from Maximal Capital. Please go ahead.

Yash Dedhia: Sir, we understood that part of the reason of why debt has gone up is because of mobilization advance. But at the same time, I think there is a significant commitment which is lined up for HAM. So, given that, what is the impact on the net finance cost for the full year?

Harendra Singh: Net finance cost is not going to, as a percentage would be the same as we have seen in the last past year. Last year it was Rs. 72 crore with a top line of Rs. 5,000 crore. So, this is including interest cost, the bank charges and the BG Commission all put together. So, it will be the same if we are looking at Rs. 6,000 crore , roughly 1.5% of Rs. 6,000 crores, Rs. 90 crore. It should not go beyond that number. Rs. 90 crore is a very high number. Rs. 80 crore tentatively ideally would be worth.

Yash Dedhia: So, you are saying it should not go beyond Rs. 90 crore from that Rs. 81 odd crore that was there in the standalone last year?

Harendra Singh: Yes.

Yash Dedhia: And secondly, sir, now in terms of our margins, so we will also be focusing on solar, which is at a lower margin. But then you are also saying that, you know, that would just be 15%-20%. So, net-net, these margins in the coming years, do we expect them to be at similar level of 16 odd percent or do we expect a downturn there?

Harendra Singh: No, we would be all looking at the solar project, which for a decent margin only, at any EPC level, it's not less than 11% or 12%. Our prime focus would remain on the highway only, where in HAM projects we already have seen that we are making good margins in hand. So, we would be focusing more on that only. And a bit of a railway and such diversified of water, when the mix of margin, but not the range of margin, which we believe would be making visible 15% to 16%, that is ideally which is our own prime focus.

Yash Dedhia: And sir, if you can give some color on your Nagpur-Chandrapur NC-04 and 05? So, there are various media reports about, there are some uncertainties and also there are some, I think the elections are coming in Maharashtra very soon. So, how should we look at these? Are these like confirmed in your order book and work is certainly going to start or how should these things play out for you?

Harendra Singh: For any organization, whenever they start bidding and they usually award, there is a process that has been declared as one and there is a negotiation being conducted, once the negotiation is done, and that is if they are matching, if we at all, any project bidder is matching their cost and whenever they are approved, they are getting the approval as their internal process. So, whatever is being done is their process. And what we believe that definitely for letter of acceptance, it is a minimum 70% of the land availability that we need to ensure, which definitely is taking time.

Yash Dedhia: No, but are these like confirmed order or are these contingent upon the acquisition of land, which is basically puts a question mark?

Harendra Singh: We already have deployed our team at the project and the significant improvement is there. Land disbursement is at a fast pace, and we are expecting that by August or maximum by first week or 10 days of September, they would be issuing the letter of acceptance.

Yash Dedhia: So, these will become like confirmed from all respects by September end?

Harendra Singh: Yes.

Moderator: Thank you. The next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.

Shravan Shah: Sir, the remaining contract date for, I think, 4 HAM projects, if you can tell us when we are going to receive Varanasi Package 10, 13, then Kalimandir-Jamshedpur and the Chennai-Tirupati Package 2?

Harendra Singh: See, in the project of Jharkhand which are earlier being awarded last year, Jharkhand 13 that we would be expecting, we are expecting the appointed date or at any time within a month or so, maximum by September end. The second project Jharkhand Package 10 will take a bit more time. It's almost plus 3 months expecting by January '25. And Jamshedpur within a month we would be taking on as already 94% land is available, JMS everything has been fine. We are expecting within a month we would be taking, and they would be issuing us the appointed date. Tirupati project, already land is more than 97%. Obligations of authority is completed. We are in the process of submission of financial closure documents. Within this month we would be getting it and probably, as soon as we completed the formalities, we would be taking up on the appointed date. So, all three projects we would be getting the appointed date and Railway 2 has already been issued and third one, Dhule-Nardana, that's the project, maximum within a month plus 1.5 months we would be getting that. So, more or less only Jharkhand Package 10 and just recently this Ayodhya package, they would be the only one, they will be the only one where the appointed date would be declared or even Nagpur-Chandrapur Packages 4 and 5 at a later stage.

Shravan Shah: And then sir, this about Maharashtra project, MSRDC, when we say that the negotiation has been done, so if you can share in terms of the broader percentage terms, what kind of a reduction the government is looking at? So, to end also, will it be a change in scope, reduction in the scope, or it is just that the bidders has to reduce their margins and the bid price?

Harendra Singh: The scope definitely cannot be reduced. It's only a matter of their estimation, what they are expecting, and any bidder, what they are estimating at. So, any absolute number of percentage cannot be decided on a project specific. It is different, different.

Shravan Shah: And this Neelmangala project, where we are seeing that it can be a, the scope can happen. So, just to, if I am looking at the order book, so right now it is close to Rs 650 odd crore.

Harendra Singh: For any reason, if the project is stalled and it's not going to have a, say, clarity within the next six months also, so for any good reason for authority as well as company, it is better to just take a back foot. So, it's a very, at a scratch stage, preliminary stage. Nothing much has, say, been forwarded and given us. But definitely within a month or so, we would be having a better clarity.

Shravan Shah: And lastly, for how many projects and the value we have already bidded and where the outcome is yet to come? And second is, in next three months, how much value of projects are we planning to bid?

Harendra Singh: We already have bidded for almost Rs 8,000 plus crores of projects in the railway, and yet results are awaited. And for highway, almost similar number, Rs 9,000 odd crores. And for if you are talking of the project, which we would be likely to bid, but definitely it's all now piling up. We believe that within the next two months, we would be bidding of not less than Rs 25,000 crores.

Shravan Shah: And then this road is 9,000 crores.

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

Jiten Rushi: Sir, I just want to understand on the RLDA tender, which you have won. So, can you throw us some light, what kind of project is going to be, you are going to develop a land area, and what kind of revenue sharing with RLDA, how much equity required, and which is the least….

Harendra Singh: Which project you are talking?

Jiten Rushi: Sir, the RLDA project?

Harendra Singh: Oh, RLDA. Okay.

Jiten Rushi: Rail Land Development Authority, RLDA.

Harendra Singh: This is almost 8,000 square meter land, which is to be developed, and which is a commercial land, where multiple, say, all we can use as a mall, as a hotel that we would be putting. And we are looking into this opportunity as a better opportunity, where the return on equity would be in a range of more than 25%-30%.

Jiten Rushi: And sir, how much investment you will be making here in terms of total project cost and equity?

Harendra Singh: Rs 14 crores of investment to be done in four years. Then first is 3.5 crores, then 3.5, then 3.5, 3.5. So, this is a basic Rs 14 crores of split. And then whatever we would be doing, there is a debt or equity arrangement. But then again, it will take another two, three years to complete the entire project.

Jiten Rushi: This will be a six-year project, which we will take to complete. Sir, what you will share with RLDA, post completion?

Harendra Singh: Post completion? Yes, two, three years, we would be taking for its all completion, whatever we are planning for that.

Jiten Rushi: Does this amount of Rs 14.4 crore you will be paying to RLDA in the next four years? And then probably, we will do the development.

Harendra Singh: No, no, it is all parallel. Whatever to be developed, we would be taking, say, the land would be handed over to us within two months from now once we pay the first installment. And whenever, say, once within six months, we can just submit our plan, whatever we are going to develop to the municipal corporations and this authority. And then we would be doing that. Likely, it will take another 1.5 year or 2 years to complete the project. And parallelly, we believe that the return on equity, which I am looking at, would be in the range.

Jiten Rushi: So, my question was, how much you will invest total for the project? How much will, except for the RLDA reserve, your cost of 14.65?

Harendra Singh: It is very at a basic level. We are working on it. It would be not less than Rs. 40 crore, Rs. 50 crore put together.

Jiten Rushi: And sir, any money you will give it to RLDA per month kind of a revenue sharing or something like that?

Harendra Singh: Nothing more to be paid.

Jiten Rushi: Nothing more to. And sir, last thing, this Tumkur project is non-moving right now?

Harendra Singh: Sorry?

Jiten Rushi: Tumkur project is non-moving right now. As you have said, there is a land issue, so it is not moving. So, we are stuck at Rs 681 crore.

Harendra Singh: It's not non-moving. Something is moving, but it's not to that level which the demand and the kind of computation which we have done, and the project should, say, pace of the project is not at to that mark.

Moderator: Thank you. The next question is from the line of Vaibhav Shah from JM Financial Limited. Please restrict your question to one.

Vaibhav Shah: Sir, what kind of revenue are we factoring from Neelmangala-Tumkur for '25 and '26?

Harendra Singh: So, this year we are looking at the target of Rs. 150 crore, out of which almost Rs. 16 crore already has been done.

Moderator: Thank you. The next question is from the line of Vishal Periwal from Antique Stock Broking. Please go ahead.

Vishal Periwal: Just one quick question. So, you mentioned eight project where the cabinet has given approval in the road sector. So, is it like tenders are already there in the market and then the approval has been sought or what is the status, if you can just give some clarification?

Harendra Singh: We have seen that the tenders like Guwahati Ring Road and then Agra, Gwalior, and Ayodhya, they were all there as in the bidding pipeline. Now since the government approval has already in place now, so it would be moving very fast now for the awarding.

Vishal Periwal: And then going ahead also, I think maybe with your communication with Ministry, so there whatever the tenders are there in the market, so they will take maybe like six, seven projects approval from cabinet and then probably things will fasten up and awarding can happen. Is that what?

Harendra Singh: That if the process is very clear that less than Rs 1,000 crores is at the Ministry level and more than that is at the cabinet level. Not cabinet, even PM Office.

Vishal Periwal: PM Office, okay.

Moderator: Thank you. The next question is from the line of Yash Dedhia from Maximal Capital .Please go ahead.

Yash Dedhia: Sir, in the water projects, what kind of opportunities are you finding and what are the expected margin levels in the EPC segment?

Harendra Singh: Water definitely JJM, they are all distribution projects. There are many projects which in the state of Rajasthan or UP or MP, but then we are looking into beyond this number is water treatment plants. It can be water desalination. It can be what, sewage treatment plant where the projects is not specific only for the EPC. EPCs or HAM, again, typically, these projects are for operations as well, then for any certain period of operation being given when the water being treated. So, this is a similar kind of a like HAM project which we are doing or a solar project which we are doing.

Yash Dedhia: So, here also margin opportunity is similar to, let's say, hydro.

Harendra Singh: It could be almost similar, yes. If you are taking on any EPC project, likely it's around 12%, and then if we are taking any HAM project, definitely it's a bit better margins in any of the sense what we have experienced and there are only few HAMs being awarded Namami Gange and one or two Municipal Corporation, but then, again, some kind of authorities, they are coming with hand projects and where the operation is also included.

Yash Dedhia: And BOT sir, are you not looking at that?

Harendra Singh: No, we are not looking into other BOT projects.

Yash Dedhia: So, only EPC, HAM, and 12% sort of margin for EPC and 18%.

Harendra Singh: For BOT projects also if we are just like we are working it with Adani in Ganga project, that's all BOT projects only. But for all BOT projects having taken by such players, we can partner with them as a EPC associate.

Moderator: Thank you. The last question is from the line of Shravan Shah from Dolat Capital. Please go ahead.

Shravan Shah: Sir, this solar Rs 1,691 crore order book which is right now there, 1,700 odd crore, so out of that, how much will be executed in FY '25? And I think you previously mentioned 14 months or 16 months. So, by 1H of FY '26, will this entire will we book as a revenue?

Harendra Singh: Yes, definitely. By '26, 100% would be done, likely to be done, and within this year almost 900 crore would be done.

Shravan Shah: And sir, what you mentioned that Rs8,000 crore to Rs 9,000 crore that you have bidded for road project, so are all this will be the HAM projects?

Harendra Singh: There are 2 EPC and 5 HAM. Yes.

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

Harendra Singh: I appreciate you all for taking the time for attending today's Investor Call. I hope all of your questions were answered to your question adequately. In case there is still any follow-up query, please feel free to reach out to us or our IR advisor Go India Advisors. Thank you. Good day.

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