"H.G. Infra Engineering Limited
Q2 & H1 FY '25 Earnings Conference Call Transcript"
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MODERATOR: **MS. SALONI AJMERA – GO INDIA ADVISORS**

Moderator: Ladies and gentlemen, good day and welcome to the HG Infra Engineering Q2 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. Saloni Ajmera from Go India Advisors. Thank you and over to you ma'am.

Saloni Ajmera: Good afternoon, everybody and welcome to HG Infra Engineering Limited Earnings Call to discuss the Q2 and H1 FY '25 operational and financial performance hosted by Go India Advisors. We have on call with us Mr. Harendra Singh who is Chairman and Managing Director and Mr. Rajiv Mishra the CFO from HG Infra. We must remind you that the discussion on today's call may include certain forward-looking statements and must be therefore moved in conjunction with the risk that the company faces.

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

Harendra Singh: Thank you Saloni. Good afternoon, everyone and welcome to the HG Infra Engineering Limited Earnings Call for our Q2 and H1 FY '25 numbers. As we reflect on the joyous celebrations of Diwali and welcome the new year, I would like to extend my warmest greetings to each of you.

I hope you have had the chance to review the investor's presentation and the financial results which are now available on the exchange. I am pleased to share that our company has built a strong legacy with decades of experience in India's infrastructure space. We have firmly established our leadership in the highway sector and successfully expanding our expertise into railway and solar projects.

Our focus on operational efficiency and execution has led to impressive performance across key metrics. Let me now provide some updates on the infrastructure sector. Talking regarding roads and highway sector which has been a key focus for the Indian government, we expect this momentum to continue.

Recently, the government approved highway projects worth INR 50,655 crores covering a length of 936 kilometres. These projects are part of eight national high-speed corridor initiatives. By December, the Cabinet is expected to clear projects worth INR 2 lakh crores.

Although project award is quite slow in FY '24 due to election delays, NHAI's financial challenges and cost overruns, a strong recovery is anticipated in the second half of FY '25. MoRTH plans to award around INR 3 trillion in contracts during '24-'25 and has recently approved 215 kilometres of highway projects across multiple states valued at INR 5,000 crores. Despite the slowdown in the bidding pipeline, we remain confident about the roads and highway sector and a strong financial backing, and supportive policies are set to drive rapid growth and modernization.

In railways, the Cabinet has given the green light to eight major railway projects with a total investment of INR 24,657 crores set to extend India's railways network by 900 additional kilometres across seven states. This ambitious initiative supported the PM's Gati Shakti National Master Plan, which focuses on enhancing multi-modal connectivity across the country. Significant opportunities are emerging in the railway sector as well, especially in modernization infrastructure. Key areas including electrification, the development of high-speed corridors, multi-tracking and comprehensive station upgradation under Amrit Bharat scheme.

Additionally, the introduction of Metro lite and Metro Neo systems in smaller cities aims to address lighter traffic needs efficiently. With INR 2.55 trillion allocated to railway infrastructure, the government's plans also include the rollout of 50 high-speed Vande Bharat and Amrit Bharat trains by FY'25. This gives us ample opportunity to expand our presence in this sector.

In renewable energy, the Rajasthan Renewable Policy targets 65 GW of solar and significant energy capacity by FY 2030, emphasizing wind-solar hybrid system for efficient resource use and grid stability. Meanwhile, the Central Electricity Authority, that is CEA, projects of 34 GW of battery storage, that is 136 GWh, by 2030, supported by the Government scheme of INR 3,760 crores for 4,000 MWh, this funding will boost renewable energy integration into the national grid.

India's renewable energy momentum has been significantly strengthened with the Ministry of New and Renewable Energy initiating annual bid for 50 GW, with solar energy comprising around 80%. This major push towards a solar-driven energy-efficient future presents EPC players with an annual opportunity of INR 150 billion.

Looking ahead, solar energy will be critical in achieving India's ambitious target of 500 GW of renewable energy by 2030, with plans to hit 200 GW by FY '28.

Let me begin by sharing the journey in this quarter and providing you with a glimpse of our operational highlights.

As of first half of FY '25, our order book totals around INR 16,624 crores, with a breakdown of INR 12,326 crores of roads and highways, INR 2,387 crores from railways and metro and INR 1,911 crores from solar projects. Our portfolio consists of 67% EPC and 33% HAM projects, reflecting a well-balanced approach. We are currently active across 13 states, demonstrating a strong and diversified geographical presence.

Regarding the update of EPC projects, the Ganga-Express project is 71.5% complete and progressing on schedule, and we expect to complete by the end of this financial year. The Delhi/UER project has reached 96.4%, where the completion.F which we expect during this quarter only. The Kalimandir-Jamshedpur project is currently at its early stage, with a progress of around 3.7%.

The appointed date for this project was recently received on 14th September 2024. Meanwhile, the Neelmangala–Tumkur project, which stands at 26.5% due to land availability challenges. We are actively collaborating with the NHAI to expedite regulatory clearances and are also discussing with potential settlement agreements for some pre-closure of this project, with some de-linking and de-scoping, and we expect the same to be closed in this quarter only. The MSRDC project, where the LOA has been delayed mainly due to non-availability of adequate land possessions.

Regarding the HAM projects

The Karnal Ring Road project has achieved 46.1% progress.The Raipur-Vishakhapatnam projects of OD-5 and OD-6 are progressing well at 79.1% and 86.6% completion respectively. The Raipur-Vishakhapatnam project, that is AP-1, which is 81.3%. The Khammam Devarapalle project has achieved 59.6% in Package 1 and 62.7% in Package 2. We would complete all these three projects of Odisha and AP, and both projects of Khammam Devarapalle that is KD-1 and 2, before March '25, and by June '25, the project of balance of the scope of completion of OD-5 will be done.

The Chennai-Tirupati Package 2 package is currently at the initial stage of fulfilling condition precedents, with financial closure achieved in September '24. We anticipate the appointed date to be in December '24.

The Varanasi-Kolkata Package 10 and 13 of Jharkhand are currently in the advanced phase of land acquisition and forest clearance. Appointed date of these projects is anticipated in third and fourth quarter respectively.

Regarding the equity requirement of HAM projects, which entailing all 10 HAM projects requires INR1,468 crores. As of September '24, INR 790 crores have already been infused, with a projected infusion of INR 370 crores in remaining six months of FY '25 and balance will be infused in FY '26 and '27 respectively.

Turning on to the projects of railway, the DMRC Metro project is progressing well at around 63.9%, and this is running as per the scheduled timelines. The Bilaspur-Himachal Pradesh Railway project of RVNL is at 42.8%, and now we are on track to complete it within the timeline. The Kanpur Railway project is 10.3% complete, and there have been some clearance issues of land and utility in the – which is now settling down. The appointed date of Dhule-Nardana project, which was received on 4th September '24, is currently at 4% completed.

The Karanjgaon and Gaya-Son Nagar Railway project, where the appointed date was declared on 22nd June 2024, they are around 3.3% and 2.4% completed respectively.

Regarding the solar projects, during the financial year, we strategically capitalized on the promising opportunity in the rapidly growing solar sector by actively pursuing and securing solar power projects under the Kusum-C, a government initiative aimed at promoting the development of renewable energy across India.

As a result of this efforts the company successfully acquired total of 183 solar power plant, collectively contributing a substantial capacity of 700 MW of DC. Of this total HG Infra's scope of work covers 167 plants, representing a total capacity of 638 MW, with an estimated EPC value of INR 2,243 crores, excluding the GST.

The land lease agreement for these projects are progressing well, with more than 50% of required land already leased. The company is actively working on identifying and securing the remaining land parcels, with the expectation that all land leases will be finalized in the coming quarters. As of now, the execution of these projects stands at 14.8%, with the work progressing smoothly and in line with the project timelines. The debt funding of solar projects will start rolling out from this month only, and will be concluded in the next two months, fulfilling our debt requirements for the said projects and all the PPA will be signed with the authority by December '24.

In terms of funding, the total equity requirement for these solar projects is estimated at INR 732 crores. And as of September 30th, 2024, just INR 3.5 crores has been infused in this projects. It is estimated that additional INR 350 crores will be infused during this financial year that is '24-25 and will the remaining balance to be contributed in FY '25-'26. This structured capital infusion plan ensures that the company can maintain the financial flexibility needed to meet its project milestones while supporting the long-term growth of its solar energy portfolio.

Let me now share other significant updates of quarter two-and-half yearly FY '25.

In Q2 FY '25, we successfully secured two HAM projects. Those are newly declared NH 227B 84 Kosi Parikrama Marg in UP with a BPC cost of INR 763.11 crores and upgradation of six lanes from Narol Junction to Sarkhej Junction Gujarat were up at INR 781.11 crores (BPC Cost)

Additionally, we recently have been selected as a successful bidder by NTPC Vidyut Vyapar Nigam Ltd for 185 megawatt, that is equal to 370 megawatt-hour within a share of 500-megawatt project, this will be a tariff rate of at Rs 238,000 per megawatt per month expected to yield annual revenue of approximately INR 52.83 crores. Over the tenure of 12 years, this project is to generate a total revenue of around INR 633.96 crores for HG.

The COD for Kundal Jhadol (Package 1) in Rajasthan was received on 1st October 2024 effective from 28th February 2022. The COD of Nandurbar (near Kolde)- Prakasha- Shahada- Khetia in Maharashtra was received on 10th July 2024 effective from 30th August 2022.

Now I will provide you an overview of financial highlights of Q2 and half yearly FY '25.

The standalone financials in-quarter two FY '25, our revenue from operations grew by 22.4%, reaching INR 1,064 crores, up from INR 869 crores in Q2 FY '24. EBITDA for the quarter stood at INR 174 crores with a margin of 16.4% compared to INR 138 crores and a margin of 15.9% in the same-period last year. Profit-after-tax for Q2 FY '25 was INR 89 crores, reflecting a margin of 8.3%, an increase from INR 62 crores and a margin of 7.1% in Q2 FY '24.

The revenue for half yearly FY '25 stood at INR 2,570 crores, marking a 20.1% year-on-year increase compared to INR 2,141 crores in first-half of FY '24. EBITDA for the half yearly stood at INR 418 crores with an EBITDA margin of 16.3%, showing a 21.7% growth from INR 343 crores in first half of FY '24. PAT for the half yearly stood at INR 228 crores with a PAT margin of 8.9%, compared to INR 180 crores and a margin of 8.4% in half yearly FY '24.

On a standalone basis, our gross debt stands at INR 884 crores. This comprises INR 279 crores in working capital debt, INR 588 crores from term-loan and current maturities and TReDs limits, along with INR 16 crores of NCDs.

There has been significant increase in the working capital and term loans to accelerate the solar power project progress and the bridge funding required for the procurement of solar modules, invertors and other ground works. The same was also needed to give momentum to the progress of highway, which was slowed down due to erratic and good rainfall during the monsoon.

Moving on to the consol number, in Q2 FY '25, our consolidated revenue from operations stood at INR 902 crores compared to INR 955 crores in Q2 FY '24 and EBITDA remained steady at INR 220 crores with the margin improved to 24.3% from 23.1% in the same quarter last year. PAT at Q2 FY '25 was INR 81 crores with a margin of 8.9%, down from INR 96 crores and a margin of 10.1% in Q2 FY '24.

For half yearly FY '25, we reached a revenue of INR 2,430 crores, reflecting a 5.4% year-on increase from INR 2,306 crores of half yearly '24. EBITDA stood at INR 532 crores with a margin of 21.9%, up slightly from INR 501 crores and a 21.7% margin of the same-period last year. PAT for first-half FY '25 was INR 243 crores with a profit margin of 10% compared to INR 247 crores with a margin of 10.7% in H1FY '24. On a consolidated basis, our gross debt stands at approximately INR 2,404 crores.

Just the reason for dip in revenue and PAT in consol as for the inter group transactions between HG and SPVs related to solar project. We eliminated our consol financials. As a result, revenue and expenses from these projects do not appear in the consolidated P&L statement but are recorded as a capital work-in progress under fixed assets.

And at the standalone level, HG Infra recognizes revenue from EPC work and pays tax on this income. However, in the consolidated accounts, both revenue and cost from these intercompany transactions are eliminated, reducing the overall figures and margins compared to the standalone financials. The tax expense in these earnings remains, impacting consolidated margins negatively until the SPV generates its revenue from unit production. Once revenues start flowing, this effect will reverse, improving the consolidated financial performance.

This is an update regarding the monetization of four HAM assets. As informed earlier, we have successfully monetized our three projects on Gurgaon-Sohna, Rewari-Ateli, Ateli-Narnaul against this consolidation of INR 315 crores received in FY '23-'24 only and INR 54 crores received in October '24 post-approval of NHAI related GST change in the law claim.

Regarding the fourth HAM project that is Rewari-Bypass, NOC was received from NHAI and lenders in March '24. The compliance with SPV condition is in-progress and expected to complete by December '24. That is around INR 145 crores, (including the residual amount of INR 6 crores of first Tranche) expected to be received from Rewari-Bypass proceeds where we have invested equity of INR 75.7 crores.

We are targeting an order inflow of between INR 11,000 crores to INR 12,000 crores for FY '25 until date we have successfully secured approximately INR 5,500 crores in projects from highway sector and around INR 780 crores from solar sector. We are confident to maintain an EBITDA margin of about 15% to 16% and achieve revenue growth of 17% to 18% in the upcoming quarters. Furthermore, we are actively pursuing opportunities in new segments while concentrating an operational efficiency, prudent capital allocation and a strategic project selection to sustain margins and enhance shareholder value.

With that, I conclude the update in Q2 and half yearly FY 24-25 and open the floor for question-answers.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question comes from Shravan Shah from Dolat Capital.

Shravan Shah: Sir, just to clarify, you said that 17% to 18% revenue growth in coming quarters. So does that mean in the second-half, we are looking at 17% to 18% growth?

Harendra Singh: So overall, as we are targeted about INR 6,000 crores, which -- of INR 5,100 crores is around 18% to 19%. So we have already has around touched around 20% growth in first-half and we are targeting to see that number coming in around INR 6,000 crores as an entire year top-line.

Shravan Shah: And then for -- even going-forward, the similar 15% plus kind of a growth is can be, can be looked at.

Harendra Singh: Yes, for the subsequent years.

Shravan Shah: And in terms of the order inflow, so we have already, I think if I total it close to INR 6,280 odd crores, I think we have received. So now remaining INR 11,000 crores INR 12,000 crores, so how much are more we looking from the Road, how much we have already bided? Previously, we have mentioned that we have bided in the Road, Railway, all this.

So if you can help us in terms of how much we have already bided in each sector, Road, Railway or maybe any other sector and how much more are we planning to bid and how much in terms of broadly we are looking from the inflow in the Road, Railway and Solar or Water.

Harendra Singh: So as far as Roads are concerned, we are already say awaiting the results, which bided around INR 21,000 crores per project. So the results are yet awaited. And Railways around INR 7,400 crores being -- we have already been bided. So for -- as of now, Solar also we have bided around, say, INR 1,200 crores. So again, these are the projects which results are yet awaited.

Apart from the bidding pipeline, if we see that the -- in Highway, of course, it has been delayed, but we are looking at about, say, INR 74,000 – INR 75,000 crores of project pipeline, which for us we have taken into consideration for NHAI as well as more projects. In Railway also, we have identified INR 25,000 crores which are yet to be bided.

Where the project pipeline is there for the new projects. And for Solar, we are looking to the opportunity where battery storage -- energy storage bests as well as hybrid projects are yet to be and even few of the projects where segregating the same feeder is being invited by the government..

Shravan Shah: So in terms of value would be broadly how much for solar?

Harendra Singh: We are looking at about INR 10,000 crores to be bided in the bid pipeline, which is already visible.

Shravan Shah: Just a couple of things. So in terms of the -- whatever the appointed date is that if you can help us project-wise when whatever the projects are pending for appointed date when the contract is likely to be received?

Harendra Singh: Yes. As of now, the project like Jharkhand 10 and 13 and Tirupati. So, these are the projects, which in any case, by December, we are expecting to receive the appointed date for project 10-13 of Varanasi, Kolkata, package 13 as the Tirupati. And followed by package number 10 of Jharkhand in March quarter. Apart from these, there are two new projects, of which financial closure and condition precedence yet to be set. For these two projects, the appointed date is likely to happen in FY 25-26 only

Shravan Shah: And in terms of the [inaudible].

Harendra Singh: And the project of Maharashtra, where the LOA is yet to be released, which in any case is pending, (Inaudible – 25:30-25:36) which will be in only in any case by January, it will be completed post that only the LOA will be issued and followed by the appointed date.

Shravan Shah: So most likely MSRDC revenue should very, very, very less revenue in this year. So execution will be in FY 26 effort and onwards.

Harendra Singh: This year, hardly there can be any single percentage of execution possible in those projects.

Shravan Shah: Okay. And lastly, just a data point. The equity requirement in HAM in FY '26 and '27 and retention money, mobilization advance and unbilled revenue.

Harendra Singh: HAM equity is concerned, around INR 790 crores already done, balance of INR 670 crores. In FY '25, INR 370 crores and followed by INR 177 crores and INR 131 crores in '26 and '27. In Solar, it is INR 728 crores. In '25, it is around INR 300 crores followed by INR 428 in FY '26. This is what about -- and what about the mobilization advance is built to INR 239 crores.

Shravan Shah: Unbilled revenue and retention money?

Harendra Singh: The retention money is INR 110 crores in all the projects and debtors is INR 1,035 crores. That includes our retention. Solar, SPV unbilled as well as SPV HAM and say one of the fierce approval which is yet awaited in Ganga Expressway has gone up to INR 1,353 crores.

Shravan Shah: INR1,315 crores is of unbilled revenue?

Harendra Singh: Yes.

Shravan Shah: Okay. And lastly, sir, the data has increased -- okay. No issues. All the best.

Moderator: The next question comes from Vaibhav Shah from JM Financial Limited. Please go ahead.

Vaibhav Shah: Sir, you mentioned that the solar order inflow for the year is around INR 700 plus crores – INR 780 crores. So last quarter, the order book was around INR 1,700 crores and this quarter if you look at the order book, it's around INR 1,900 crores. So I have seen the order inflow of -- for 83 megawatt solar projects in Jodhpur, which was INR 409 crores. So apart from that, which is the other project beyond the Ultra Vibrant Solar Energy project?

Harendra Singh: So this is one project which we have received during the year only is the NTPC bids also this has contributed to it.

Vaibhav Shah: So that is now INR 300 crores.

Harendra Singh: Sorry?

Vaibhav Shah: What is the value of that project?

Harendra Singh: This is around INR 450 crores.

Vaibhav Shah: Okay. NTPC Vidyut Vyapar Nigam, that project?

Harendra Singh: Correct, correct.

Vaibhav Shah: Okay. And sir, we have seen that EBITDA margins have been quite good in second quarter as well and we have done significant execution on solar side as well in the first half of around 14%, 15%-odd. So how have been the margins in the solar segment so far?

Harendra Singh: Solar has showed us the significant good margins around 18%. So that's why we have seen a significant jump during this quarter where solar execution is around INR 262 crores, which is being executed that has been executed during the quarter only.

Vaibhav Shah: So are these margins sustainable ahead in the solar segment?

Harendra Singh: Yes, solar margins because there are two, three reasons. One is the stabilizing at price of PV modules that is very low now and we have all booked the orders and that is why we have taken that -- the order has been booked without say price escalation also. So this gives us sensible reasons and the margins would be in this range only for the entire balanced completion of these projects.

Vaibhav Shah: And lastly on the railway side, how are the margins?

Harendra Singh: Railway do have the margins about 10% to 12% in every of the project except for Metro DMRC where the margins are 3%, rest all -- because it is very small portion, which is INR 100 crores balance, but rest all projects do have the margin of about 12%.

Vaibhav Shah: I didn't get that. DMRC project is 3% margins.

Harendra Singh: Yes.

Vaibhav Shah: Why the margins are so low at 3%?

Harendra Singh: There has been some issue with respect to the design and with respect to the sewer line underlying. Because of that, there have been time overrun and the cost of overhead increased, which we anticipated in the similar way when we are doing railway or highway projects so cost of overheads which remains around 6%. This project is way up at about 12% to 13% because of very less production every month.

Vaibhav Shah: Okay. So initially when you bid for the project, the margins were in the 10% to 12% range but it…

Harendra Singh: We consider it around 8% to 10%.

Moderator: The next question comes from [inaudible 31:17], Maximal Capital. Please go ahead.

Analyst: Sir, firstly, now when you see your consolidated numbers, these are quite low compared to the stand-alone number. So you're knocking off the related party sort of transactions, right, which your one entity, stand-alone entity doing the EPC work for your solar entities. That is the reason, right?

Harendra Singh: That is the reason in all solar projects was this project being commissioned. So till the time whatever execution is happening as per the top line, which is coming into stand-alone of H.G. Infra where the margins are also there. But in consolidation, the margins are totally eliminated, but there's a tax liability also is there. So this is the top-line and bottom-line net effect, which in this quarter which is around INR 62 crores of bottom-line is being affected, because this will happen for subsequent quarters as well. So this is -- this will come back with a call correction once we commission and start billing the project -- billing the tariff.

Analyst: So the overall impact, sir, how much -- you mentioned INR 62 crores was the overall impact on profit before tax or profit after tax?

Harendra Singh: This is profit after tax, INR 62 crores is the PAT impact, which we have seen during the quarter.

Analyst: INR 52 crores, sir?

Harendra Singh: INR 62 crores.

Analyst: INR 62 crores. So it would have been INR 140 crores-odd instead of INR 80 crores?

Harendra Singh: Yes, definitely. This has impacted -- this is absolute number which I think.

Analyst: Yes. So net of this impact, it could have been INR 140 crores instead of INR 80 crores, which is reported.

Harendra Singh: But this is the accounting standard which always would be coming in such kind of a solar project. So solar projects and BOT projects. They do have a different set of the accounting standards.

Analyst: Understood. And sir, you mentioned about higher solar margins, right, which you are anyway knocking off. So this is because they are related parties. So in that sense, because these are all related party contracts, then what is the sanctity of the 18% margin in this contract because you may get higher margins from your other party because that is anyway a related party? So how should we read those margins?

Harendra Singh: So in any case, any project being executed for SPVs or rather for H.G. holding companies, so they are all the subsidiaries where the contract is awarded to H.G. Infra and H.G. Infra who is doing the project where the entire procurement to bought up items to execution and the EPC is there. So put together, there is a margin there. So we are keeping a balance of the margin -- the equity IRR, which is more important as well as the EPC margin to H.G. Infra.

Analyst: And net of all this, sir…

Moderator: Sorry to interrupt…

Analyst: Yes, just let me finish this line.

Moderator: Sir, there are several other participants waiting for their turn.

Analyst: Yes, just finishing. Just allow me this question. Because you mentioned equity IRR, sir. So what is the target equity IRR including the EPC margins and the cash flows that will occur in the BOT of solar?

Harendra Singh So if we consider that the equity IRR along with the EPC margin would be roughly around 30%, 32%.

Moderator: The next question comes from Vishal Periwal from Antique Stock Broking. Please go ahead. Vishal sir, your line is unmuted. Please proceed with your question.

Vishal Periwal: Yes, is this audible now?

Moderator: Yes, sir.

Vishal Periwal: Yes. Okay. So this is regarding your one slide in which you mentioned the L1 order that you received. Say for the Ultra Vibrant client in EPC mode, the solar plant that we are building in. So this is -- the EPC project cost include even the module and the cell that you need to procure or it's only the EPC work, the civil -- I mean, how exactly is it structured?

Harendra Singh: So the project of 83 megawatt, they are acquired from Ultra Vibrant. So once we have acquired the project for the entire acquisition cost being paid. And post that, whatever EPC including solar PV modules and inverter, transformer, everything is included in the cost.

Vishal Periwal: Okay. So basically then the cost works out to be like INR 4.90 crores per megawatt. So that is -- I mean like that's your last assumption in this particular element order, right?

Harendra Singh: Correct.

Vishal Periwal: Okay. And similarly for this NTPC one, the INR 370 crores project cost which is there. So this includes your battery, or it includes only the -- how exactly this one is structured?

Harendra Singh: No, this includes battery as well as some bought out other than battery items, which are inverters and others creating that infrastructure of substation.

Vishal Periwal: Okay. So, I mean, generally like these -- I mean NTPC order that you're saying, even the IRR will be upward of 13%,-14% equity IRR and then plus EPC margin will be there. Is that fair way to understand?

Harendra Singh: Yes, that is again a similar fashion. The EPC margin are around 14% and the equity IRR is again 14%.

Vishal Periwal: Okay. And maybe one last thing from my side. I think you -- initially you touched upon like the PMO in the roadside, they have done an approval of INR 50,000 crores worth of order. So anything that you're hearing like when this will see a light update in terms of tendering because this was approved long back, but not heard anything in terms of award?

Harendra Singh: So one is the cabinet approval of the project where any greenfield or any such kind of a projects are put to for approval. But post the approval, this is the second part which is the SSC approval, which is now say the committees which we are going to approve, the DPRs and everything. So, this is, now, it keeps on a strong and fast pace with being done. So we are expecting right after this November also, in December, January, February, everything which they have then the planned 5,000 kilometres is likely to be rolled and to be awarded.

Moderator: Thank you. The next question comes from Ajaykumar Surya from Niveshaay.com. Please go-ahead.

Ajaykumar Surya: Sir, thanks for the opportunity. Sir, I'm new to the Company, so just wanted to understand on the KUSUM order which we have got. So we have got an order of around 700 megawatt over INR 1,800 crores to INR 2,000 crores. Sir, if you can help me explain -- understand the working of this order like it is a part of KUSUM Component fee FLS the Feeder Level Solarisation and we've commented that we have started ordering the modules and other components.

Sir, will the pumps will also get changed in the FLS part? If you can help me understand or give some thoughts on the working of this KUSUM Components, the order which we have won? And sir, and we have been hearing the pace of execution in this yojana has been pretty slow compared to the KUSUM Component B?

So if you can also highlight the problems we are facing maybe in terms of acquiring the land or getting any regulatory approval. So if you can just show what is working in the industry as of now? That will be very helpful.

Harendra Singh: So in this sector as a KUSUM C where we need to align the land, which is being taken on the lease basis, say almost 50% of the land parcels already in-place and we have all started -- they all -- wherever we are having the land in-place, we have already started the project. Around 60 to 65 days, we usually are looking or seeing that once the project being started, the completion is happening and then 15 to 20 days more for the commissioning.

So this we are seeing that if the land availability is insured, then most of the 88% to 99% of any problems and any dynamic problems remains settled. And other regulatory affairs where the PPA is being signed and we are receiving that SPV and PPA. So these are the regulatory things which are happening parallelly.

So in France, as well as PV modules and inverter transformer, we have already orders where the -- all such built chunk of supplies should be aligned well with the completion. So this we have done and within last 3 months, say most of those things being done, design being done. So now the progress is on-track. We believe that, say, in the month -- in the quarter of December, January and March and June, so most of this project will be completed.

Ajaykumar Surya: And sir, in the FLS part, are the pumps also getting replaced or it's unlike -- like the pumps are not getting replaced, it's only the electric pumps which are getting solarized?

Harendra Singh: No, no, these are not pumps. They are nothing related to electric pumps. This is related to the power, the energy which we are producing, the power is to be sell to the nearest grid substation of this comp. So it's very nearby, just 1-1.5 kilometre of transmission line is to be laid in.

Ajaykumar Surya: Okay, sir. Sir, my next question is on…

Moderator: Sorry to interrupt Mr. Surya, may we request you to return to the question queue for follow-up questions.

Ajaykumar Surya: Yes, sure.

Moderator: Thank you. The next question comes from Yashovardhan Banka from Tiger Assets Please go-ahead.

Yashovardhan Banka: Hello, sir. Thanks for the opportunity. Sir, are we looking at any recent with upcoming government orders?

Harendra Singh: Sorry.

Yashovardhan Banka: Are we expecting any upcoming government orders?

Harendra Singh: Government orders?

Yashovardhan Banka: Yes.

Harendra Singh: So what kind of government orders are the orders which we are -- the project which we are bidding. Already In continuation, we already are bidding the project. But as of now, there is no result yet awaited to what are the results, which I just expect that in highways around INR 20,000 plus crores and railways Rs 7,000 crores or on projects where the results are yet to be declared.

Yashovardhan Banka: Okay. Thank you.

Moderator: Thank you. The next follow-up question comes from Maximal Capital. Please go-ahead.

Analyst: Yes. So, on the railways part, you mentioned that the margins are 10% to 12%. So that is significantly below the company average. But on the capital side, is it more capital-efficient in terms of the cash flows or what is the benefit apart from diversification that we are getting by aggressively getting into that project?

Harendra Singh: So in railway project, one thing is very unique. It's not that the -- say there is a big difference between the capital allocation or working capital cycle. It's almost similar as in highway EPC. But very important is if we are looking at the projects where the weighted margins are very important, it can be HAM highway road projects and then highway EPC projects.

And then highway EPC projects, which we are having a similar kind of a margin around 12%, 13%, even in a project like Ganga Expressway, which we are doing, it's a similar kind of a margin. So in the EPC margin range are this only. In HAM project, the margin is in a range of around 19% and in solar also our margins are around 18% because put together weighted-average is around 15% to 17% -- 16%.

Analyst: Okay. And the four assets that we have sold, so I think the price-to-book on that was around 1.4. But on our invested equity, what kind of IRRs were we able to get including the EPC margin that we had accrued early?

Harendra Singh: So as far as EPC margins, this is a total different subject that HG Infra usually is executing the project on an EPC lump-sum model only and first for including the price escalation or including anything with a plus side or minus. So this is one-way when we are calculating the margin for coming to EPC to HG infra, coming from EPC to HG infra.

And regarding the equity IRR, which we all have seen in the earlier past that wherever at such kind of a HAM project or solar projects, we are usually maintaining about 14% of our rough guidance that we should get equity IRR over 14% to 15%.

Analyst: Okay. Thank you, sir. All the best.

Moderator: Thank you. The next follow-up question comes from Ajaykumar Surya from Niveshaay. Please go-ahead.

Ajaykumar Surya: Yes, sir. Thanks for the opportunity. Sir, my question is on-again the KUSUM Competency. Sir, if you can also explain us the tender, how are those awarded? So is it the L1 gets the order or is it some technical qualification which are required, which is providing an advantage to HG Infra in winning the orders.

Harendra Singh: As per earlier, the strategic partner was there. So we partnered with a technology partner while we bid for those projects in last year only. Now in KUSUM C, there is a different model where the mandatory use of DCR. So now the projects are of a totally different model. So we are not in it at all participating in such kind of orders in this financial year also.

So we are looking into the newer opportunities coming in where kind of a segregation of the distribution and networking with the best projects, which is a battery energy storage solution. So such as projects are now in pipeline.

Ajaykumar Surya: Okay, sir. And sir, if you can also throw some light on the opportunity size, because if I look at the -- our order book as of date, solar orders are around 9% to 10% of our order book. If you can also explain the opportunity size which lies in either the KUSUM Competency for HG Infra or the overall Solar scheme of things which are happening across the country?

Harendra Singh: So right now, as far as the total order is concerned, it was 14.5% are the solar orders. And apart that, as I already has explained that we would not be very keen on adding more of the KUSUM C, but in -- again as we are looking into some hybrid kind of a project where it can be battery to solar.

So there is a round the clock power to be generated. But then again, there are tenders which we would like to set-up some power projects, power plants and it -- had it be kind of a PPA from city or Rajasthan government also is inviting some projects on a HAM model. There are the EPC projects. They are all EPC.

Ajaykumar Surya: Okay, sir. All the best for future.

Moderator: Thank you. The next question comes from Uttam Kumar Srimal from Axis Securities Limited. Please go-ahead.

Uttam Kumar Srimal: Yes, sir. Good afternoon and thanks for the opportunity. Sir, currently, we have already diversified from Roads to Railways to Solar and to Power also. So are you also looking to diversify to power transmission segment as such there has been lot of traction from the government in this particular segment.

Harendra Singh: So we have all -- technically our team is examining such kind of a project where the -- because they are against such kind of a project where the transmission or bought out lines are there, then the ROW constraint is again the limiting factor which such kind of a project because the project being delayed in earlier part because of the ROW also.

So the government is also helping and keep giving the new guidelines for ROW procurement also. But we are working on it. As of now, we do not have any project pipeline where we've been bidding at least.

Uttam Kumar Srimal: Okay. And sir, how is the competitive intensity currently in both EPC and HAM project?

Harendra Singh: I think not many projects have been awarded -- have been bided rather, but for sure, there are the cost-cutting, and aggression has been seen in Highway, but there are chances that the disqualification criteria and something is going to be changed very soon in highway as well.

Uttam Kumar Srimal: Okay. And sir what would be our capex guidance in FY '25 and '26?

Harendra Singh: Not much of a capex is required because the project which we are operating it had been Railways or Solar, we do not have such a capex, big capex requirement. Highways we do all -- already having the big already mid-sized fleet which is available. So hardly there will be INR 30 crores to INR 35-odd crores, which is likely to be there in case of requirement -- any such requirement for the year.

Uttam Kumar Srimal: Okay, sir. That's all from my side and all the best.

Moderator: Thank you. The next question comes from Shravan Shah from Dolat Capital. Please go-ahead.

Shravan Shah: Hi, sir. Sir, just to clarify, did you mention that Solar order book of INR 1,900-odd crores which is there will be completed by June '25?

Harendra Singh: Around 90% of this will be completed.

Shravan Shah: Okay, got it. And sir, our debt has gone up to INR 884 odd crores to INR 62 crores in Q2. So previously we were looking at INR 500 crores to INR 600 crores kind of standalone debt.

Harendra Singh: So I already had explained in my remarks that because which we were very -- it was very important for us to block the module at a fixed-price as well as transformer inverter and all cable items. And so these are the all the items which we have booked up. That's why for the huge advances have been paid as well as what we have executed in Solar.

So we have seen that the entire solar is either unbilled or it is or say yet to be received as a debtor rebalance. So this is because of meantime arrangement, but it will be all coming back to the normal level in Q3 and Q4.

Shravan Shah: Okay. So by Q3, Q4, it would be -- again, we'll be back to INR 500 crores, INR 600-odd crores.

Harendra Singh: Yes, yes.

Shravan Shah: Okay. Yes. Got it. Thank you.

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: Thank you. I appreciate you all for taking the time-out for attending today's investor call. And I hope all of your questions were answered adequately. In case there are still any follow-up queries, please feel free-to reach-out to us on our IR Advisors, Go India Advisors. 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.