

## Q2 FY24

**Santosh Rai:** Good evening, ladies and gentlemen, it is my pleasure to have you all for this analyst presentation for Q2-FY24 of Hindustan Construction Company. From HCC, we have our senior management team on this call including our MD and CEO, Mr. Jaspreet Bhuller. Our Vice Chairman, Mr. Dhawan will join us shortly, I am Santosh Rai, Operations Director and Chief Business Officer and will be taking you through this presentation. We will be happy to have your questions after the presentation.

The key highlights for Q2 FY24, the consolidated group revenue is at 1832.6 crores versus 2257 crore in Q2 FY23. We have a standalone E&C turnover of 1138.8 crore in this quarter versus 1249.1 crore in the corresponding quarter of FY23. Standalone net profits of 52.3 crores versus a profit of 312.8 crore in Q2 FY23. EBITDA margins stands at 14.4% in Q2 FY24 compared to 18.3% in Q2 FY23. Some of the other highlights is prepayment of 65 crores of debt inclusive of 24 crore of yield waiver, leading to equity gain, Company in the process of evaluating further such proposals. We have also received completion certificate for 3 of our important projects that is Sone bridge, Bistan Lift Irrigation and Tata Memorial Centre. The investor for our SPV company, Prolific Resolution Pvt. Ltd. is onboard. With this, Prolific Resolution Pvt. Ltd. has ceased to be subsidiary of HCC with effect from 30th September 2023. As a result of that, 3300 crores of debt has reduced on a consolidated basis. You will also notice that HCC has picked up the pace of bidding for new orders on standalone basis. Means, we are bidding more projects on HCC alone rather than getting into joint ventures. Business Development highlights, we have submitted bids worth 6000 crores which are under evaluation and we expect them to be out for results in next two to three months. In addition to that a good bid pipeline worth 20,000 crores have been identified and on which the company is working and we expect to submit these bids in coming 3 to 6 months. During the quarter, the order backlog also increased 900 crores through awards of variations in existing projects. We also secured L2 position on Kanpur metro bid, wherein we had 9 bidders and this was one of our recent standalone bid. This was a good performance by the bidding team and the company. What we look in terms of the business outlook, what we understand that whatever the national infrastructure pipeline was set by the government, it is expected that the government will achieve around 70% of those targets. We are clearly seeing that renewable share is being enhanced and as a result of that we are seeing more and more opportunities in the Hydro power pump storage projects, nuclear projects which is good news for the company. In addition to that, there are higher budgetary allocations in the National Rail Plan, which means more railway tunnels, which we have been doing a lot. And lot of other regional rapid transport systems plus metro transport systems in the offering. Order backlog at Q2 FY24 stands at 12,344 crores, transport leading the pack, followed by hydro, water, nuclear and then special projects. Geographically, Uttarakhand continues to be a state where we have our maximum order backlog as of now, followed by Maharashtra and other states. We continue to focus on large value civil infrastructure projects, in urban spaces also as well as in areas where we are good at such as hydro and

nuclear. Operations update, what you see on the screen is the Mumbai Coastal Road project, the works are in full swing, you can see lot of superstructures has come up and we are equally pleased to let you know that the additional works which we got through superstructure works are in full swing, the additional steel bridge work which is 136-meter steel span bridge, the works have commenced on a good scale. Lot of work is being done offsite and soon you will see lot of progress in the month of November and December at the stretch 2. Mumbai Metro Line 3 which is again one of our major jobs in the city of Bombay, CST Station all structural works are complete and now we are nearly in completion of MEP and completion works. Kalbadevi station also, 80% of the works are completed, finishing works are in progress. Girgaum, almost 60% job is done and the other structural works are being taken. Grant Road also 75% of the civil works are done and now we are concentrating both on civil works as well as finishing works. Anji Khad bridge, Main bridge, all structural works are complete. Slope stabilization works are in progress and other miscellaneous works are ongoing. Track laying of this bridge, we can start seeing track laying in a month's time from now and that will also start. Delhi Metro DC-06, again one of our signature jobs for DMRC. All civil works are completed and now we are in the process of doing the architectural and finishing works. Numaligarh Jorhat Road project in state of Assam, we have substantially completed the project. Service Road and other balance works are in progress. This also will be completed very soon. Tehri PSP project, majority of the civil work on the TRT outlet has been completed with few finishing jobs in progress. This is another view of the Tehri PSP, you can see the Powerhouse, civil works are completed. All the electromechanical works are in progress. On the right-hand side, we have the Penstock which is the part of the hydro mechanical works and the liner erection is also in progress here. Vishnugad Pipalkoti, the good news is that the TBM operations has commenced here. And we are going at a very calibrated pace now, HRT lining has also commenced by the drill and blast method. Nikachhu HEP, 99% of the job is done, the water impounding, the filling of the dam reservoir can expect to start on November 13 and the water on turbines is scheduled on December 17, 2023, which is National Day of Bhutan. Railway Tunnel T-49A, civil works are completed, track laying is going on with full swing. And we have also received a variation order from the client for 135 crores. Which are some outside works of slope stabilization and other things, that is also going on well. Sawalkote Tunnel, this is an access tunnel to the to the Sawalkote dam, this job is also completed, lining done and some minor firefighting and miscellaneous works are in progress. Here are the consolidated financial numbers of Q2 FY24 and the comparison on Q on Q as well as Y on Y basis for the previous years. I will not go through the numbers; we can discuss them when we take the question and answers. Here are the HCC's Standalone Financials.

Some update on Steiner AG, the company headquarter is in Zurich, it is a leading real estate developer and TCGC contractor. We specialize in turnkey development of new buildings and renovation of existing properties. Closing order backlog as of September 30 is around 4123 crores. Order intake of 277 crores. Here are the financials on the slide you can see

comparing Q2 FY24 versus Q2 FY23. And with this, we have come to the end of the presentation. We can take the questions as we go forward, thank you.

**Sanjeev:** Good evening and happy to note a lot of good developments. My question was regarding our arrangement with Steiner AG, so how much percentage we hold there.

**Girish Gangal:** We hold 100%.

**Sanjeev:** So that company continues right, it is a foreign company it appears.

**Girish Gangal:** It is a Swiss based company having offices in Switzerland, Germany, France, etc.

**Sanjeev:** Ok, so we own it fully and that is also now a profitable company?

**Girish Gangal:** Yes and no, in the sense, in this quarter there is a marginal loss but otherwise yes.

**Sanjeev:** Ok, secondly, you had announced intention of coming out with rights, so is there any thought about it or will it not be required?

**Girish Gangal:** See we are considering that and we will come out at the appropriate time.

**Sanjeev:** So, can you give one figure of the pending order as on September 30, the pending order to be executed and which have already started, which are ongoing?

**Girish Gangal:** 12300 crores

**Sanjeev:** Ok, so that much work we have got in our hand and they are progressing and there are no hurdles, all sort of clearances is in place and we have to only execute. So, in the next quarter that is coming after September, that is December end, March, how much work will we be able to carry out?

**Girish Gangal:** See we have our internal budgets and targets but unfortunately, we cannot make any forward-looking statements. That is not permitted at the SEBI, so I am restricted from making such statements.

**Sanjeev:** Ok no problem, thank you. Happy Diwali to all of you and God should make this wonderful company go back to its green days.

**Prashant:** Good evening, this is regarding the order books basically, so could you tell me in detail about the client wise orders?

**Santosh Rai:** Prashant, I think we can share this offline as it is a long list. But what we can tell you is that some of our key projects are like Mumbai Metro, for which the client is Mumbai Metro Rail Corporation, we have costal road which is the client, DMC, Delhi Metro is the client. For some of the bridges and tunnels, Railway is the client. And some of our

hydro projects, Tehri Hydro Development Corporation is the client. So, it's a long list, should you need this, we can share this offline.

**Prashant:** Ok, thank you.

**Mahesh:** Two things, first is the Steiner AG, if one sees across the quarters, it has some volatility both in revenue and profit. So, I would like to have some insight as to what leads to this volatility. That is one part. And let's say if one were to look into the future, let's say 3 to 4 years, do we still see ourselves owning this business or at some point we will be looking at divesting, is that a thought that has crossed the top management's mind?

**Girish Gangal:** As far as divestment is concerned, yes, we will look into it in the future, there is no immediate plan as such to divest in this company. It depends on market condition, position of the company and what is the position in the market about the requirement of this type of a company, etc. It is a futuristic decision.

**Arjun Dhawan:** Can I just jump in? I have heard the first question, so that doesn't need to be repeated, the lumpiness sometimes in the turnover and the profitability of the company is driven by the sale of our real estate developments, so there is two parts to the business, one is the contracting business which is very steady on the basis of order backlog, that gets executed fairly steadily but the developments that we do for real estate as and when we actually see quality, market conditions to exit a particular development, the liquidity at which it can be reinvested into other opportunities, that's what tends to sometimes drive the lumpiness. So that is the answer to the first question. Just to elaborate a little further on what Girish has said on the second part, I think as far as we are concerned at HCC, the parent Company, the role of any subsidiary is to be able to either pay dividends or to return capital, you know ultimately. There was certainly a plan to have that which kind of again unfortunately with post Covid and war in Ukraine, some of the lumpiness or some of the volatility we see in Europe, that has been a little delayed and I think we are very sensible about looking at return of capital from, whether it is our SPVs, our assets or our non-core assets add what we consider to be a very good market value. Can we expect a return of capital from Steiner in the coming future, absolutely we can? At this point and time, it would be a little premature for us to actually give you any kind of forward-looking statement with regard to when that happens. I will basically point out and you know and this was disclosed in our message to the exchange, that we were in exclusive talks to sell one part of the business, which is the construction business to a French company, Demathieu Bard, those, that exclusivity and that intent to divest the construction still continuous when that transaction reaches a stage where we can actually disclose the details to the market, we will do so. And obviously along with that, will come information in terms of what the use of proceeds extra will be. But overall, at HCC, we are very clear that our responsibility to the shareholders is obviously for you to see a growth in earnings and to see our subsidiaries very much like we have with HCC Infrastructure and our concession assets, to see a tremendous return of capital, at the right time and at the right valuation.

**Mahesh:** Thanks a lot Mr. Dhawan for a detailed answer. One small question, this SPV now ceases to be our subsidiary just at the end of this quarter. So, in third quarter, what would the approximate interest cost would look like. Because second quarter, it happened at the end of the second quarter, and our interest costs are the same, approximately the same, first and second quarter. So how would they look in the third quarter?

**Girish Gangal:** You're asking the interest cost for HCC or a consolidate interest cost?

**Mahesh:** HCC, because see currently, once the debt SPV ceases to be our subsidiary, I suppose the interest cost would come down right?

**Girish Gangal:** No, as far as HCC Standalone is concerned, which is exactly same cost as last quarter and this quarter, that will have not impact, one ok. As far as consolidated debt is concerned, see consolidated debt has gone down from HCC books. Naturally the interest cost has come down but however, you will not be able to see it individually because the accounting henceforth, will be under a joint venture accounting, wherein, you don't have to consolidate line by line. So, you will only get a proportionate to our share, which is 49%. The proportionate profit and loss getting accounted in consolidated books. There will be no separate interest booking on account of this prolific.

**Mahesh:** I understood Mr. Gangal, so it essentially means on the consolidated level, the interest cost we see in our P&L will come down right?

**Girish Gangal:** 100%

**Mahesh:** So how much? That was my question?

**Girish Gangal:** No, the entire interest cost will disappear from the interest column above, and the net result of this prolific, suppose the net result of prolific is 10 crores profit, then 49% of that profit, that is 4.9 crores will get added as a profit. So, you will not get interest separately included. That's what I was trying to tell you.

**Mahesh:** Yes, so what will that amount be?

**Girish Gangal:** That is whatever the interest cost presently, 50% of that.

**Mahesh:** No, what is the reduction in the interest cost? 50% of that will come below the line but in the interest cost, in the consolidated...

**Girish Gangal:** Entire 100% will go away. The entire 100% for prolific interest will go away.

**Mahesh:** I understand, but currently the consolidated interest cost also has HCC interest costs right, so I just want to know the absolute amount of shrinkage in the interest cost that will happen. So currently it would be 130 crore interest in HCC Standalone right? So, in consolidated it is 130 plus XYZ, so actually the numbers came a bit late, so I don't know have the consolidated...?

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**Girish Gangal:** No, see it is like this, the consolidated will not only have interest on account of prolific by consolidating, it will have for other subsidiaries also.

**Mahesh:** Ok, so what is the difference that will come now that it ceases to be our subsidiary, that was my question? So, the current finance cost in the current quarter is 256 crores, right. Last quarter it was 246 crores, so around 250 is where we are at. At Consol level 130, give or take few crores we are at a standalone level, 130 to 250, so this 250 will move to which range, 200, which range? How much?

**Girish Gangal:** I will not be able to give you the exact number, but it should definitely move down by at least 100 crores. I don't have the exact number right now.

**Mahesh:** That's fine, I don't want the exact number, I just want to get a sense of the difference it will make to the P&L? So about 100 crores is what you are saying?

**Girish Gangal:** That's right.

**Mahesh:** Thanks a lot, and all the best.

**Neeraj:** We have been given some understanding on Steiner, but I would like more clarity on the Steiner front, the business that you sold, was that a large revenue for Steiner in the early pre-sold part of the business?

**Girish Gangal:** First of all, we are yet to sell that business, we have not yet sold the business. That business still continues with Steiner as such, however, next quarter, the actual sale would happen first and the construction business was separate and real estate business was separate. In the present quarter, there is a loss in the construction business of 9 crores with a turnover of 540 crores.

**Neeraj:** So, you have sold the construction business which will be reflected next quarter right?

**Girish Gangal:** No, the business will be sold in next quarter, however presently, in the results is reflected as a discontinued operation as per the requirements of accounting.

**Neeraj:** That I have understood. So, what I understand is that the real estate business was of meaningful value for Steiner rather than the construction business.

**Girish Gangal:** That is right.

**Neeraj:** So, can you give some colour on Steiner real estate business, because this has not been discussed for sometime and is like a black box to lot of investors as well, so can you share more colour on how much is the cumulative cash flow that you can get out of that business in the next say, 7 or 8 or 5 years whatever you can share some data point on that?

**Arjun Dhawan:** May I just suggest, Girish what we do is, I think in the coming weeks and obviously the transaction is not yet closed but in the coming weeks when we do have a final closure of a signing of an SPA and further details shared, we will actually have a special analyst call or actually provide you with details that will answer these questions in the appropriate amount of detail that will give you comfort. So if you can be patient with us for a few weeks, we will get that information to you, hopefully before the end of the calendar year.

**Neeraj:** Ok.

**Arjun Dhawan:** We are very happy to answer some questions now but it would actually be incomplete and would not be comprehensive, there is a fair amount of data and what we would like to do is have some information shared in advance so you can have a pre-read and then we can have an analyst call or meet to actually go through some of that to discuss some of the other HCC developments as well.

**Neeraj:** Ok. Understand that. The second question is on the potential industry orders that are coming up, so you shared a large number of 20,000 crores, so can you share some colour on those type of orders and how is HCC placed in the future potential orders that may come?

**Santosh Rai:** Neeraj for that basically, we will continue to focus on areas which has been traditional HCC areas and that is in line with you can also see what is the government focus now. So, we can see, lot of the government focus is going on renewables which means more projects will be coming up into hydro power and pump storage projects where we have a good amount of credentials and we have good knowledge that is what we will be focusing on. Second thing is the rail infrastructure, when we say rail infrastructure, they are largely tunnelling jobs for railways and some tall bridges. Again, that is an area where we have a good hold in terms of experience. Third area which we see clearly is going to be the regional rapid transport system and expansion of the existing metro systems, so that is also one place where we will focus more. Coupled with that you know, some jobs in marine sector, there could be sea links or there could be some expansion of marine facilities, that is the mix what we are looking at and we are also seeing a lot of traction into those sectors. So that's how we believe we have a good bid pipeline of around 20,000 crores in next 3 to 6 months and we should be making proposals in those areas.

**Neeraj:** Ok. Got it. Due you see the delay in bidding for hydro projects, because hydro projects are large in numbers which are coming up in the next 2 to 3 years, so do you see a delay because of the upcoming elections?

**Santosh Rai:** Look, I think the traditional impact which comes due to application of model code of conduct and some of the procedural things, could derail this by 6 to 9 months that's what we see, not much.

**Neeraj:** Thank you. If required, I will get back on queue.

**Suriya:** I wanted to ask, recently there has been two accidents in hydro power projects, like Suban Sree in Arunachal and Tsar in Sikkim, so how does these affect the medium-term project launches by the central government? Does it affect adversely?

**Santosh Rai:** Suriya, what we are seeing that this kind of incidents naturally strengthens some of the pre-bid engineering practices which the owner has to do and this will lead to them making a more robust proposal, doing detailed geo technical study and kind of method chosen to construct these facilities. But as I said with the given focus of green energy and everything, we don't see that this will completely stop such kind of projects. But for sure there is going to be more attention to these details. And if we go by the record, I mean there are so many hydro power projects, these are very unfortunate incidents which I am sure the government and the concerned team members will be looking into, what is to be done with that and how to avoid such things in future.

**Suriya:** Ok, thank you.

**Ravi Kiran:** Have we got any orders for this quarter? New orders to the existing order book we have already?

**Santosh Rai:** Ravi as we declared, you know we got some orders from our existing projects, where we got some additional works and that's to the tune of 900 crores. But as far as any fresh order is concerned, no we have not been successful in doing that though we turned out to be the second lowest bidder for a metro job which we bid amongst 9 bidders. There are couple of bids for which we are now going ahead and we hopefully would be securing some of them.

**Ravi Kiran:** Ok, thank you. One more question I have, the status on the bullet train stations? What is the progress?

**Santosh Rai:** It is moving as per the schedule, the preliminary activities largely have been, the site has been set up, the team is there and we have commenced with the initial operations of sheet piling and excavation in line with the program.

**Ravi Kiran:** Ok, thank you.

**Sanjeev Damani:** Regarding this SPV, where we have removed the debts, so is it the same SPV which was created to transfer our liabilities as well as awards in the company. So, is it the same SPV?

**Girish Gangal:** Yes, it is the same SPV.

**Sanjeev Damani:** Are any there any awards that got realized and debts were reduced to that extent?

**Girish Gangal:** No debts will get reduced eventually but awards, yes, few awards got realized.

**Sanjeev Damani:** So naturally, physically also some loan amount? Because it is a contingency in our case, so that much contingency will get set off once the awards are received and then those loans are repaid? So, to that extent, our company will be relieved? Am I correct on this?

**Arjun Dhawan:** No, it is absolutely correct. Girish let me interrupt. You know it is very important first of all in the waterfall, there is enough and ample liquidity for the next 12 to 18 months. To have best in class, you know completion of our arbitration and our court matters and obviously free cash flow has to be evaluated on a quarterly basis could be considered for the pay down of debt and we will certainly let you know when there is a material debt reduction that has happened. There had been cash that has been realized in the SPV but at this stage it would be fair to say that there is no material reduction in debt in the SPV at this stage. We will come back to you on that.

**Sanjeev Damani:** Final question, are we also going to get some more awards, if at all we have raised our escalations or our demands with various government agencies, so are they being converted through arbitration or our persuasion with them. So, any such amount that is realized or is likely to be realized, if you can indicate?

**Girish Gangal:** See, this is a process, getting an award is a process and that keeps on happening from time to time. Since it is a decision from our arbitration tribunal, which is an independent tribunal, we expect that it will happen quickly, we will ensure it happens as quickly as possible. But of course, we cannot say exactly the date or amount or whatever at this stage.

**Sanjeev Damani:** But I wanted to be specific, awards that were received were transferred on that day but thereafter have we received any such awards for HCC? For more liquidity?

**Girish Gangal:** No, the receipt of awards doesn't bring the liquidity. The payment of awards gets the liquidity.

**Sanjeev Damani:** Agree.

**Girish Gangal:** So, we have got the awards, after transfer of arbitration awards to SPV.

**Sanjeev Damani:** More awards have been received at HCC. So can you quantify them, once realized how much money we are going to get because that will get transferred directly to P&L, if I am not wrong.

**Girish Gangal:** There is a little disconnect between the understanding that you have. Once you get the award, that in any case gets transferred to the P&L account, what is postponed is only the cashflow from that.

**Sanjeev Damani:** Right, agree.

**Girish Gangal:** Now what is the amount of cashflow that we will receive will depends at what time the client is going to pay the money because the interest keeps accruing on that.

**Sanjeev Damani:** I agree but if at all we have received after transferring those, if at all we have received more awards, if you feel like quantifying it for our understanding.

**Arjun Dhawan:** So, I think, we do have on an annual basis, certain claims with our clients that have not been settled convert to awards. We have not traditionally, as you know on a quarterly basis, share the specifics on that, Girish correct me if I am wrong and do our stakeholders have a sense on an annual basis as to what basically kind of award conversion that actually happens.

**Girish Gangal:** No that is intrinsic part of the results, it is not generally available.

**Arjun Dhawan:** And so, it would be fair to say, that even after the transfer of our carve-out of this SPV which deconsolidates about 3500 crores of our debt, 3.3000 to be very accurate. There still exists within HCC a considerable amount of award assets which are north of about 1000 crores and on an ongoing basis we will expect which is reasonable. Let's say, look at the turnover business and the order backlog business, it will be normal course of business like any other E&C company. That we would basically have a generation of certain claims to awards.

**Sanjeev Damani:** Got it, only thing I wanted was that whatever has been transferred, is the thing which is already done, so thereafter if we receive any awards, do we account for straightaway or on realization we will account for in our books.

**Arjun Dhawan:** The definition, Girish has already said this, as conservative accounting practice we have accounted it only when the claim is converted to an award. And then the cashflow is obviously dependent on when the award either gets settle or when it gets paid or through court. But yes, I think that you will always assume, that our accounts, the way we represent them on a quarterly basis reflect the conversion of any claim to award.

**Sanjeev Damani:** Ok. Thank you very much for your time and detailed explanation given.

**Chirag Shah:** So, I have 3 questions, question one on Vivad Se Vishwas, any views, any submissions, because some of your assets have preferred Vivad Se Vishwas on some projects and they expecting 50 to 60% kind of realization, including the interest part. So, have we evaluated any thoughts over that?

**Girish Gangal:** Yes we have been internally taking appropriate calls. Incidentally today only the scheme which is Vivad Se Vishwas has been extended by further period of two months, so the filing for this Vivad Se Vishwas can be filed up to December 31<sup>st</sup> instead of October 31<sup>st</sup>. So, we keep on analysing, discussing and taking appropriate position depending on the

benefit available because as you know, it depends on the stage at which the particular award or a litigation is lying, either you get 65% or 85%, so on and so forth. So, we do take appropriate calls.

**Chirag Shah:** Second question is on this SPV that we have or which have now got created any resolution of the arbitration or any claims or any receipt of orders, awards. Does it have a positive impact on our outstanding? Banking guarantee limits or not? Just a clarification on that, so as the settlement happens over there will our BG will go up or are we to bid for more projects? The drive power goes up for us or it doesn't affect? It is more of a cashflow rather than anything else?

**Girish Gangal:** See, as far as the SPV is concerned, SPV has got awards and claims wherein we have not drawn any money against the bank guarantee. So, our realization of those awards, it has no impact on our release of guarantee or otherwise because at first place they are not provided any guarantee to draw the money.

**Chirag Shah:** Ok so it's more of a cashflow issue rather than anything else.

**Girish Gangal:** That's right. Your understanding is right.

**Chirag Shah:** Lastly on this order bid, so you said that we have submitted for 6000 crore rupees of orders and I understand from our previous interactions you can bid up to 20,000 - 25,000 odd crores of projects if you wish to right. So, when do we expect the pace to inch up, I understand that there could be some slow down till the elections, I understand that part, but assuming it's a normal business scenario, so when do you expect your bidding process, because to win orders worth 10,000 crores, we need to bid for 40,000 crores, kind of. So, I am just assuming 1:4 ratio, just for convenience. And our depletion of order book which is happening at on an annual basis say 4000 to 5000 crores, we at least need that much replacement to maintain the order book. So, when do you expect that you would be able to bid at a much faster pace. To the level that you have the potential to go for the bidding.

**Santosh Rai:** Chirag, so look, I think I can say that we have already picked up a good pace because we have submitted some bids, some results have been declared, there are some bids where we are awaiting some results and some of them are large bids to the tune of 3000 to 4000 crores single bids are there. In addition to that, whatever jobs we are bidding right now are completely protected against any kind of I can say schedule impact due to elections or anything because they have already been approved for bidding so these bids are going on. I will say we have targeted 15 to 20 bids which we make in this year and we are well on track of doing that. You will see more and more of this becoming evident and you know as we move on from this quarter to next quarter, you can see more of HCC's bids into the market.

**Chirag Shah:** This is helpful, just one small clarification, when you say 15 to 20 bids, should we assume that for you the sweet spot is around 1000 crore of an average bid size or today you are confident of putting up bigger bids also. On an average basis I am saying, some bids would be big, some would be small but what is the average sweet spot for yourself that you look at today? Or for next 2 years?

**Santosh Rai:** I would say for us it would be 2000 crore plus.

**Chirag Shah:** 2000 crore plus, Ok.

**Santosh Rai:** Yes

**Chirag Shah:** Thank you very much.

**Mahesh:** Just one small question, you mentioned the fact that we were L2 in the metro projects, now I know some large cases where even in large projects, L2 contractors get some work, are we expecting some work there?

**Santosh Rai:** No, Mahesh.

**Mahesh:** But it does happen occasionally, right? If one matches the L1 price and the contract is large, you get some work. Not in this specific case I am saying, but it does.

**Santosh Rai:** I will say, we have not come across this, unless it is some private entity bid which wants to split the bid into two parts but normally the government procurement system goes by a very well laid out process. Once you are technically qualified and if you are the lowest bidder, they have to award the job to you, if you are fulfilling all the criterias.

**Arjun Dhawan:** Santosh, maybe the question is relating to a situation where you actually have a number of packages which are sequential on a similar line and then the client actually specifies the restriction that you know one contractor can't actually win more than a certain number, one or two, in which case there could be theoretically a situation in which an L2 bid could actually become an award in the project because restriction on any one contractor getting more. But those are very unusual situations.

**Santosh Rai:** Yes, that's right.

**Mahesh:** Ok, thanks for the clarification.

**Suriya:** I wanted to ask since I missed the first part of the presentation, what was the reason for such a drastic drop in profit on Y and Y and quarter and quarter basis? Which is 6 odd crores?

**Girish Gangal:** You are referring to Consol numbers?

**Suriya:** Yes, consolidated numbers?

**Girish Gangal:** As far as consolidation is concerned, there is definitely some amount of, there are two things that have happened, if you have seen the consolidated results, few of the things got shifted from upside to down that is as a discontinued operation especially what we spoke about sale of Steiner construction, so the results if you compare with Y and Y and quarter and quarter it may not be exactly comparable. Because you will see even the turnover, if you take an example of this current quarter, you are seeing a quarter turnover of 1800 crores ok and the similar quarter last year it was 2200 crores correct.

**Suriya:** Correct.

**Girish Gangal:** That is because the turnover of Steiner construction which is 540 crores which is shifted below and reflected under discontinued operations ok. So, if you add up that turnover above, it will match with the turnover of 2300 crores against 2200 crores. So, in short, unless we make it apple to apple, it will be difficult to comment on that part or you will be able to understand on that part. However, yes, compared to last year, there is a lower profit or a marginal loss as per our Steiner operations are concerned which has been captured, that's why there is a difference.

**Suriya:** Ok. Thanks a lot.

**Neil:** So, we had from Q3 FY24 to Q1 FY25, we will get around 900 crores from the Cube highways deal? Is that deal on track?

**Girish Gangal:** We can't hear you clearly?

**Neil:** Cube highways deal, the road construction project which we had, the Brahmaputra?

**Girish Gangal:** Correct

**Neil:** So, are we going to get equity runs in the upcoming quarters which will lead to reduction in debt or it will go working capital for the business bidding?

**Girish Gangal:** Yes, we are expecting something as a part of a contract what we have signed in March and which will, depending upon the cashflow, as you know it is a fungible either it is working capital or repayment of debt. We will take an appropriate call, once we receive the money.

**Neil:** And any other divestment for HCC Standalone, real estate or any other road projects?

**Girish Gangal:** So, in our concession business, we don't have any road project now to divest.

**Neil:** Ok understood and one more question, we are bidding a lot over 4 to 5 quarters, excluding the BKC orders for the bullet train orders, we have not seen increase in order books, so we expect a huge conversion of bids to orders in upcoming quarters? Because our order book is getting over?

**Santosh Rai:** So, we have discussed this aspect and few other questions. To reply to you, yes, we are hopeful that bids what we make in coming quarters, we are successful in few of them.

**Neil:** And one more question, compared to pre Covid, Steiner AG was quite a profitable venture for us but over last week it has been loss making, so should we expect as you are divesting the loss-making asset, so you will get more profitability in the real estate business.

**Girish Gangal:** So, we have been explaining this as part of our normal conferences or last few quarters that post Covid due to the supply chain being affected plus war with between Russia and Ukraine and so on and so forth, there has been a slow down as far as European market is concerned. So that's why compared to the profits that we had in the past, there is either marginal profits or no profits. However, things will improve, we expect that to improve with two things, that sale or divestment of construction business which was making losses as you rightly observed and naturally the improvement in the overall market condition.

**Neil:** So could we get a big value from the divestment of construction business which will help in reducing our overall debt or it will be a slump sale basis or low value.

**Girish Gangal:** Let's wait for a quarter, I can't make a forward-looking statement

**Neil:** Ok, understood, thank you.

**Girish Gangal:** Next quarter, I will reply to you with numbers.

**Neil:** Ok, thank you, no problem.

**Santosh Rai:** I don't see any more hands raised. With this, we will bring this presentation to an end. I would like to thank all of you in being a part of this presentation and wishing you all Happy Diwali in advance.