

## **Transcript of the Webinar held on February 08, 2024, to discuss HCC Q3 FY24 Results**

**Rahul Shukla:** Good evening, everyone, I am Rahul Shukla, Assistant VP Finance from HCC and I welcome you all the investors and analyst for this presentation of Q3 FY24. Joined with me are the senior management of HCC Finance Department and Corporate Communication HCC Infrastructure. Moving forward with the presentation, just a small refresher, on its almost 100 years of legacy, HCC has constructed over 4,000 Km of India's highways, almost 400 Km of tunnels, 60% of India's Installed Nuclear Power capacity has been contributed by HCC and 26% of India's installed hydro power capacity has been contributed by HCC. So, these are the key pillars of execution by HCC. In terms of national footprint, as you can see, we are present across India and have a very strong geographical diversification of our projects helps us in mitigating risks as well.

As of end of Q3 FY24, our order books moved slightly up to 11,000 crores, almost 50% of that comes from Transport sector followed by Hydro, Water and other projects. In terms of business outlook, we should appreciate that the infrastructure sector has been receiving a lot of attention in terms of Government attention span as well as capex plans. In the recent budget itself we have seen that government has announced capital expenditure of almost 11 lakhs crores. Even private capex has been reviving which was subdued 2-3 years back but in the last financial year we have seen 7-8 lakh crores of private capex going into this infrastructure sector which is a big positive sign. Public Private Partnership (PPP) is also picking up quite well. In the last few years there has not been much of traction over here. But recently with modification of model concession agreement and government coming up with more than 50 BOT projects valuing more that 2 lakh crores is a good sign for this sector. Coming to other HCC specific sectors like Hydro power, Pump storage scheme and other sectors, there has been a sustained allocation of funds as well as capacity expansion plan because India has to ultimately meet its commitment of net-zero targets. And also, the commitment of generating over 500 GW of power to non-fossil fuel by 2030. So, this sector will keep on receiving a lot of attention which is good for HCC, specially for hydro projects. You must be aware that in Arunachal project, there was a lot of stagnation in the development of hydro projects but now Arunachal Pradesh government and central government has signed almost 10 projects to various central PSUs. Which will be a boost for hydro development projects in that area. And HCC being present in those areas historically is positive for us as far as execution is concerned, we know the geography, we know the risks and rewards of the area.

Another sector, the pumped storage scheme is also a rising sector because in order to meet peak power demand there has to be a development of this kind of projects and there is going to be a strong pipeline of 8-10 GW of pumped storage scheme coming for award in the next few years. Another sector of keen interest is railways as ultimately, it's the logistic which is going to drive the utilization of India's true potential of its geographies. So, under National Railway Plan there is a clear visibility of capacity addition that by 2030 the railways

have to have capacity to meet its 15-20 years ahead of requirements which is attracting lot of investor interest and also the EPC model is being worked out for fast-track development of these projects which will help boost India's infrastructure as well as give us much more visibility in terms of order books. Nuclear sector which has been a slow-moving sector for last few years is now picking up and there is administrative approval for 12 nuclear reactors from the government and this is the first time in history that fleet model has been brought into this sector for fast-track development of nuclear power projects. HCC being a leader in this sector is clearly expected to have competitive advantage because there is a low competition in this sector and we have a very strong know how by contributing to 65% of India's installed capacity. So, we are very positive as far as business outlook is concerned and now, we have to gear up ourselves to encash it.

In terms of key performance highlights for the last quarter as you can see, we have achieved a revenue of 1,474 crores which is 8.6% higher than the revenue for Q3 FY23 which was 1,357 crores. Our consolidated profit for the quarter was 233 crores against a loss of 283.7 crore last year. Standalone E&C turnover is up by 7.7% and is it at a level of 1,245 crores vs 1,155 crores last year. Our standalone profit is considerably up to 68.5% as against a profit of 25.2 crore in Q3 FY23. EBITDA margin is also maintained at very healthy level of 12.4 % in terms of industry even though it was slightly higher in Q3 FY23. But this is ok.

In terms of operations, we have achieved provisional completion certificate for Sawalkote Tunnel project engineering. A major milestone is achieved at Nikachhu Hydro project in Bhutan wherein water on turbine has passed and grid synchronization of power generation is achieved. In terms of progress in our Rights issue, we had filed a draft of our offer letter to SEBI and also BSE and NSE and we have received BSE and NSE approval and SEBI approval is also expected shortly. We have also received upgrade in rating from ICRA, to BB (Stable) and another rating agency CARE had upgraded us during last quarter. So, both the agencies have now upgraded us to BB (Stable). In terms of business development, HCC has submitted its bid for almost 7,000 crore worth of projects which are under evaluation. Another 14,000 crore worth of bids are in the process of being submitted in the coming quarter. And we have a strong pipeline of almost more than 46,000 crore projects which we will be bidding for in the future. This is a snapshot of our quarter-on-quarter performance for this financial year. Just to demonstrate that the performance has been quite consistent in terms of revenue, EBITDA, PAT, so this is what we have been striving for and we believe that we have reached to that level now. Here we can see, year-on-year performance and we can see consistency in revenue, EBITDA and also the PAT which was negative in FY23 has come to a considerable positive level in FY23 and also in FY24 we have clear visibility of positive profits. On operations updates, update on Mumbai Coastal Road project which is one of largest project we are executing as on date. So, in the first photograph you can see that the monopile work is going on, so all monopile foundation work has been completed and with the help of this monopile technology in the number of piles which were supposed to be 424 has now been reduced to 79 and this is the first large scale monopile implementation in

India. So, this is one of the engineering feat, we have achieved in this project. Photograph No.2 you can see that segment launching which is in progress, circular section that you see and this is progressing quite well. The bottom left photograph you can see the navigation span of composite bridge that connects coastal road to the Bandra Worli Sea link is casted at Nhava Seva yard. This is the photograph of the Nhava Seva yard which has a 9-acre facility that we have developed for casting these very long spans because last time we had updated that these are 120 m spans that we have to do. So, this casting has to be done in a special casting yard and then these segments are transported through sea, through barges to bridge location and then they are installed. This is the photograph of that and the 1<sup>st</sup> navigation span of composite bridge was successful launched on February 2, 2024 so this is one of the major things we have achieved over here.

With regard to other projects, Anji Khad project, here most of the civil works has been completed and the finishing work is going on. And we hope to finish that also very soon. In DMRC DC06 project, metro tunnel civil work have been finished and now architectural and finishing work are going on at the station and the project is progressing quite well. Mumbai Metro project, again there are 4 stations, couple of stations are at a very advance stage, other two projects, stations are also progressing well. T-49A, the entire tunnel is ready in all aspects and finishing work like slope protection is in progress. So, in a nutshell, all our major projects are on track. Tehri Pumped Storage scheme, this is a 1,000 megawatt pump storage scheme that is being constructed in Uttarakhand, I just mentioned in the previous slide about the importance of PSP for peak power generation and this is a very important project and have been progressing quite well. Vishnugad Pipalkoti hydro project, our TBM is functioning quite well now and in January itself we have been able to do 431 m of HRT tunnelling. An important aspect to mention here is that it's a very large diameter TBM, 9.86 m dia Double TBM is one of the largest tunnelling is being done and a progress of 431 m in a month is quite remarkable. Nikachhu HEP project, so here we have achieved a final milestone of wet commissioning of turbines in December 2023 and grid synchronization has already happened and its updated in the previous slide.

These are some of the numbers, key number I have already explained and hence will not be going through each number. The consolidated numbers been uploaded on the website.

Now a brief on Steiner AG, is wholly owned subsidiary of HCC in Switzerland. This was founded in 1915 so completed more than 100 years of its establishment. It is one of the top contractors in Switzerland and constructed many marquee projects. Company was acquired by HCC in 2010 with its headquarter in Zurich. There has been some development in this company like in 2021 the company embarked on the re-organization and in 2023 major milestone was achieved by selling its construction business. Steiner comprises of real estate development as well as real estate construction business. Since HCC is in the process of monetizing and getting capital back for its own business and growth, the business of development and construction was bifurcated in 2021 and now we have exited low margin

high risk construction business and our pure focus over there is on development which requires where niche skill set that Steiner has developed over the years and we have got very strong pipeline of development projects and we are very confident that this is going to be a real value generated in the future. To give you a sense of numbers, this is a spread of project that Steiner development business has got, most of the focus is on west side of Switzerland and we have got more than 65 active projects, so when I say active projects, it means clear development activities are going on so there are various stages of development stating of signing of MOU with landowners and taking various clearances, approvals and taking the project to a level where some construction activity can begin, there is a fund that will come an invest, so all those things need to be performed before the project can be taken to the construction level and as on date there is a pipeline value of 4.9 billion Swiss Franc from which we can expect a cumulative developer fee to Steiner of around 395 million and the total sellable area through the current portfolio is over 7.22 lakh square meter, which is huge. And obviously, company will keep on striving for new projects, expanding its portfolio and creating more value for shareholders. These are some of the selected ongoing and completed projects. Just to give a sense that these are marquee projects, many of them are marquee projects which have been done by the company and it continues to do so. Some of the financial highlights for Q3 FY23, the orderbook of the company was 4,367 crores in terms of Indian rupees or 448 billion CHF. And for Q3 the turnover was 218 crore as against 800 crore in FY 23. And PAT was 56 crore as against loss of 329 crore during last year. You can see the lower number for the turnover essentially because Steiner construction business is divested now so its turnover is not being captured in these slides. So, this is pure development business turnover that you are seeing here. With this I am ending the presentation and the floor is open for Q&A. Thank you.

**CA Nihar Shah:** My first question is on the EBITDA margin; we are seeing a dip here so what are the EBITDA margin expectations for the year end this year and going into the next year?

**Girish Gangal:** First of all, I will answer your question about the dip, there is no dip as such our margins are anything between 12-14 it depends on composition of the project, what we execute during particular quarter. So, one project may have an EBITDA margin which is giving me 15%, one may give 8% so it's a combination of those 30-40 projects what we will get into this EBITDA for a quarter. As far as future is concerned, we can make a general statement, we have historically been making this kind of margins, anything between 12-15%, so hopefully we will continue to do that, I can't make any forward-looking statement as such.

**CA Nihar Shah:** And what is the ballpark figure for revenue that we will achieve this year like by Q4.

**Girish Gangal:** Any forward-looking statement I am not supposed to make because of the SEBI regulation. I can't make a statement that I will make XYZ profit, I will make this much of turnover and so on and so forth. So unfortunately, I can't directly answer this question but

we will have a reasonably good run rate, that's what I can say and just as a matter of information, our last quarter, generally March quarter is always stronger than all the 3 quarters, historically also.

**CA Nihar Shah:** Ok thank you and all the best.

**Avi Aggarwal:** I don't have any questions.

**Viraj:** Last year you had an interest cost of 1,000 crores for the financial year, looks like this year you will finish at about 800 crores what is likely to be your interest cost in the next financial year given that you will use the proceeds from Steiner to repay debt.

**Rahul Shukla:** So, Viraj, historically yes you are right our interest cost has been around 1,000 crore, however we have carved out significant portion of our debt to a separate company and now we can expect that going forward our interest cost should be in the range of 400 crores or 450 crores and that is not because we are planning to make any debt repayment from Steiner but HCC debt itself has gone down that's why interest costs are going down.

**Viraj:** So, debt cost should halve in the next financial year approximately?

**Rahul Shukla:** So same number, 400 or 450 crores is the number that I mentioned, it will be in that range.

**Viraj:** And what is your net debt now, current, after the Steiner realization?

**Rahul Shukla:** So, as you can see from our books our debt is now in the form of primarily OCDs and there is around 2000 crores of worth of OCD outstanding and we will be repaying that along with accrued yield as and when it is due for repayment.

**Viraj:** And when is this due for repayment?

**Rahul Shukla:** So, this is an annual repayment that we have got so every 31<sup>st</sup> March, every year it becomes due, there is no repayment due anywhere in between not even interest so its of annual bullet payment that we have to make.

**Viraj:** And what will be this annual bullet payment on 31<sup>st</sup> March this year?

**Rahul Shukla:** This year it is around 340 crores and we have made some part payment to the lenders already and balance we will be making before 31<sup>st</sup> March.

**Viraj:** So, this year you should go down by around 300 odd crores in debt?

**Rahul Shukla:** Correct.

**Viraj:** Ok. Thank you.

**Mahesh:** So, first of all congratulations, at last the numbers are showing, the results of efforts we have been at for years now in terms of changing the structure of our balance

sheet as well as our P&L. My first question is regarding the money that has flown in Steiner AG, what is it that the management intends to do with it? Will it flow to the parent or are there some plans in Steiner AG itself? How will that work out?

**Arjun Dhawan:** Part of the capital will be used to strengthen Steiner AG balance sheet and to capitalize and to fully fund our various equity projects or development projects and part will involve some return of capital to HCC and we don't get into that level of detail but one thing that we are certainly focused on in the next few quarters is to see how Steiner AG can actually contribute to return of capital to HCC as well.

**Mahesh:** So that's not an immediate event?

**Arjun Dhawan:** If you are referring right now to the current sale of Steiner construction that has happened, there has been a partial contribution and what you can expect as a more material contribution will happen when we actually do a larger capital raising or a return of capital transaction in the coming quarters and that certainly is planned. Ultimately this is a question that we have been asked repeatedly in the past and I think now that we actually are in, look I think the return of capital for us, there is two aspects to it, one that we realize the true value of Steiner AG and can clearly be reflected in the quality of transactions we do and we are not going to do that in a hurry. Certainly, HCC doesn't require that capital for, it's always nice to have capital return to HCC for debt prepayment but at this point in time HCC has more than enough, sufficient means to address its various debt repayment obligations. The only question for us is what the use of capital is going to be for growth. And so we see certainly some opportunities in Switzerland for the closure of our development platform and at the same time we see tremendous opportunities for growth of our construction business in India and so it's a combination of that and so in the subsequent quarters, I am being a little vague because I obviously can't give you details at this point in time but in subsequent quarters we will basically expect to see that return of capital that all the shareholders have been patiently waiting for.

**Mahesh:** Thank you Mr. Dhawan. Now one blue sky question, if one looks at HCC's history and you have mentioned it in the presentation also, when it comes to nuclear power our credentials are impeccable hardly anyone can match them and Europe is a power-starved country geographically, I don't want to get into the geo politics of it at all but clearly last two years they have suffered in terms of energy availability. Do you see HCC at some point in time in the next 2-3 years playing a nuclear, getting an EPC nuclear power kind of project in Europe given the fact that the nuclear, the political resistance to nuclear has come down quite a bit in Europe right now.

**Arjun Dhawan:** The answer is no, we are certainly very proud of the fact that we have partners in all of Asia and in Europe, that we evaluate opportunities with but we see a lot more opportunities in India where our infrastructure is and where our edge is by execution

and where our scale of efficiencies lie. So at least in the foreseeable future, the answer is no.

**Mahesh:** Thanks a lot. One last thing, we are going in for rights issue and you just mentioned, I mean we have been restructuring balance sheet for 18 months now and we have done a great job of it. Clearly, we are in much healthier financial position. So where would the rights issue capital flow into? Where would it be utilised?

**Arjun Dhawan:** The entire purpose of raising any equity from shareholders is going to be focussed on growth and we have timed this equity raise with a confidence that what we basically see as a material order booking in the months to come. It's always nice to have a little extra liquidity on our balance sheet. So, we think this is the right time and as far as the promoter group is concerned it also, I think from our standpoint is a good time to kind of show our own basically contribution in terms of the confidence of what we see going forward in the business as well.

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

**Sanjeev Dhamanji:** Firstly, I congratulate the company, financially now that we are coming on track but whole lot of effort has gone to conclude all messes of earlier years and problems of earlier years and further, making so much of good progress, so I really feel, to salute our teams at HCC and my best wishes for future as well. My question is that we are getting better but in the last call you had given a figure that executable order is almost 12,000 crores and the output is only 318 crores, if I am not wrong in assessing this, so kindly tell me why we are not able to make some big progress every quarter and this being a quarter in which rains may not have disturbed much at our sites, kindly reply.

**Rahul Shukla:** I didn't get your question; can you please repeat.

**Sanjeev Dhamanji:** In last call, I was given to understand that we have executable order of approximately 12,000 crores which can be executed, which are running, so our outputs per quarter are not coming to that ratio, so I just want to understand what is the problem there?

**Girish Gangal:** So, Sanjeev the order book was 12,000 crores last quarter which has come down to 11,000 and odd for this quarter. This turnover has to be executed over a period of 2-3 years, this has not to be executed in one year. The run rate what we have is around 1,200 crores per quarter and we are improving quarter by quarter rather if you see for last 8 quarters, rather last 2 years, March 2022 and March 2023, we have done the highest ever turnover in the company. 4,600 crores and then 5,200 crores. We are planning to even do better this year; however, this entire order book will be cleared within the next period of 2-3 years not in one year. That's why possibly you are getting the mismatch what you are thinking. But we are doing better every quarter.

**Sanjeev Dhamanji:** Yes, I know we are performing much better and we are really clearing the mess and getting into the current direction of growth in the days to come and my best wishes.

**Saurabh:** Mr. Dhawan I would like to congratulate you and your team on the performance and the improvement that we are seeing. I have a couple of questions. What was the cost of acquisition for Steiner AG versus the disinvestment that we have done?

**Arjun Dhawan:** I think what we can do is to get back to you precisely on the answer on the question of the acquisition that was done in 2010, If I recall, I don't have the number frankly on the top of my head but we will come back to you on that, just keep in mind that the amount that we have actually realized from the current sale is only for a small portion of the business. In fact, the value of the business that remains is actually far more valuable. And one more thing I will say is that certainly that when you compare the number that we will give you offline, I don't hesitate to basically say that the amount we divested, just a portion of the business today is actually itself substantially higher than what we actually paid for the entire company in 2010. I will stop there and will actually let the team get back to you potentially offline unless they have the numbers immediately right now.

**Saurabh:** Will do thanks, the second question is about the rights issue if you can update what is the status and what is the likely timeline when we would see it.

**Rahul Shukla:** So, as I updated in the previous slide our DLF is under SEBI approval. We have received approval from NSE and BSE. And we hope that SEBI will also approve it shortly. We are not in a position to commit a timeline because we are not supposed to. But whenever there is some progress, you will get to know.

**Saurabh:** OK thank you and my last question, we do see lot of order bids from other construction companies and I have a generic feeling, I maybe incorrect, you may please correct me, I don't see much of HCC in the news about winning various orders, what do you have to comment on this?

**Rahul Shukla:** So, in this infrastructure sector, clients have got certain way of awarding a project. So there has to be a tendering process, in which first you have to qualify for PQ and then tendering evaluation, all those things happen and there are long timelines for tender submission, since announcement of a project. So, we do have, as I showed in the BD section of my slides, we do have a very strong pipeline of projects for which we have either submitted our bids or we are planning to submit our bids. However, almost 7,000 crores of our bids are under the process of evaluation and 14,000 crore worth projects are under the process of tendering.



**Arjun Dhawan:** To be very honest, it's been a while since HCC was in the regular mainstream of bidding on a quarterly basis so when we have been out of the market and projects we have identified and certainly to be very clear about the projects and clients which we will actually bid on, we will certainly not bid like it's a dart board. As far as we are concerned the pricing of risks for us is fundamentally important and when we just started to get into the process of identifying the projects that we want, there has been a bit of delay, 3 of our projects have got shifted by quarter or two and like I said, once we start having got into the mainstream of making those, what you are actually observing today will actually go away. So I think when we have this conversation one year from today, you will not see us not having one job on quarterly basis because there will be some wins and some stuff that will get preponed and some stuff that gets postponed but because we have been out of the market for a while and for the jobs that we were looking at and certainly have focused on and which we have made bids on, we will make bids on in the coming months, we are very confident that we will actually realise that. So that's one, second, I think that we are very conscious again that we don't want to have so many jobs in our portfolio that include a number of smaller jobs, so we are looking at our sweet spot anywhere between 1,000 to 1,500 crores is being the average size of the project, there will be other projects that will be much larger, somewhere in between the 2,000 to 3,000 crore range. And so, when we look at our target, order backlog over the next number of months, there will be lumpiness because we are looking at fewer projects that are more material in size.

**Saurabh:** Thanks for your candid answer.

**Faisal:** Now that we have had so many bad experiences at the various diversifications that we made that almost destroyed the company and the infrastructure segment now looks quite flushed with orders and we can now have a pipeline for at least 4-5 years, so why don't we divest the entire Steiner stake and get money into the company, so that we can then survive for years together in our main line of business. Secondly when we are executing so well and the sales are at all time high, is it not a worry that we have only a 12,000 worth order book and what are the kind of EBTIDA margins that we are going to now target going forward.

**Arjun Dhawan:** We were always focussed on those kinds of projects with that level of complexity and where our edge is and where competition is limited that would generate to those sort of low to mid-teen EBITDA margin. That will not change. Second, as far as the turnover of the business is, the order backlog is concerned, yes, the order backlog is coming down but I would imagine that the market in the coming months when you see the build-up of the order back log would look beyond a few quarters in the short run where our turnover margin might actually stagnate, simply because it takes one or two quarters for the fresh orders that we have won to actually flow through our P&L and cashflow. You certainly have the visibility of the company's success in the quarters and years to come. Number three, you made a comment that I would like to respectfully disagree with, I think that as far as LAVASA

was concerned it was at the time a project was pioneered by the company with the hope of creating something very special in India that would have if it had been successful might have actually generated such substantial returns for the company that no other construction company would have had. That's part of business.

**Faisal:** The diversification, my short point was that the Steiner funds should come into HCC and we should be doing complex projects with those funds rather than keep some part of it there and did I hear correctly that we have divested only a small portion of Steiner stake. So, what is the entire stake worth at?

**Arjun Dhawan:** I presume you heard about Lavasa, We are very clear as a construction company today that engineering construction business that's kind of our clear focus. As far as Steiner is concerned, I think in various calls and in this one as well, we have talked about the need to return capital at the appropriate time and the appropriate valuation. I am afraid I can't share with you what that valuation is that would be inappropriate but I have indicated to you that as part of the business or the part of Steiner that we divested happens to be a portion of the value of the company and we expect -----

**Faisal:** Will it be at least 2 times of our market cap?

**Arjun Dhawan:** I am sorry I cannot comment on that. I think if you look at our track record as far as our subsidiaries are concerned for eg. Our PPP, our BOT subsidiaries, those were longer gestation period projects and that when we actually had developed them fully, and when they were realised at full value, generated a tremendous value for the company and the group and so I will stop here on the subject and I hope that you will be patient with regard to some of the details that we would get to you at the more appropriate time.

**Faisal:** So, what is the role of Mr. Ajit Gulabchand in the company now and how are we going to approach with just a 19% promoter stake and that too a lot of it is pledged, we will now have to even subscribe to the rights, so is there some thinking within the promoter group also to raise their stake to a respectable level from where they can enjoy the fruits of what they have actually sown. And, Mr. Ajit Gulabchand, we will all agree is a visionary and how much does he now guide the company at this point of time.

**Arjun Dhawan:** So, let me make something clear, while Mr. Gulabchand is the Non-Executive Chairman of the company, this is ultimately his company, this is as close to his heart as anything is in life so whether its being a mentor or whether its basically providing the wisdom we need as far as certain fundamental areas are concerned, he continues to be involved with the company. He is certainly not retired; I can assure you of that. And as the second point you talked about, I can't and I will not basically comment on the promoter stake but I will say that as far as the family is concerned, the promoter group is concerned, we are entirely basically committed to the success of this company and to generate value for shareholders.

**Faisal:** Ok. Thank you.

**Arjun Dhawan:** I think I already answered this point of the rights issue, the entire principle in the rights issue is the promoter group is putting in capital alongside basically every other shareholder in the company as well.

**Ashok:** First congratulations on the good performance, giving a reasonable performance. My question is only one as an investor, how much land parcel this company owns as investment?

**Rahul Shukla:** So, we have got 4 land parcels in different locations, in total there will be somewhere around 50 acres.

**Ashok:** 50 acres in Navi Mumbai?

**Rahul Shukla:** No in different locations. Mumbai, Thane, Pune, Navi Mumbai in different locations.

**Ashok:** Ok and what will be the value of these land parcels?

**Rahul Shukla:** So as per our estimate currently it should be around.

**Arjun Dhawan:** Rahul I think that is not something that we would probably like to comment on, I think that is something that the analyst committee needs to do their diligence on and I think what would be quite fair is for you to provide some of these details offline to the community to figure out what that value would be.

**Rahul Shukla:** Ya right

**Arjun Dhawan:** Otherwise, it would be a little unfair for us to kind of speculate on that and what we can provide.

**Ashok:** No, it is approximate value I am not asking for exact value

**Rahul Shukla:** No so it is difficult sometimes to also put a value because for that you need to do a lot of market discovery to put a value for which we are yet to reach to that level.

**Arjun Dhawan:** Why don't what I suggest we do and part of the land for example is our headquarters in Vikhroli. So why don't we prepare something and share that with you.

**Ashok Kriplani:** Ok thank you sir.

**Kunal:** I just had two questions. First what is the strike rate for order bids? How many do we convert into actual orders?

**Arjun Dhawan:** We have not actually won any jobs in the last couple of quarters so then the ratio is not relevant when you have not actually won anything. What we have certainly done is actually over the last 6 to 9 months, well actually over the last year, during the fiscal year

there have been about 800 to 900 crores of additions to our order book by virtue of variations but I think this answer would probably be a little more relevant in the coming quarters when you see some of our bids opened and when you see some of the successes that actually come in the subsequent quarters. The statistic today that is probably is a little less relevant, Rahul I am not sure whether we can actually share the amount of information in terms of the numbers of bids we have made but I think maybe we can provide you a little clarity if you are a little patient in the quarters to come.

**Kunal:** Ok. I have one more question, so the bid pipeline that you have identified for the future of more than 46,000 crore rupees, what is the time frame you expect to bid for it? Do you expect to bid for this month over the next one year or longer tenure?

**Arjun Dhawan:** Yes, over the next 3 to 12 months and you know obviously one of the things that I wanted to add, I guess was the fact that, I actually pointed out that the stats should actually be a little bit more meaningful in the coming months. Rahul, do you have anything to add?

**Rahul Shukla:** No Sir nothing to add

**Arjun Dhawan:** I just remembered one other important point to make and I am glad that Kunal asked the question because it goes to actually indicate the predictability of exactly what our order booking would be considering the fact that we have not actually done something material in the last 6 months. Kunal, I think it would be very fair to say that the bulk of our bids will actually now start happening. I think that there are very few bids that we have actually made in the last 6 months so I guess we are not disappointed because for us to actually put the bids in that we prepared have actually not really happened.

**Pushpendu Chand:** So first question which I wanted to understand from you is that our approximate debt by the end of September was somewhere around 2,400 crores on consolidated basis and the quarterly interest payment I see it is somewhere around 150 crores so I was just curious to understand the math that for 2,400 crores of odd debt our annual interest payment would be around 600 crores, so what is our typical interest rate for the debts that we take for our works.

**Rahul Shukla:** So weighted average interest if you see is close to 11% for our debt. So, when we say quarterly 150 crores it includes some other financing charges like BG commission and all apart from the interest that we pay.

**Pushpendu Chand:** And the second question was what is the utilization of funds that we are planning to do with the Steiner AG as well as the road assets that we have sold out to Cube

**Arjun Dhawan:** I think we already answered this question a number of times, we use the proceeds, the combination of working capital, debt repayment and for growth or actually have it on reserve for basically liquidity of growth.

**Pushpendu Chand:** And the third question is related to one of the questions by previous speaker, the land asset that you have got, if you can put up in a slide, the different land areas that you have in different geographies, approximate areas, that itself will give us an idea, the amount of land assets that the company holds.

**Arjun Dhawan:** Sure, we will do that.

**Pushpendu Chand:** Typically, real estate companies do that. So, if you can also.

**Arjun Dhawan:** We are not a real estate company but I appreciate what you are saying because some of this value is arguably material. So, we will share something of this sort.

**Pushpendu Chand:** And related to the real estate business that we have or the developmental business that we have with Steiner AG, I understand from your last call is that you also have a future plan to hike that off in the days to come so is there any thought in that direction?

**Arjun Dhawan:** Again, I think we have already answered this question and in all sorts of shapes and forms, like I said.... Rahul why don't you take the question please.

**Rahul Shukla:** So, with regard to Steiner stake divestment basically, this is already answered previously. For us HCC is fundamental and it is not that HCC needs any money today but we are in the process of evaluating standard construction...

**Arjun Dhawan:** The return of capital from a subsidiary in which we have invested considerably needs to be well timed with evaluation and opportunity and the return of capital can come in various forms, whether it is in the form of a buy back or whether it is in the form of dividend whether it is in the form of a partial or material stake sale. So, all these options will be evaluated in the coming quarters to see what is the best .... I hope that is clear.

**Pushpendu Chand:** I understood what you are planning to.

**Arjun Dhawan:** And maybe on a lighter note I will actually have the team draft out a little paragraph which is exactly the same and put it on our presentation so that our position of the same is very clear.

**Pushpendu Chand:** Appreciate that, one more question is related to the pledging of shares by the promoters' group, usually what we have seen in the market is that the market won't give right evaluation if the promoters shareholdings are in pledge condition, so is there any thought of coming out of the pledge from promoter's side on their holdings?

**Arjun Dhawan:** Of course, and as the company goes from success to success there will be opportunities for us whether it is basically from via a debt prepayment or refinancing of the company that will basically release any or all of these obligations. So, I think that is something certainly a focus area for us but we are doing think step by step. As we actually

continue to grow our business, get new jobs in, generate cashflow, pay down our debt, I don't think that this is not something that we will not be able to achieve obviously in due course. I want to take the opportunity as time has bound down to thank many of you who have actually complimented us, it is really heart warming to get your thanks as it pushes us to do a better job so I appreciate that, thank you very much.

**Pushpendu Chand:** Thank you.

**Dell:** My question is like, we have realised some of our projects and we get some funds from there, so what kind of debt we are currently on and after completing all this what will be our debt at the end of this financial year?

**Rahul Shukla:** So, as I mentioned that we have got outstanding OCDs of around 2,000 odd crores and we keep on paying them at the end of the year along with the accrued yield as per the formula that has been agreed with the lenders. So accordingly, debt will go down slowly like in this financial year when we make 340 crores of payment, so along with interest the debt as on that day will go down by that number. But at the same time this would have also accrued around 200 crores of yield so net debt reduction could be around 100 crores at the end of this financial year. In the similar fashion going forward when we keep on making repayment we can see debt reduction year-on-year. Our debt repayments are bullet payments at the end of the year so in between there will not be any debt reduction.

**Dell:** Alright thank you, that's it.

**Arjun Dhawan:** Incidentally, I want to qualify what Rahul said, there will be obviously I have already talked about our focus on refinancing which is something that we will focus on once we actually build our order backlog and our operational cashflow basically grows that is something we will focus on but there will be an opportunity for us to also prepay debt selectively we are able to actually see a yield waiver for our debentures. And as basically we utilize some of the arbitration awards that we actually have, monies deposited in court for, so if there are basically opportunities for us to avail of monies against our awards and prepay debt, we will certainly do that, the market and you will be informed of that as and when that happens.

**Dell:** So, is there any internal target for the same?

**Arjun Dhawan:** There is an internal target but I can't share that with you. Our goal is very clear that we want to prepay debt and we want to be debt free as early as possible. That's what I can say is the goal.

**Dell:** With this kind of fund, how big order we can tender for?

**Arjun Dhawan:** First of all, we have the capacity to take on new orders of about 15,000 crores as I think the opportunities continue to become visible to us and as we scale the organization, I don't think that stops us if opportunities exist and the capital exist for us to

take on many more jobs as well. But again, I don't want to get ahead of ourselves in an analyst call, what I would like to do is that on a quarterly basis just discuss that as we start to kind of walk, job and the sprint.

**Dell:** Thank you.

**Rakshit (Fair Value Capital):** First of all, echoing what a number of investors have said like to place on record our appreciation for what you and the team have done in turning things around at HCC. Truly commendable, we applaud you for it. Just a little sense, if you could give a little flavour, I also noticed that the rights issue size has been increased so I am presuming that there is some visibility in order offtake in front of you, what sectors are seeming a lot more interesting and typically I know it can be lumpy but what size of projects are we more inclined to bid going forward, thank you.

**Arjun Dhawan:** So, the board today has approved rights up to 350, we still have to take a call whether it's up to 300 or 300 plus or minus. I think 50 crores is not really going to move the needle much but I think it is something that we will decided most likely close to 350 but again I think that is a decision the committee will make in the coming weeks simply because we have had a lot of investor interest, I think that is one. Second, when it comes to jobs, you know our core area of expertise underground metros, transportation work, including bridges, more complex transportation infrastructure and then you have got hydro, where we are now actually seeing a pipeline of fresh hydro being tendered in the coming months and that's perhaps part of the reason why some of our wins will be a little lumpy because hydro, the permissions taken, the clearances required, especially the security clearances that require to bring hydro to market sometimes can actually be a little complicated so 3 months in the grand scheme of bringing a hydro project to market is not a big deal but once we actually see many of these projects that have been planned for many quarters come to market, you will see a flurry of them basically come in. And I think with the Prime Minister's goal and the government's goal to actually push our 2047 goals of net-zero and green power I certainly expect a huge amount of renewable push to come from hydro and pump storage schemes, etc. That's a huge and ever green area for us. So, I think that basically covers it, nuclear, while have contributed to India's 60% of nuclear reactors but that is a really small portion of our order backlog but it is again something that we have a tremendous edge in and qualifications and credentials, so when you see that happen, that will come in but again that will be lumpy. So, for us, 50-60% and I think in the very near future, next 6 months, you are going to see our bread and butter in largely transportation. And you will see that odd hydro projects that will come in basically every quarter or so. So, I hope that answers your question.

**Rakshit (Fair Value Capital):** Yes thanks Arjun.

**Arjun Dhawan:** I forgot, there is also irrigation, so there are dams and barrages for the purpose of irrigation that are also in the pipeline. Santosh Rai is unfortunately not here, he

would have probably been able to give you a little more colour, he is busy preparing for the inauguration of our coastal road which we are very glad and honoured to have our Prime Minister come and inaugurate in the next few days, so that's why he had to actually excuse himself from this analyst call but I think that he will give you a little more colour in our next call.

**Rakshit (Fair Value Capital):** Appreciate and thank you

**Jaya Sharada:** Thanks for the opportunity and congratulations on the good set of numbers. I wanted to know in 3 to 4 years' time where do you see HCC in terms of turnover and size of business and what areas we would go, I am not asking for guidance but would it be a ballpark of 10,000 crores, 15,000 crores of turnover or would you be at 5,000-7,000 crores?

**Arjun Dhawan:** Let me put it this way, I think it would be a shame if we have only basically grown at modest double digits. We are privileged to be part of one of the largest infrastructure programs in the world which will actually continue to be for the next few decades just transforming India completely. And I think that if we are going to be part of that opportunity and if we are going to have to compete frankly speaking as project sizes get bigger, more complex, there is no question in my mind that we have to consider multiples of where we are in terms of order backlog and revenue. So, I will leave it at that, I think that we have to do that responsibly, we have to do that basically in a way which doesn't compromise our work ethic, our pricing of risks and there is no question as we have actually worked so hard to actually get where we are, even one project for us should not actually be a compromise in terms of the quality of our execution and our free cashflow.

**Jaya Sharada:** And follow up to this is, what kind of challenges do you envisaged because I believe for contracting companies bank guarantees become very critical, that determines how much you can actually bid and also the man power. Because if you are doing complex projects then having good man power is critical so where do we stand there?

**Arjun Dhawan:** So, I think as a company actually shows off its track record, I don't think that bank guarantees and capital from banks is an issue at all. I think the quality of the company and its execution is a testament to the bank supporting it and I think that is not something that HCC will have a problem with. Second, there is no shortage of quality projects in the country led by very quality clients so that's not a concern for me either. There will be in certain areas fairly ruinous competition and we are not going to be basically chasing those kinds of projects which are little more commodity type. So, HCC is going to continue to take on projects which suit its engineering edge. Yes, I think that the point you made on labour is a constant focus area for us. I think as we see a more perennial crop planting in India as agricultural basically demand increases, you have a migrant labour population that is starting to kind of being squeezed and in special urban areas where the cost of living is actually high so it is obviously very important for us to have quality relationships with our supply chain and with our stakeholders to ensure we have a continuous supply of very



quality skilled man power and as large and populous our country may be, I think we all understand the quality of education and skill among a substantial portion of our work force. So I think that as India grows, this is going to probably going to be one of the biggest concerns for the construction industry is that how we skill people and how we actually harness that kind of man power so we are actually able to scale infrastructure program that this government wants to achieve.

**Jaya Sharada:** Ok thank you and all the best

**Chirag Shah:** So I think this question was repeatedly asked over the last 3 to 4 quarters, just wanted to ask once again as you know at that time, this Vivaad se Vishwas scheme was announced, the second version of it and the finance team whoever was answering the question back in the day, they had basically shared with us what is under consideration, under contemplation, whether or not we want to participate because it depends on what are the kind of returns we are expecting and what is our success rate otherwise in the litigation that is ongoing. So, if there is any development on that front?

**Arjun Dhawan:** Ok I will give you the very quick answer there, HCC's awards, arbitration awards are claims are very boring actually. They are not equity awards and they are largely basically extension of time awards. Basically, these are claims that are very precisely calculated on the basis of escalation, equipment and so on and so forth that we have at site for when a delay takes place for a project and these are the projects, we have completed years ago. So, when we look to do a Vivaad se Vishwas, especially if it has not crossed one hurdle in court, for us to leave 35% on the table and in addition to that there is a simple interest of 9% that is applied in the calculation from when an award is been given. In many cases, our awards carry with them post award interest of 12 to 13%. So, if it's an old award, for example, its 5 years old and the spread between what Vivaad se Vishwas basically offers is 9% and what we have let say is 13 requires for us to give up an additional 4% a year for 5 years then I am not only giving up 35% on the principle but I am also giving up another 20% on interest. So that tends to make it unbuyable for me to in some cases do Vivaad se Vishwas. Number two there are certain awards for example have crossed a stage in the court process which are 85% plus and in those cases, it is attractive because we just want to reduce litigation and move on with life and we have applied as a company 4 Vivaad se Vishwas for few of our awards and at the time we actually have a result and an outcome on the settlement we will inform you with regards to what those are. The process is taking a little longer than we expected because you know as government is responsible for the tax payer there has to be reconciliation to the last decimal point in terms of what we think the number is and what they think the number is and when you have interest that is being calculated over many years, that's also one of the reasons for the delay. So, I think that in summary, is Vivaad se Vishwas something that HCC is going to rely on hugely, the answer is no but yes, we will basically be selective in terms of where it makes sense for us and there 5 awards or 4 or 5 awards where we have approached the government to close those

litigations out and as and when they basically conclude we will let you know. There is one other aspect that is important, we have also got a sanction from our lenders for special bank guarantees for court for the procurement of money that are in court that are against arbitration awards which are effectively a 100%. So those are far more attractive to us at this point in time then let's say a Vivaad se Vishwas settlement would actually leave a considerable amount on the table. These are various considerations. As the government continues to extend the scheme or if it becomes available in the future on an ongoing basis depending on the needs of the company, we will take a very clear call in terms of when and where and how to kind of take a decision there.

**Chirag Shah:** Thank you, this is what I basically wanted to understand because what has been identified that was under evaluation stage at the relevant time and its good to be pragmatic, as a practising lawyer, I can only say that these things so much more time than originally envisaged. So that's about it and congratulations, I think we are making nice and steady improvements and congratulations on the good results.

**Rahul Shukla:** Thank you everyone, so we understand there are no further questions, so we are closing today's call. Thank you for joining and look forward to connecting in future.