

Santosh Rai: Q3-FY23 Analyst meet - In this presentation we are joined by our Executive Vice Chairman, Mr. Arjun Dhawan and the senior management of HCC team.

We will start with the order back log position. As on Q3 FY23 the company has an order back log of 12,675 crores. And of course, led by the transportation sector as seen in the previous presentations followed by Hydro and water and other sectors. Geographically, Uttarakhand continues to be the state where we have the maximum business followed by Maharashtra and Gujarat. Key highlights of Q3 FY23 is a consolidated group revenue at 2,035 crores in this quarter vs 2,580 in Q3 FY22. Consolidated loss of 258.4 crores in Q3 FY23 versus a profit of 70.9 crores in Q3 FY22. Standalone E&C turnover remains flat for this quarter versus the Q3 FY22 at 1155 crores. EBITDA margin at 15% for Q3 FY23 versus 25% in Q3 FY22. Standalone profit of 25.2 crore in Q3 FY23 versus profit of 27.18 in Q3 FY22. We have a strong operational performance and earning during this quarter due to lot of improvements that we have brought into our operations and through a leaner and efficient organisation.

The stake sale and our SPV, BFHL is in advance stage; and if we have seen the budget of this year, we can see there is an increase in the capital outlay for the infrastructure mainly towards railways and road infrastructure. At the same time the government is trying to introduce this "Vivad se Vishwas II" scheme which will help the industry in a standardized settlement of the arbitration awards which are challenged in court.

In terms of new businesses, we have bids worth almost 9,500 crores which are under evaluation. We are the lowest bidder for the Mumbai Ahmedabad High speed rail package C1 which will be stationed at BKC and our share is at 1,288 crores in the joint venture. We will continue with our business development strategy to focus on high value jobs in Hydro and urban infra space where the company has lot of capabilities. We will also continue to consolidated our order booking in existing geographies like Maharashtra, Gujarat and some other states. Plus, we will continue with our strategic collaborations to mitigate risks on high value jobs and also improve the winnability.

Some of the updates on the operational sites, what you are seeing on the screen is the 1st Cable-stayed of railways, Anji Khad Bridge. Here we have completed lot of segments on the main span and only 9 segments are remaining. Job is progressing well. On the Delhi metro DC-06 project, the tunnelling is fully complete and we are on our way to complete the job somewhere by November-December this year and the station works are progressing well. Another transport job that is Imphal road which is in Manipur state is progressing well and the road topping works are in progress in valley as well as in the plain sections. Some of the slope protection works what you see here because it is a hilly terrain and also in plain areas. So, these are the slope protection in the areas of the hills. We are using different

methods and different technologies for this like Gabion and Geocells. On the Tehri PSP, the unit no 5 is lowered into the machine hall and the tail race tunnel reinforcement works are in progress. Plus, the surge shaft works are also in progress on this job. Almost 82-83% of the job is complete here. This is the TRT outlet what you are seeing on the screen. Work is in progress in a good way here also. On the Vishnugad Pipalkoti Project, the TBM machine is freed now and we already reached the TBM Adit. You can also see that the machine hall benching is in progress. This is the TBM which is freed from where it was jammed and now this will be dragged to the TBM Adit what you saw on the previous slide. Nikachhu again over 95% of the work is complete, now HRT excavation has been completed, so are the dam works. In our railway tunnel T49, which is a job we are doing for IRCON, most of the work is completed including the lining of the main tunnel, the station yard and also the access tunnels are complete. On Sawalkote access tunnel again which is a project to the larger Sawalkote Hydroelectric Project, this project has given access to the larger Sawalkote HEP. The tunnel overt lining is completed, the gantry erection is in progress for the curved portion. This is the unit 7 & 8 of the Rajasthan Atomic Power Plant and what you are seeing is that aerated tile works are in progress on the containment building. Here also the job is 98% complete and we are looking forward to the smooth completion of the project. At Mumbai Metro, most of the work is progressing in line with our planned progress with the 4 stations what you see on the screen. CST is almost 88% done, Girgaum is nearly 40%, Grant Road is 60% complete and Kalbadevi is 70% completed. The tunnelling is already completed there. Mumbai Coastal Road, again majority of the seawall is completed and we have started the erection work for the bridges as you can see on these slides. One of the major areas where this bridge was needing government attention was a resolution of the larger (navigation) span which the local fishermen were demanding and this has been approved by the government. Now 120-meter span is approved and we are working with a detailed engineering of that part. Also, the marine piling of different arms is in progress.

I won't read through the numbers as we can discuss these numbers as we move ahead. These are the consolidated numbers of Q3 FY23 YOY as well as QOQ basis. Standalone financials; coming to HCC Concessions, what you see is the Bhagirathi bridge on this slide which is under construction. In Q3 the daily average PCUs grew by 9% while the revenue was at 32.2 crores. Construction is expected to be completed in Q2 FY24 and once it is completed the toll rates will be increased by 45%. In this business, we are evaluating new opportunities in the highway sector, and we do believe that the government will put a lot of focus going forward on the PPP project module also which we will be evaluating on a case-to-case basis.

Steiner AG, our Swiss subsidiary, the closing order back log for Steiner as on 31st December 2022 is CHF 935 million and order intake during this quarter is 80 million CHF. Equivalent rupees are mentioned here. As far as the results are concerned the turnover of Q3 FY23 is 94.3 million versus 186 million in Q3 FY22. And we are

reporting a loss of 40 million CHF this quarter in Steiner AG versus Q3 FY22 versus a profit of 6.4 million CHF in Q3 FY22. Thank you and now we will take questions one by one.

Kenil Mehta: So, what was the reason for falling revenue on a quarter-on-quarter basis in a peak season for our standalone business and why was the order inflow very low compared to an order we received for Chennai metro with a joint venture.

Santosh Rai: Kenil I will take your first question towards the order inflow, the Chennai metro order you are referring to in fact the client had discharged that tender wherein we were the lowest bidder with our JV partner and that is again into rebidding and therefore that order has not fortified. Also, in line with our stated business strategy we are looking at right opportunities which are meeting our requirements of geographical location or the type of contract we get into. And we are focussing on such opportunities which has started coming in now and we will be focussing our bidding on those. So, we are hopeful that we will be able to materialize our current order where we are L1 and also some new jobs for which we are submitting the bids and we are hopeful of some positive results there.

Kenil Mehta: What about the first question about revenue.

Santosh Rai: My colleague, Girish Gangal will answer that question.

Girish Gangal: As far as turnover is concerned, compared to last quarter, turnover percentage has increased marginally and not decreased. However, the distortion which you are seeing rather the higher turnover in last quarter these are vis-a-vis current quarters is on account we had revision plan concluded last quarter. So, there we adjustments in turnover accrument profits so if you see there is an extraordinary profit that has come in, in the last quarter which is on account of transfer of awards and claims and the liabilities to the other entity. Turnover looking a little higher by almost 100 crores last quarter. Actually, the real turnover is current quarter is higher in terms of margin.

Kenil Mehta: So, when we are completing majority of projects like in Rajasthan and Uttarakhand, why does the revenue look lower even with the excess 100 crore. The revenue should be around 1,300-1,400 crores on a standalone basis. Was it because of the non-booking of revenue for the Joshimath project.

Girish Gangal: The turnover booking you are referring to is not because of the Joshimath project, there is a little less turnover we could account because there were some funding issues which has happened in the last quarter which could not take up the turnover to the higher level.

Kenil Mehta: What is the approximate amount of turnover which has not been booked?

Girish Gangal: On account of?

Kenil Mehta: What is the amount, 200-300 crores of turnover you have not booked this quarter?

Girish Gangal: We have not done the turnover for this quarter; I will not say not booked but we have not done the turnover, we have done a turnover compared to our estimation or expectation, the turnover which has actually happened is 200-300 crores lesser.

Kenil Mehta: So, what is the reason for Swiss subsidiary making losses this quarter?

Girish Gangal: The Swiss subsidiary making losses is on account of two things – they have concluded two of the settlement for foreclosure of two of the contracts in order to realize money faster to support their working capital requirement. Now this working capital need has arisen due to the slowing down in Europe coupled with the Ukraine war and inflation etc. So, there was a certain slowing down in the economy which has resulted in the lower turnover. As well as the two settlements which were done to get a better cash flow for business has resulted into a loss for the quarter.

Arjun Dhawan: I will just be a little more precise. The loss was substantially related not to an existing ongoing contract that was foreclosed, this was effectively a previously completed project, two completed projects. We do not have substantial claims etc. in that business but these were old contracts that were completed but there was considerable amount of value that was on our books as result of that. This was stuff that was done basically 2-3 years ago during Covid. We took a call during a time to increase liquidity to actually close or settle these old disputes. And as a result of that, the majority of this loss is with regard to a non-cash impact due to what we had on our books and what we thought was going to be receivable that was probably higher than what we realistically would probably have got so we just closed those two out. In addition to that we have had some impact that was a little more minor and as far as loss there was a function of effectively some of the high inflation, supply disruptions and impacts basically in Europe. But a majority was effectively due to these two settlements.

Kenil Mehta: And what about the highway's sale? Has it not got over yet?

Arjun Dhawan: We are effectively just waiting for, the only thing that is pending is the NHA approval which we are expecting in the coming days. So, we should expect to conclude that very shortly.

Kenil Mehta: Wanted to know if the standalone number will go up on the turnover wise or it will be stable under 1,200 crores quarter going forward in a peak season?

Girish Gangal: We definitely want to increase it but I can't make a forward-looking statement today.

Kenil Mehta: Based on your order inflow, as we are bidding and getting, the number is not getting reflected.

Girish Gangal: See numbers, whenever we get new order, the turnover gets reflected only after say 6 months or a year. For any new orders, turnover doesn't get reflected immediately. Because there are certain norms for accounting that unless you reach to at least a 10% level of overall contract value, you cannot book a turnover. That is an accounting standard. So, the turnover has to come from the existing order book and we are looking to naturally increase the turnover but I cannot make a statement about the number.

Kenil Mehta: And what does it mean the debt has increased by approximately 100-150 crores? Is it due to the Switzerland issue?

Girish Gangal: See when we are in a restructuring naturally the accrued interest also got captured into a debt for which NCDs were issued. So that is the only change, otherwise overall debt has not increased.

Kenil Mehta: And whatever cashflow we get from the sale of highways will be used for debt or for the working capital needs of the business?

Girish Gangal: Both

Kenil Mehta: Ok understood

Prashant: Out of these 13,000 crores of orders; what are the quantum of orders that are old orders which we can consider as a legacy order kind of thing?

Santosh Rai: Prashant majority of these order are old orders, in fact barring some 300 crore, majority of the orders are more than 2 years old.

Prashant: What about the price escalation? Do the orders have a fixed price or is there a price escalation cause there?

Santosh Rai: No majority of our contracts come with price escalation causes which has some set formulas defined into the contract and those escalations are getting generated as a mechanism of that.

Prashant: Is there any order wherein we are operating in a negative profit margin out of these orders?

Santosh Rai: The order backlog has a mix of some profit making as well as some loss-making jobs but majority, I can say, those orders are very old orders, where we have some issues. Most of the orders which are currently into place are on the positive side.

Prashant: You say most of our orders are more than 2 years old right? So last two years we didn't participate in any tenders because of these financial difficulties?

Santosh Rai: I can say it was combination of what kind of orders we are looking for and also the focus of the company was more on stabilizing our current order book, making our operations more efficient, so we were focusing more on that side. And still if you see as compared to the turnover what we are making and the order backlog which was there, we have a healthy ratio. So, we do believe that now we should focus on creating some quality order book which we will be doing now.

Prashant: With these old orders we have done an EBTIDA margin of 14% right? Operating margin, right? So, we can consider this kind of margin for new orders and these new orders will be with more operating margins?

Santosh Rai: Again, we cannot make a forward-looking statement but I will say that past is a good measure of what we intend to do in future.

Prashant: No actually what I am trying to get at is that for these orders we can consider 13-14 kind of margins for whatever orders?

Santosh Rai: If you draw the historical numbers, you will also find that on a long-term basis the EPC businesses are generating that kind of low team number. And we expect to run our business at least up to that level or further improve it.

Prashant: Actually, when I see HCC's website and projects on your website, they are not regular EPC kind of projects right? So, what I am expecting is that we can do a higher team's kind of margins, like Venu Dams, these are not the regular EPC contracts? Even regular EPC guys are making 12-14% margins and we are doing the same thing right? So that is where my concern is and where I am a bit confused?

Santosh Rai: Prashant your right. As you heard me saying that, that is where are focus is. That we will continue to focus in line with our capabilities and of course we are going to aim you know to participate on more complex projects which allows us to make better margins. That's what our strategy is also.

Prashant: Promoters holding has come down to almost 18%, right? So, is there any plan to increase the shareholdings?

Rahul Shukla – Promoter shareholding has come down essentially by virtue of a fact that there has been some leverage which has now been discharged which has certainly given bandwidth for increasing shareholding and am sure in appropriate time that would also be considered.

Prashant: You say there is some kind of adjustment done at Steiner AG so what is the quantum of these adjustments?

Arjun Dhawan: So, I don't think we get into that level of detail but what I can say is that the large portion of this loss was effectively due to these two old settlements. And I am not saying 50-51%, Girish it would probably fair to say that this was well north of 75-80% was due to that. In fact, I would probably say that it was even more

than that. Usually, we don't get into that level of detail and I am making an exception to communicate that because I want all of you and stake holders to understand that this effectively was fairly extraordinary in its nature. The balance was due to the war and actually very unusual environment in Europe. Switzerland actually happens to be one of the heavens of stability but what has actually happened due to these very fluctuating rising rate environment, is that people, when it comes to an invest decision has taken a little pause button especially when it comes to real estate development. Steiner's business model is continuing to evolve into a much less risky construction model, we are actually into a real estate development model where we have investors commit to the projects that we are developing and what you will see gradually over a period of time is that the turnover in Steiner actually reduced because we have as part of our business strategy we have exited the construction business in the Eastern part of Switzerland completely. So, part of what you are actually seeing is a function of past settlements well as an exit from the construction business in Eastern part of Switzerland. And as far as our capital raising efforts are concerned and a return of capital efforts as far as HCC is concerned, we are considering some strategic alternatives with regard to certain parts of the Steiner business that will be able to allow us to raise capital and also consider return of capital to HCC as well.

Prashant: Steiner most part of the settlement is completed or is there anything more to go?

Arjun Dhawan: Again, that is not actually something I would actually like to comment on and it is also forward looking. But as I said, that might actually be something that we could consider in the next say 6 months as part of ordinary course of business but that it not going to be anywhere near as material as far as the settlements we have done, these are the two major material settlements that we have considered. I think we will comment on this a little more as we go forward. So, I just suffice to say that this quarter was highly extraordinary and our expectation is that we won't actually probably see something like this as far as any major settlements going forward that will skew our numbers as such.

Prashant: This was a huge amount right, considering the current condition of HCC, this is a huge amount and a concern for investors for sure as this is not a small amount. 250 crore is not a small amount, right? For HCC, we will require current financial conditions. So that's why I am asking for more detailed actions.

Mohit: My first question is that that government has come out yesterday with the budget about the voluntary settlement scheme, do you have any idea what kind of solutions are possible and are you looking forward to it?

Arjun Dhawan: No, I don't think it is probably right to speculate on what the details of this policy will be but what I think I can comment on is that the government is serious on dispute resolution, they realize that this is certainly impacted the industry

from cashflow stand point and I think the positive that we can look forward to is perhaps a substantial pendency in court will also reduce the burden there if this is offered to the industry. I do believe the fine print implies a certain, they had to obviously come up with thresholds which they probably will and I wouldn't even call it an amnesty, I think it is just a question of two sides coming together to say ok well we can actually close this matter out. And we will have to see what the details are and as far as we are concerned it's only once the details come out; we will actually have a sense of what that means. But certainly, what that does offer for us is another avenue. So, it may not be, we have done conciliations in the past right Mohit? We have done them with NHAI, we have raised a considerable amount of capital for the company as a result of that and at the same time it was a little painful for us because we chose to do it at a fairly challenging time in terms of liquidity, but we at least believe that we left a considerable amount of liquidity on the table. We communicated at that time, that, that was something we will only look at selectively going forward. I think that the intention of Government of India and Ministry of Finance, they are well intentioned, they have to obviously have it apply across industry, across varying kinds of projects. So, one I think we are in anticipation of something positive that will come and that will give the industry another avenue. We will have to wait and see what the fine print is.

Mohit: As we enter into FY24 and given that a lot of personnel, a lot of talent would have left us, are you looking to fill the gaps to ramp up our capabilities in the busy segment or let's say for new segments like Road, are we hiring more aggressively?

Arjun Dhawan: I will keep the answer very simple; we absolutely today don't have a talent issue. There was a short period of time where actually probably is longer you can say that the an EPC company where we had to perhaps not actually hire aggressively in our business acquisition department or in our engineering department because we had a period of time during our resolution plan that we had a sort of moratorium on our limit in terms of new bidding but that is something that we have since actually in anticipation of our closure of plan completely corrected and I can say very confidently while we continue to look at talent selectively and there is a huge interest by the way in terms of people wanting to join HCC and we have been very selective about our hiring at this point of time and we are basically satisfied with the talent that we already have for what we need to achieve.

Mohit: Lastly on the tender opportunity, if you can broadly touch upon how the tending pipeline is looking like and how you want to build the order going forward and the bids you have submitted roughly around 95 billion. What is the kind of nature of work? Broadly if you can touch upon that?

Arjun Dhawan: Back to Santosh.

Santosh Rai: So, in terms of how the market is looking, I can say Maharashtra is clearly one state where we have seeing lot of infra opportunities. The state is

announcing lot of projects and we are keeping a very close watch on them. Most of these projects are in the urban infra space that too mainly with urban transportation where the company has good capabilities. So, we will focus on that. In addition to that, if you look at the budget outlay also there is huge focus on railways that will bring lot of tunnels and bridge for railways. Railways traditionally has been one of the biggest clients of HCC. So again, that is somewhere we will focus on more and largely we are expecting these projects to be in North and Northeast where we have good presence. So, we will focus on those kinds of projects. Followed by that, the hydro space is again looking better with the focus on green getting more and more day by day. Lot of bids are expected to be in Hydro sector and that we will look into. Also, Nuclear Power sector where we are expecting good couple of opportunities to be floated through tenders soon and we will be participating in that. So, we will be focusing mainly within India and in areas of business where we have sufficient capabilities to execute those jobs.

Mohit: How is the metro looking like? Are the metro opportunities slightly lower going forward? What are the metro opportunities looking like in the next 12-18 months.

Santosh Rai: Metro is a function of, I can say two cities are coming up with metro, Patna is coming up with metro, Srinagar is coming up with metro. Wherever there are existing metro lines for example Delhi will go ahead with phase 5, Chennai is going ahead with expansion so would Bangalore do that. I don't see a drop in the orders or drop in the business in totality. But as HCC our focus is largely on underground metro. So those opportunities are in cities like Delhi, Mumbai, Chennai and we will continue to focus there. So will see a lot of metros coming in, I don't think they will go down.

Mohit: Are there any underground metro tenders which is expected in the next 12 months.

Santosh Rai: I think Mumbai will come out with tenders, Chennai is already in the process of bidding, Delhi will come out, Patna will come out, so will some of the UP client will come out with metros.

Mohit: Understood, Thank you.

Kenil Mehta: Just wanted to know we are making a 800 crores EBITDA on our standalone in our business and we are paying an interest of 600 crore and a 100-crore depreciation that makes a PAT of 100 crores. So, I want to know we are getting inflows and all and we have a 12,000-crore unbilled order book. So, unless we don't increase our revenue going forward, we are going to make a way lesser profit. So, wanted to know what are the things? Will our execution pick up in coming quarters or it is going to be stable around this number only?

Girish Gangal: I think I have answered this question in initial stages.

Speaker: I didn't get the correct answer, can you repeat that answer or Arjun Sir can say something on the inflows and the execution capabilities because comparing to earlier quarters we have been increasing our revenue size and suddenly we have seen a decrease in our revenue after the Joshimath incident and all. Compared to our peers, they have increased their sales 10% quarter on quarter and we have seen a decrease.

Girish Gangal: Let me repeat once again for your benefit, there is no decrease in the turnover as far as HCC is concerned for a December quarter as compared to September quarter. What you are seeing the high turnover numbers in the September quarter, it is because of the conclusion of a resolution plan which required us to transfer assets of arbitration award assets vis-a-vis the liabilities what we had with the lender. While transportation of the arbitration award assets, the interest amount on this arbitration award which was un-booked earlier got booked as a turnover in last quarter and because of this the turnover is looking on a higher side. Whereas as if you see the turnover, we had maybe around 900 crores of turnover, pure turnover I am talking maybe in the month of June, we had 1,000 crores roughly in September and we have 1,000 maybe 1,100 in the quarter of December. So, there is an increase, there is no decrease in the turnover. I hope you are satisfied with this answer.

Kenil Mehta: What was the reason for the rebidding of the Chennai order? Also want to know what is the order size in the next two quarters? As we have bided for 9,000 crores?

Santosh Rai: Those are all client prerogatives, you know sometimes they have not fully prepared with the bid and they have come out with it, then their own estimates may not be proper. So, it's not because, in those tenders 3 or 4 companies were the lowest bidders as there were 3 or 4 packages and client decided to recall all those packages. So, the reasons are best known to them and I believe they were not fully prepared and they had some change in technology and that's why they went for a rebid. That's your answer to the first question. Second question, how many orders we will win, I think we are targeting that this year we build a decent order intake but really, I can't comment on how much we will win as this is a competitive process and we have put our best efforts. But becoming L1 is completely speculative, I cant comment on that

Kenil Mehta: And how many orders for which we have bided till now? Which are in process?

Santosh Rai: I think we have currently won three orders which are which are re-evaluation, three tenders which are in re-evaluation.

Kenil Mehta: And also wanted to know as we are making losses our networth is going negative day by day so what are we going to do going forward? Are we going

to raise capital from Steiner you are saying or that will be a right issue for HCC again?

Girish Gangal: As far as standalone network is concerned, we have a positive network and it is growing, it is around 650 crores today. So, I don't know from where you are making this statement that the network is going down. Are you referring to consolidated network?

Kenil Mehta: Yes

Girish Gangal: Consolidated network is down; it is a combination of various entities what I have in my fold, it has nothing to do with the construction business only. One, there are legacy issues as far as the overall business is concerned, as you know Lavasa was there earlier, so there are some subsidiaries which are having those losses on account of Lavasa for which the network is down. And there is a temporary drift because of loss what Steiner has made in this quarter because of that network has gone down, it is a temporary phase.

Kenil Mehta: On our standalone basis, will our profit increase going forward? We are making a profit of 25 crores a quarter unless we are not going to increase our profits, we are not going to pay back our debt. So, will our margin increase which is 20% a quarter or will we get other income from our left-over awards?

Girish Gangal: Difference what you are referring to, the profit what we are having is on the basis of quarterly profits and basis of accrual of income and expenditure. The payments of liabilities of debt payments you are talking about is part of a cashflow which is a separate thing. Now how much will be the profit next quarter or how much will be the turnover next quarter as I said earlier also, we will try to make the best out of it but I can't make a forward-looking statement.

Arjun Dhawan: Girish I don't think we need to discuss this matter any further. I think all our stakeholders are well aware of our business plans to grow our order book and our revenues and our cashflows including what assets we have on our balance sheet and so I think that should suffice for the purpose of the discussion. I think we can move on to the next questions.

Mayank: Due to RP being passed the interest cost will come down so can you throw some light on that as I feel the interest cost where you are getting it booked here in the results as I can see the finance cost is something interest or how is it because you said something like till March you will not require any debt servicing or how it works?

Girish Gangal: The part which has already come down which you can see in the financial expenses, if you see the financial expenses for the quarter ending June and then see quarter ending September and quarter ending December, you will see the difference. Roughly 100 crores per quarter have come down.

Mayank: So, it was said like you know till March we don't need to pay something, is something related to debt you are talking about or how is it?

Girish Gangal: We have completed the debt resolution plan last quarter. In that resolution plan the first repayment is due only in the March quarter. That is the point what you must have heard earlier.

Mayank: So, like in the accounting statements, still you will be calculating that interest cost.

Girish Gangal: Accounting is based on accrual method of accounting and I need to calculate the interest cost. However, the payment depends on the terms of payment as per the resolution plan.

Mayank: So, you are talking about June right, so the standalone numbers the finance cost is around 243 crores.

Girish Gangal: Correct.

Mayank: Then if I am coming to today's one it is 235 so it doesn't make any difference right, you said it is 100 crore?

Girish Gangal: It is 140 crores today; I don't know from where you are taking those figures?

Mayank: I think I am looking at the consolidated one,

Girish Gangal: It is 138, if you see the finance cost for current quarter it is 138 and what was there for December was 247.

Mayank: Ok, so it is a 100 crore. Another thing is on promoter shareholding, was it due to IDBI sale which happened, due to some pending NCDs?

Rahul Shukla: I have already explained, you are right, the deleveraging has happened.

Mayank: So that was only due to the RP or how?

Rahul Shukla: No that has got nothing to do with RP, that was separate, from some other exposure that has been discharged the share sales and has nothing to do with RP.

Mayank: Ok Ok

Rahul Shukla: You can call me for more details if you want. I think I have already explained this.

Mayank: No, because last quarter also we have raised a concern we will take it offline but I couldn't get clarity but now we see that majority of the chunk has gone down to almost less than 20% now, so is there anything to worry.

Rahul Shukla: No as I said, nothing to worry about because it is a matter of this deleveraging in fact the good thing has happened that the promoters are completely free to take decisions and call with regard to many things including freezing their stake in the company and all that. So, it's the kind of baggage which has gone off the shoulders.

Mayank: One more thing is that are we still waiting for that approval because the lowest bidder, like for the Mumbai Train project, we were the lowest bidder and you said somewhere around 1,200 odd crores is HCC's portion so there was no declaration only it was in news so are we still waiting for a confirmation or anything? Or is it considered in today's order book?

Girish Gangal: No it is not considered in today's order book, though we are declared as the lowest bidder the order is yet to be issued by the corporation.

Mayank: Ok so is there any timeline?

Girish Gangal: We can expect shortly. I can't give a number of days etc. but we should expect it shortly.

Mayank: Ok so we are expecting on that approval as there was no announcement made as that was only in the news and any such order in pipeline like any bidding which we are expecting like already bid and we are expecting any news on that because we said like from last 6 months there is no new order which I can see now because the last announcement was somewhere way long, I think in initial start of 2022. Chennai Metro Rail and I got to know it is now gone into rebid phase.

Santosh Rai: There are couple of Hydroelectric Power plants where we have submitted our bid. We are expecting evaluation and bid opening result of that. Then also the lowest bid of this BKC station, that is also under process and further evaluation. Once this is also converted into a LOA, we will then be able to announce the award. So, we do believe that some of this should click.

Mayank: Because as per last couple of quarters we are focusing on more orders now, RP has been passed, you said like 6 months down the line we will have something but I am not seeing anything.

Santosh Rai: To be honest the bidding cycle has also got delayed because we were completely trying to match the kind of order we want to take and I can say there also has been some delay in the market in the type of jobs what we were looking for. We didn't want to participate on a plain vanilla road like this of which there are plenty of bids. But then we were looking for bids wherein we have right kind of competition and we have right kind of solutions to be offered to all clients. We have seen those bids are now coming out one by one. And you can certainly hope to see some good results in the future.

Arjun Dhawan: I will just add one quick point here without giving any forward-looking prediction, the fact is we are going to be focusing on jobs where the complexity of the job and our skill sets and our edge, means the competition of those jobs are going to be absolutely minimal because there is only a handful of people that can do that, that is number one. Number two we are looking at on an average, jobs that are slightly larger and as we get started in this next 12-24 months at least the ones that are of obviously substantial size, we would do a joint venture but the jobs that we are now focusing on is the jobs we are totally doing ourselves which is a clear focus will actually be probably fewer and will be larger and they will entirely be focused on a low competition, high margin kind of outcome. Which means that perhaps as a result of that it will a little lumpy in terms of as and when the project actually comes but when it does come, we are looking at those handful of jobs that we get to fill our order book, they will actually be at a very substantial margin that is going to end up suiting exactly what our business plans, our growth and our cashflow plans.

Mayank: Ok I think it is again a long-term statement that you have made because we were discussing that RP is being cleared which was a major hurdle which we had from last couple of quarters and it has now been cleared in September now, so we are almost like in March now.

Arjun Dhawan: You are right and I think that you will have to be a little patient there but as far as I am concerned I would rather basically that and Santosh is leading the network rather than we get, obviously you can search for perfection but we will actually get as good a job as necessary to actually ensure that using our working capital and our growth opportunities really wisely.

Mayank: So, you are still focused on joint venture?

Arjun Dhawan: Any jobs which are going to be probably 3,000+ crores in size anything that is probably about 2,000+ crores in size is something we will consider as joint venture, purely from a size balance sheet risk perspective. But our sweet score is going to be anywhere between 1,000-2,000 crores.

Mayank: Because most of the things are happening in a joint venture. It was discussed like we alone will be going in a bid in something like Nuclear and Hydro segment because we are not seeing any announcement it has been a long time now.

Santosh Rai: To what our Vice Chairman said, I think the point we are making is that jobs which are very complex and let's say where HCC's share alone is going above 2,000 crore to mitigate the contractual risks in such large jobs and I am assuming this let's say we are like 50:50 percent partner with our JV partners so jobs which are like 4,000-5,000 crores single tenders we will evaluate partnering on them in such a way that they mitigate some of the contractual risks but whereas projects, where the contract conditions are fairly balanced and we find that the risks are mitigated in a proper manner, that we will evaluate on a case to case basis. But our

current strategy is going to be somewhere, where we focus more on jobs which we can do on our own.

Riddhi: So, I had two questions, one was regarding is there any status update on Lavasa and the second is, is work going on, on your Joshimath project and is there any liability on your side

Santosh Rai: On the Joshimath side we are following the instructions of our clients and in terms of the state government and the authorities' orders, we are following those directions. So at the moment, the work is stopped as required by the client that is the status of the Joshimath. Lavasa my colleague Rahul can comment on that.

Arjun Dhawan: So on the first point, I just want to convey that contractually we are very comfortable in whatever the decision of our client and owner is and they have already communicated publicly that there is no connection between what has been happening with this job and what has been happening in Joshimath. This is something that has obviously been happening over many years and it is just that at this time it has been a little more considerable, so it has just raised concerns and we are just going to wait till they decide what they need to do. They are a large client, they are a world class company and I am certainly very comfortable whatever decision they take will be in the best interest of the country, the project and as far as we are concerned, we are not at all uncomfortable with regard to the outcome as far as that is concerned.

On Lavasa, look we are not involved in Lavasa anymore and in fact that as an erstwhile promoter of the project, we are not even in the flow of information in terms of where things stand and what we do have is all the public information. In terms of NCLT we believe that there is and from what I hear an NCLT order finalizing and closing the IBC process. It was expected in the last few weeks and it has not come yet and we certainly wish Lavasa the best and we wish whoever it is that actually wins this, there is a company that has made a bid and I believe that has been shortlisted and we hope that gets closed out, irrespective of what gets decided, there is no impact as far as HCC is concerned.

Riddhi: Thanks for the clarification. I also had one more question that should we expect any more unforeseen legacy issues like it happened in Steiner.

Arjun Dhawan: No, I already covered that part and I will just repeat for your benefit Riddhi, these were old projects that have been closed a while back and while I think that we could have probably had some of those issue seen through in court, we just thought it wise at that current time given some of the volatility that we are seeing in the macro environment to close those legal issues. These were projects that were completed years ago. And arguably yes, the amounts on the balance sheet were perhaps on the higher side we decided we were just going to move on with life and preserve our liquidity for growth rather than actually that. So, you know it is a considerable write-down on our balance sheet, we obviously on a matter of ordinary

course of business always have in a large construction business whether it is HCC or even Steiner we have completed a number of projects all over Switzerland. There are obviously projects in which there might be some minor disputes, there are obviously receivables in the balance sheet. We will be very selective about what it is we want to settle in or not going forth but as I said before at least over 60-70% of the impact this time was actually because of this issue in the past. And as we have decided in Switzerland to actually shut down the construction business in the eastern part of Switzerland, we do have as a result of that some amount of volatility in our earnings. But I suspect to answer your question very directly and I hope that we will not actually have something like this going forward. There is considerable amount of value and asset value in the business, it's obviously when a company has negatives, they also have to be positive. In this particular quarter you just saw a bunch of negative and so going forward I expect you will be certainly more pleased with numbers going forward.

Riddhi: Thanks a lot, quite helpful and all the best to you. We hope all the efforts are paid off.

Neeraj: Basically, two questions, one is on this arbitration claims and resolutions, they were certain cases in the supreme court, can you give us a status of those claims.

Arjun Dhawan: So, I don't think we go into the details of each matter, there, what we can say generally is that the courts are now back to dealing with things in a normal course which during Covid actually caused interruptions. And we do obviously look forward to all our matters in high court and now in supreme court to be expedited as early as possible.

Neeraj: But any thought or guidelines like when there could be an expectation of some decision.

Arjun Dhawan: We can't obviously comment for obvious reasons and it would very improper for me to comment on process followed by the highest court in the land as to when it actually chooses to list a matter and hear it. I mean we obviously know the tendency that exists in the Indian Judicial system. HCC has had its share of pain being in queue for many years and for many of our matters. We are hopeful that the court will actually be ceased on addressing some of these of issues and disposing them as early as possible. And what I can say that the vintage of our matters being fairly old, we hope that this year will be very meaningful in terms of some very meaningful disposals.

Neeraj: Just want to understand one thing, say suppose supreme court comes in your favour right, is there anything else that the other party can go to or that may be the ultimate decision.

Arjun Dhawan: No, the supreme court is the final decision. As a matter of law, there generally is as a matter of fact somebody can actually file a review and 99.9% of review petitions are thrown out effectively. Reviews are only entertained as a matter of law if there has been an error in submission of certain facts or there has been some gross miscarriage of justice. None of which are applies to all our matters.

Neeraj: And the last thing about Steiner, do you see any more surprise in the next quarter or so?

Arjun Dhawan: I have already answered this question, sorry can't comment any further.

Chetan: I have one suggestion from my side can we do something in the results which can smoothen out the margin part or profit part because of the arbitration award winning we take the revenue and then the margin jumps, so can we put a separate line for that sort of thing, so people can make out what is the actual operational profit and loss and these are the arbitration awards and these kinds of things.

Girish Gangal: The accounting is governed by the accounting standard issued by the Chartered Accounts Institution of India which decides the principal underline accounting as well the heads under which we one is supposed to report. So, it is beyond us to have a separate disclosures or additional disclosures within the format. And to decide on the smoothening what you are talking about the accounting of profit or loss of all these things, this is governed by the accounting standard.

Chetan: So, we can basically put a note on it.

Girish Gangal: No, it's a part of my overall business and the arbitration awards is nothing but the cost which I incurred and gets reimbursed in future. So, it is part of our normal business. There is no separate disclosure what we find it prudent to be required to be disclosed.

Chetan: So, this 15% margin is the normal kind of thing in standalone or it will fluctuate

Girish Gangal: As I said we are governed by the accounting standard, I mean, it's not we have any control on that, how to account and why not to account.

Arjun Dhawan: Chetan when we think about our business and the size of our business, the kind of projects we take on, we are looking at a low to mid teams EBIDTA margin as our sustainable margin for our construction business going forward. Now you might see a little bit of volatility around that depending on obviously seasonality and the arbitration awards that come. Those come with a lag obviously and we are very conservative with our accounting standard. So that's kind of the best answer we can give you at this point.

Chetan: But why can't we put a note for this particular amount or the arbitration awards we won?

Arjun Dhawan: We appreciate your suggestions and if that can be taken offline and we can discuss what we can review but at this point of time, this is how are reporting is. Happy to discuss this offline.

Chetan: Any fall out on new projects that may come out from Himachal because of that Joshimath incidence.

Arjun Dhawan: Not at all. I have already answered this question. The team has already spoken about this.

Chetan: I am asking something different, any new projects from this area.

Arjun Dhawan: You are talking about the pipeline projects. Santosh is in a probably better position to answer with Mr. Jaspreet Bhullar but I don't believe that we are actually looking at any new projects, it's not something I should actually be commenting on, so I will actually stay silent on it. But I am not aware of any pipeline of new projects coming in and around that area. Santosh can comment.

Santosh Rai: You are right Sir, I think we can expect some Road tunnels but not in those terrains, near Dehradun and all these places which are connecting to nearby places. That's all we can expect.

Arjun Dhawan: There is no impact on our business at all.

Damaniji: Because of my ill health, I just now joined, I did not listen to the proceedings that went before. I want to know two things from the company, that in the next 3 months how much we estimate to execute the project as we have done approximately some 1,100 crores revenue here in this quarter, so if you can give some light on this.

Arjun Dhawan: May I just interrupt and sorry for being impolite, may I request if you could please take this offline. Sandeep could you please connect with our investor and have the questions answered so that they are not repetitive for everyone.

Damaniji: This was answered, so I will be able to read in the con call.

Sandeep: Yes, that will be updated by tomorrow.

Dhawaniji: And the Mumbai Sea-Link road which we are constructing, I just want to confirm what I heard from outside, but are we working on that project also.

Arjun Dhawan: On the Coastal Road, yes, we are building part of the Coastal Road and all this information is available publicly and on our website.

Damaniji: So how much is the project worth which is allocated to us. Can I know the amount?

Arjun Dhawan: Santosh you want to give a precise answer.

Santosh Rai: The order value for the project is around 2,100 crores and the project is 54% complete by now.

Damaniji: Ok so it is going smoothly on? No problem? Ok thank you.

Santosh Rai: There are no more questions and we thank all the investors for being with us on the call and have patience with us. Thank you very much and look forward to seeing you in the next quarter.