Transcript of the Webinar held on October 29, 2024, to discuss HCC Q2 FY25 Results

Rahul Shukla: Very good evening, everyone. We welcome you all in this Analyst Presentation of Q2 FY25. And from company side, we are joined by our senior management, Mr. Arjun Dhawan- our Vice Chairman, Mr. Jaspreet Bhullar - our MD & CEO, Mr. Girish Gangal - our CFO, Mr. Santosh Rai, who is our Chief Business Officer, and Nitesh Jha - Company Secretary have joined in this call. I am Rahul Shukla, Vice President Finance. So, will take you through this presentation.

Before that, a quick refresher. As you know that HCC, with almost 100-year-old legacy, has completed various complex projects in the country and outside. As of now, we have completed more than 4,000 lane km of highways, 400 km of tunnelling, contributed to almost 60% of India's Nuclear Power capacity and 26% of India's Hydro Power capacity has been done by us. We are well diversified with having executed projects all across India in various states. Currently our 30 projects are also spread well across various states.

So geographical diversification is quite well evident. Our order book as of now is almost Rs. 9,800 crores. Again, diversified across various sectors, with as usual Transport leading the pie with, almost 47%, followed by Hydro 26%, Water, 22%. And Uttarakhand being a centre of Hydro projects leads the pie in terms of, geographical diversification, contributing to 31% of our current order book, followed by Maharashtra 18%, Gujarat 15%, and so on. And this order book of Rs. 9,800 crore is exclusive of Rs. 1,032 crore of recent LOA that we have received in the month of October for Agardanda Bridge project.

Key performance highlights for the quarter. So our standalone E&C turnover is Rs. 1,203 crores, versus, Q2 FY24 of Rs. 1,138 crores. So there is almost 6% jump. Net profit stood at Rs. 50 crore against Rs. 52 crore during same quarter last financial year. EBITDA margin is almost 18%, viz a viz last year's 14%.

Consolidated revenue is Rs. 1,400 crores against Rs. 1,800 crores, during last year, which essentially is because of contribution from a lower contribution from Steiner due to sale of construction business. At consolidated level, our profits stood at Rs. 64 crore against Rs. 6.4 crore during last year. Significant jump can be seen here. And of the operation side, also, we have received, project taking over certificate for DMRC, DC 06 project in Delhi. We have completed Southbound Arm of Mumbai Coastal Road Project, which got inaugurated on 12th September.

And as I mentioned, we have, received LOA for Agardanda project of almost Rs. 1,000 crores. In addition to that we are L1 in projects worth Rs. 3,860 crores. And a serious work is underway in Rs. 46,000 crore worth of pipeline, for which bids will be submitted subsequently. And in order to achieve this, our targeted order book for the year end ensuring growth that we are targeting, we have, started our process of QIP also as we had mentioned in the last quarter as well. And there has been some significant development. We have done our roadshows in India and abroad, and the investors are quite warmed up. In fact, our lenders have also put their best foot forward, and they have supported us by giving in principle approval to reduce HCC corporate debt guarantee to Prolific Resolution debt from Rs. 100 crore to Rs. 20 crore. Sorry. 100% to 20%. So, the debt Prolific which stands at around Rs. 3,700 crores today, for that debt, the corporate guarantee will reduce to 20%.

And you also know that HCC owns 49% of Prolific which holds almost Rs. 6,000 crore worth of claims and awards. So, and these are interest bearing claims and awards. In addition to this we have also received sanction letters for reduction of Rs. 307 crores of OCD, which will be a prepayment. And this will be settled at a payment of Rs. 234 crores. This will lead into annual reduction of interest by Rs. 35 crores.

So, this is another step towards accelerated debt reduction that we are working on. You can see consistent performance quarter on quarter, in terms of Revenue, EBITDA, PAT. And the console level also performance is consistent, except for reduction in revenue, which I described just now.

Operational update, in Coastal Road, as I mentioned that, inauguration of Southbound traffic has happened, and this picture represents, this segment launching work that is going on. In Delhi Metro, we have received project taking over certificate. Some pictures on that. Mumbai Metro, station completion work is going on, and work is nearing completion. In next few months, it will be completed. Tehri Pumped Storage Plant. This is India's 1st variable speed pump storage scheme, and Unit 5 machine spinning was done on 4th August. Vishnugad Pipalkoti, this project has also achieved a landmark of highest TBM mining of 509 m in the month of September.

Our financials, you can take a look. Broad numbers I have already mentioned. Consolidated Financials. Steiner, in this quarter, company has received, orders worth around Rs. 128 crore equivalent. Turnover was almost Rs. 200 crore equivalent, and PBT was Rs. 14.5 crore equivalent. That's it on the presentation part. Now we open the forum for question and answer.

Sandeep Sawant: You may please raise your hands so that I can allow you to talk. We are starting with Sanjeev Damani. You can unmute. Sanjeev ji.

Sanjeev Damani: Good evening, sir. And congratulations for lot of good development. And very happy to note that you are also planning and very close to getting newer funds. My first question is regarding, how much work is on hand which we can straightaway execute in the second half? Can I know the quantum of the total work? And we are likely to complete I want 2 amounts from you, pending work, which is executable in, the second half, and, how much we target to complete out of that?

Rahul Shukla: So, Sanjeev, I have displayed the order book position, which is almost Rs. 9,800 crores, which, everywhere the work is going on. However, we cannot mention the number, which is executable in next, second half because that will be a forward-looking statement, and we abstain from making that kind of statements.

Sanjeev Damani: Okay. Okay. I can now, where we are L1 in one of the projects, do you foresee that to start in this second half, or it may be in the next year only?

Rahul Shukla: It's execution start you're talking about.

Sanjeev Damani: Yes. Yes. The one, where we are so far.

Rahul Shukla: I will request mister Santosh to take up these questions.

Santosh Rai: Yeah. Sanjeev, this work I mean, works if it is our we are expecting these awards to convert in Q3. And the work will start you can say meaningful work will start only 4-5 months down the line after the award. Because these are all in design and build jobs, we have to do a lot of preliminary works before actual execution can start on the site.

Sanjeev Damani: Okay. So when we talk of Rs. 9,000 crores worth of order, it is including all our subsidiaries that we are talking about or the figure of subsidiary and our partners abroad is, to be added into this pending order.

Santosh Rai: No. This is stand alone for HCC. Rs. 9,800 is a stand alone order backlog position of the company as of this quarter ending? And this is the job what we do. Okay.

Sanjeev Damani: Yeah. I mean, a standalone for HCC, we have a lot of subsidiaries also. And then we have a foreign partner as well. So, there are also some pending orders are there, which will be executed, to be executed and readily available to be

Santosh Rai: No. No. That's not a part of this.

Sanjeev Damani: But, I mean, do we have a figure to disclose?

Santosh Rai: No. There is nothing like that because this is these are the works where we are directly involved, and that's what, we would like to go ahead with.

Sanjeev Damani: Okay. Thank you very much, and all the best, sir. Thank you.

Viraj Mahadevia: This is Viraj here. Congratulations on the continued progress. Quick question regarding you mentioned regarding the Prolific corporate guarantee reducing from, I think, Rs. 3,500 odd crores to 20% from 100%. What would the implications of that be on HCC and the working capital limits available to take on new projects?

Rahul Shukla: So, Viraj, as you understand, this corporate guarantee is a kind of contingent exposure. So, when the contingent exposure reduces, it it's a kind of derisking, which helps in raising capital and funding our growth. So now that company has started its journey towards accelerated order acquisition and growth, we never wanted this kind of niggling things to be there. And that's how this development has started unfolding and which will certainly help us in future growth.

Viraj Mahadevia: Understood. And is this contingent on your QIP fundraising going or is already in place?

Rahul Shukla: So it is linked with QIP fundraise. And, for that approval is already in place. And, once this process is completed, CG reduction proposal, we will complete our QIP process also. Right.

Viraj Mahadevia: And you mentioned regarding a Rs. 35 crore interest reduction. What is that on account of? Is it linked to this prolific CG, or is that something else?

Rahul Shukla: That is separate from this. So, I think in previous calls also somewhere we had mentioned that, utilizing money deposited in court against our arbitration is one of the way through which we can do accelerated debt reduction. This is one step in that direction wherein a few lenders are agreeing to give us bank guarantee, to withdraw that before their own repayment purposes. Naturally, since they are getting prepaid, we are expecting some kind of yield waiver or some kind of waiver from them. In that process, some success we have seen, which we have disclosed here.

Viraj Mahadevia: So they're giving you credit against arbitration awards that are outstanding, but not yet won. Is that my understanding?

Rahul Shukla: So there are arbitration awards against which money is already deposited in court. Now bank will give us bank guarantee Which will put in which will be put in court as a security, and court will allow us to withdraw that deposited money.

Viraj Mahadevia: Then you repay the bank. Lender. Absolutely. Understood. That will reduce your your quarterly interest cost by 35 crores?

Rahul Shukla: Annual. So right now, that the amount that I mentioned around 307 crores of sanction letters are there. When we pay this, prepaid prepaid this 307 crores. At the rate of 11 half percent, this will be annual annual interest reduction by Rs. 35 crores.

Viraj Mahadevia: And currently, our annual interest cost is about Rs. 600 crores, I think.

Rahul Shukla: So in terms of interest cost, if you say, it will be, around Rs. 350-370.

Viraj Mahadevia: Okay. You just said 35. Now you're saying 3 okay. I didn't understand that last point.

No. You mentioned you asked about current annual interest in excess of 317.

Viraj Mahadevia: Correct. Okay. So about a 10 little over 10% reduction in annual interest cost. Yeah. Right. Okay. All the best. Thank you. Thank you.

Arjun Dhawan: I just wanna add one, one quick point. There's two forms of capital. Obviously, capital that comes in the form of equity, which we will now basically be judiciously using for, growth and substantial you know, that's given the substantial visibility we have on, on our on our future and very near-term order group. And, the other is, as you referred to Viraj, there is clearly when there's an evaluation, obviously, with regard to working capital limits while HCC, you know, HCC's banks are fully supportive of whatever requirements that HCC will have in the future. Certainly, when evaluations do take place from a credit perspective, from an investment rating perspective, all of these criteria actually just boost substantially HCC's ability to have the required working capital support also as well.

Viraj Mahadevia: Absolutely. I'm assuming you'd go Arjun, for the credit rating review once all this is

Arjun Dhawan: Absolutely. And that will you know, as with these events, hopefully, if we're able to execute them, you know, in in the short term, that's our expectation. You will, you know, hopefully see as a result of that a substantial basic increase in our credit rating as well.

Viraj Mahadevia: All the best.

Arjun Dhawan: That itself will basically, obviously, look to lower the cost of interest, and our plan, right, really besides the growth is to deleverage the company as early as possible.

Viraj Mahadevia: Yep. All the best. Thank you.

Deepak Poddar: This first topic you see in terms of revenue we have seen de growth both in Q1 and Q2. So for this entire year, any sort of range we are looking at in terms of execution, that would be very helpful. And what sort of margins we are looking at? Yeah.

Arjun Dhawan: Sorry. Just Rahul, before you go. I think that one of the things that we've answered when we've done the road talking to investors, and we'd like you to sort of really look beyond, you know, fiscal 25. You know, it's mathematically, you have a sense of what our current order book is. You know very clearly that any new orders we have in will actually take at least 6 months, you know, to actually start flowing very positively into our P&L and our cash flow. So, to some extent, while you might see, some of that basically impacting the next couple of quarters, you know, our point to you is to look beyond that to kind of the order book that we will build and the earnings that will actually come that will follow that. Now I'll let Rahul address the question regarding earnings of margins. That generally is, you know, historically, on the EBITDA side, has been in the low to mid-teens, and that's what we look to kind of expect to do in the near future given the lack of competitive intensity in the areas that we have an edge in and that we will continue to basically execute on.

Rahul Shukla: So, Deepak, I hope that addresses your question also. So, we essentially are not really looking at very much of a growth in this particular financial year because of limited number of projects in order that we have. But certainly, our expectation and our target lies on our growth for which we have mentioned about the project, this order with pipeline and all those things. And our order booking in this financial year will be something that will set the numbers for the coming financial years.

Deepak Poddar: Correct. Correct. So, the current order book of Rs.10,000 odd crores that we have, what is execution timeline of that if you have mentioned it

Rahul Shukla: 2-2 and a half years is something that we will be completing.

Deepak Poddar: 2, 2 and a half years? And a lot of that project will start, basically, that you mentioned in 4 to 5 months. Right? Meaningful work will start, basically.

Rahul Shukla: No. So this order book that you are seeing is already under execution.. Yes. One new project that we have mentioned, Rs.1,000 crore, is not included in this Rs.9,800 crore. And this is Santosh Rai just mentioned, execution will start subsequently.

Deepak Poddar: That is the Creek Bridge Right? Correct. Okay. Okay. Fair enough. Yeah. That's what I had hoped. I think that's it from my side. All the very best. Thank you. Thank you, Deepak.

Bharat Mani: Hi. So my first question would be on the Steiner AG Real Estate Development Party. I guess you had appointed some investment banker to do some strategic initiatives. So, is there any update on that?

Rahul Shukla: So investment maker is there. They are looking for, options to divest. Naturally, you want to divest, and we'll update whenever there is an opportunity, something that we can do. Okay. Okay.

Bharat Mani: So, my second question would be on the PSP projects. So, I recently read an article where, 2 PSP projects, DPR, were awarded in record time. So, what are we doing to, you know, capitalize on this opportunity of the government, you know in this PSP sector? Can you just elaborate a little.

Rahul Shukla: Santosh, would you like to take it? Santosh, are you there?

Santosh Rai: Sorry. Can you repeat the question, Deepak? Which you

Rahul Shukla: The question is on PSP. So Deepak mentioned that there are 2 DPRs which are there on the market. So, we are going to take care.

Santosh Rai: Look. I think PSPs as a sector, we are looking at them, and we are engaged with various forms of clients. They are they are themselves private power producers and also government, itself is coming up with some schemes. Just as a matter of information, you know, we are constructing 1,000 MW Tehri PSP, which is also into the final stage of completion now, which gives us an edge. We are in discussions with some, very well renowned, I can say, private power sector players. We have also formed some strategic joint ventures, which you will come to know very soon. And we are we are looking at the sector because it is offering a huge potential. We are clearly seeing that there is an engagement to bid for nearly, Rs.12,000 -15,000 crores, in this sector in coming 6 to 8 months.

Bharat Mani: Okay. Okay. So, just one question on this. So what are the, project cost per megawatt in in the PSP?

Santosh Rai: Look. I think this is a very specific I mean, this will all depend upon how the original project is, what kind of, strata we are dealing with. I won't say a fixed number to it.

Bharat Mani: Can you just give me a range?

Santosh Rai: Maybe we can take a range like, 5 to 7. Yeah. Because it all it actually depends, you know, because let's say we are we are having a soil versus we have lot of rock. How much is the distance where the pumping is to be done? That's important. How much is what is the size of reservoir we are creating on the, you know, topside? So it's all a function of that. Because and also how much capacity are we really adding? Because sometimes by doing all this still, if you are not adding a good capacity, your per megawatt cost vary a lot.

Bhart Mani: Okay. So the turnaround time of PSP is lesser than hydropower projects. Right? So that's why you're looking pushing for this mode.

Santosh Rai: Yes. Yes.

Bharat Mani: Okay. Okay. So the other question was the, regarding subcontracting cost. It is in quarter 2, it was around 54% of the revenue, and last quarter, it was around 65%. So what is the reason for this much of a decrease? Is it because of the lesser project execution, or what was the reason?

Girish Gangal: Yeah. Good evening. See, subcontract cost is a function of which type of project and which type of, sort of a strategy we are adopted for a particular project. So, if at all a particular project is a subcontract in, you know, it was lot of subcontracting. And if that gets executed, naturally, my subcontract cost will go up. I'm giving only a example of a one project. But, like, if you collect all projects put together, this subcontracting cost will move accordingly. So, there is no, you can't apply a percentage that, you know, it depends on my execution pattern also. A particular project may be where there may be no subcontract at all. I'll be executing myself. And in some cases, I may have a maybe 60-70% also subcontract. I'm just giving her just a number. So, you can't judge, you know, unless, you pick up, you know, overall.

Bharat Mani: Okay. So, one last question for myself. So what will be the year end total debt that you see? It is currently at 2,102 crores. So No. How much is it by your rate? No. Yeah. Total debt.

Girish Gangal: Debt we consider debt including accrued interest. So that that is that is roughly Rs. 3,600 today. Okay. Okay? And we can expect at least, maybe just the expectation without considering any further, repayments what we are planning. On a on a regular basis, it should be around Rs.3,000. However, we are trying to prepay also as Rahul had mentioned in earlier, you know, with, various other options. So, in that case, this debt can go substantially down.

Sandeep Sawant: Hello? Jinesh, you're not clearly audible. Oh, there is a disturbance. Oh, Oh, we can't hear you at all. We can't comprehend what is. Jinesh, I suggest you can, directly talk to Rahul. Bharat, do you have any additional question, Bharat Mani? No. No. I don't have. Okay. I suggest Bharat can talk to Rahul separately. Rahul, we have don't have any more questions, please.

Rahul Shukla: Okay. So, we will, close this, session now.

Sandeep Sawant: No. Just a moment. Ashish had just raised hand. One last question. Ashish?

Ashish Shah: Yes. Yes. Hi. Am I audible? Yes. Hi, Rahul, and hi, team. I just want to maybe you know, I'm not sure I may have missed that part. I got disconnected. But can you explain a little bit on this, you know, reduction in the corporate guarantee for the high doubt debt that we have mentioned in the PPT? Can you elaborate a little? Can you explain a little on that, please? That the only question I have. Thank you.

Rahul Shukla: So, when this resolution plan was implemented, Ashish, a portion of our debt got transferred to quality resolution private limited, which today's stood at almost Rs.2,700 crores. HCC has given corporate guarantee to that debt also. While it doesn't affect us directly, there is enough claims and awards, which is there, which is also carrying interest. So, there is sufficient, amount of receivable that is there in that SPV to take care of that liability. But still, 100% corporate guarantee to that debt is a kind of contingent exposure that is there. However, now lenders have principally agreed that they will go to their board and, try to get it reduced, and that is the process which is going on and which we are optimistically looking at. And once that corporate guarantee is reduced from 100% to 20%, naturally the contingent exposure of HCC goes down significantly from Rs. 3,700 to almost Rs. 600 crores. And that, that really helps, when investors look at HCC, investors like you or anybody else looks at HCC.

It becomes a clean slate kind of company for any future contingent risk. So, this derisking is essentially been done from the point of view of essentially making HCC investment friendly, more lucrative for investors as we are in the path of the growth wherein we might have to reach raise capital in future as well apart from the current QIP that we are working on. So this this all has been put together, and now we are here that the process has started.

Ashish Shah: Sure. I understand these things can be, you know, quite difficult to predict, you know. But what's your sense of the timeline, if any for this to happen? I mean, what's your best sort of an understanding at this point of time?

Rahul Shukla: So best understanding will be end of November. It's something that is our internal target. But, obviously, as you know, lender approval sometimes take more time. So but our target is end of November that we are working on.

Ashish Shah: But you already had some initial round of discussions, with

Rahul Shukla: Yes. Yes. Many discussions have gone have happened. K. And that's how, the consortium of lenders have in principle accepted up, and they're taking it up internally in their committees.

Ashish Shah: Got it, Rahul. Thank you. Thank you for this, and all the best. Yeah.

Jinesh Kothari: Yeah. I had a couple of questions. So, this, this quarter, I see your margins, moving, substantially higher, stand-alone margins. So, is there any onetime income that we have booked in our revenues or something, onetime income? So that is increasing our margin, or is it purely on the operational purpose?

Rahul Shukla: So, there are couple of awards that we have received. So, while our operation margin remain intact where they are, slight bump is there because of couple of awards.

Jinesh Kothari: So, if it is possible, to quantify those amount of awards that we booked?

Rahul Shukla: So awards are contributing almost Rs. 300 crores of listing turnover, and margin wise, proportionate percentage, maybe Rs. 40-50 crores will be there. Great, sir.

Jinesh Kothari: And, sir, on the second part, you mentioned this about the 20% reduction in the contingent exposure that we have. So, from 100% to 20%. So, we I believe a lot of our non-fund based facilities will get free up. So, would there be any additional, finance cost saved on this and if you can quantify that too?

Rahul Shukla: Sorry. I could not get your question. Can you please repeat?

Girish Gangal: I think, Rahul, I'll answer that question. See, Jinesh, the corporate guarantee deduction, the corporate guarantee does not attract any you know, it's not issued by the bank. There's no commission or bank or any commission payable on that, so it will not impact the financial cost.

Jinesh Kothari: Okay. Yeah. Okay. Thank you. Thank you.

Viraj Madhavi: If I may, regarding Steiner, I think this question was already asked. Is it possible to disclose where you are in terms of that strategic evaluation with the investment banker? At what stage of the sale or the monetization process?

Girish Gangal: I think I'll take that question. Let's cross the bridge when it comes. I know it will be too early to comment either way. Okay? Let surprises be surprises, isn't it? Yeah. Yeah.

Viraj Madhavi: Have first round bids already come in? Has diligent started? I mean, just broad Yeah.

Girish Gangal: Everything is everything is going on, as expected as expected. Okay? So we we'll we'll see at you know, as soon as we have better idea which we can share with you, we'll definitely share in the earliest.

Viraj Madhavi: Thank you. All the best. Thank you

Kunal Tokas: Alright. Just a question on your, subsidiary HCC Infrastructure. As I recall from the annual report, HCC Infrastructure was looking for more toll road projects. So, any news about that or what the future of that subsidiary will look like?

Rahul Shukla: So, Kunal, we are going to be very selective as far as these, BOT projects are concerned. Not really, keen on those things. Our current focus is completely on E&C business. However, depending on, if there is some very good opportunity which, really feeds into our E&C order backlog in a big way, plus there is support from equity investors, the capability lies. And we are certainly in a position to take a BOT assignment without, putting any burden cash flow burden on HCC. So that selective evaluation is going on, and we will look for very selective opportunities.

Arjun Dhawan: Look. Let me just add, another quick perspective on, you know, with regard to PPP. I think that it's, the PPP program in India is an essential part of the infrastructure development of the country. It will only continue to increase and scale up. As far as HCC is concerned, our focus is at least in the short run over the next, you know, 2 to 3 years until we completely deleverage the company. We would be a little reluctant to actually have a large amount of capital locked up in arguably a higher yielding BOT investment. That said, I think that we are very very clear that our focus on supporting BOT and PPP is clearly there. We understand our price risk.

We understand exactly the entire development cycle. We've had a fantastic record track record in developing BOT projects. And that's precisely why we have a number of partners that are interested, whether they happen to be private equity or they happen to be strategic, in wanting to actually partner with us, not only from a point of view of providing their support from an EPC partner perspective. And in some cases, by the way, you know, when we actually look at our working capital lockup, we think about basically potentially partnering in some small way in a BOT project where we potentially are not just an EPC partner, but we might actually take a smaller interest. That has to kind of be aligned with our working capital and our return on capital criteria, the same way we will look at an EPC project.

And in many cases where we are actually seeing our larger development partners, whether it be strategic or financial, start to take some more sort of you know construction risk. We are actually, you know, we have handshakes and, you know, already with a number of partners where you will see us participate in BOT projects. But when you do see that, you need to rest assured, as Rahul said, that we're not gonna have large amounts of capital locked up until such a time that we're substantially cash surplus and large and, quite debt free.

Kunal Tokas: And just to confirm, you think that this year of FY25 will be muted into account, taking more orders and the major jump could be seen from next year onwards or even later? Or is that right?

Girish Gangal: No. I think you misunderstood the answer. What Rahul has said was about the revenue for the year, not the order intake. Order intake will continue.

Kunal Tokas: Revenue booking will be muted. Yeah. Yeah. That's what it is. Okay.

Avinash Nahata: This, this 20% corporate there's a follow-up on this 20% corporate guarantee thing. So, the payoff from the stand-alone balance sheet of Hindustan Construction or the, if I it's not a payoff. It's, the deliverables from Hindustan Constructions balance sheet is, predicated on the raising of QIP. That's the only deliverable for that corporate guarantee to come from 100 to 20.

Rahul Shukla: So, basically, reduction in corporate guarantee will happen, even before raising that capital. It's just that we are waiting for some of the lender approvals after that, that will happen first.

Avinash Nahata: No, sir. I understood that. So my question is? I mean, why are lenders coming from 100 to 20? I mean, strengthening of balance sheet is what I can understand. So, if any, you can put more color to this.

Arjun Dhawan: Let me just give you let me give you another perspective. One of the one of the commercial aspects, right, is obviously, you know, HCC strength and success will only then basically end up, generating a high investment grade rating for HCC and a greater growth and ability to actually then have prolific as a 49% subsidiary further supported. Right? So I think both companies have a somewhat symbiotic relationship because all the claims and awards that we are we are actually fighting to actually receive and accelerate, you know, by HCC's efforts. That's number one. But at the same time, what we have actually done to keep incentives aligned is some portion of the equity proceeds that we will raise. Very small portion is what we would actually use, you know, to provide as a loan to Prolific, you know, to end up prepaying some of the installments that we have for the for the debt basically in FY26. So it's a limited amount. It's basically less than, approximately 25% of the equity that we raised to a certain amount will actually be provided as support for Prolific. So what we actually do is achieve a result both lenders basically in Prolific, but also for HCC, and then we have, you know, a combined success for both companies.

Avinash Nahata: Yeah. That's well understood. And, if the team can, again, make us understand, I have slightly, not got the thing that Rs. 35 crores of interest saving. If you can just explain in half a minute the modus operandi.

Arjun Dhawan: it's a proforma annualized figure just to give you a sense as to what so we have our regular debt repayments that happen at the end of the fiscal year. During the during the fiscal year and over the next couple of years, we will make a concerted effort to now start prepaying debt. That prepayment of debt could come in various forms. It could come, you know obviously, equity capital is expensive. We preserve, you know, all of that for growth. But if there is, for example, the ability for us to procure through arbitration awards or through settlements, monies from court that would then come to prepaid debt. That would immediately, basically, then have a deleveraging effect. But then what we're doing for you is we're going one step ahead to actually point out that not only will debt come down by Rs. 300 crores, which is nearly about 10% of our total debt by just this one transaction, but it but the annualized interest proforma on an annualized basis will come down by that amount as well.

Avinash Nahata: So I got the thing. Rahul explained the modus Operandi so how do we get these awards here. Is how do we get this?

Arjun Dhawan: So, you know, we've so we've talked about this a number of times before. We've got when arbitration awards, when you receive an arbitration award in your favor, it generally takes about 3 to 4 years to actually make its way, conservatively speaking, through the court system until which time when it gets upheld, then you get your monies released. There is an accelerated way that you can actually take those monies out, and that is basically through an execution petition where the then, counterparty, the client, has to deposit the monies in court. And we can, on the submission of a bank guarantee, take that money out and use it for the company.

Now as part of our understanding with our creditors, because we had that liability and asset mismatch with regard to awards and claims in our debt, our banks have issued us special guarantees, which we will then use when we actually have awards so that we can procure the monies from court, and then we can use those monies to actually prepay our debt. So, this, for example, this particular sanction that we've received is just one of many sanctions we expect to receive when we actually have excess money sitting in court to use that to prepay our debt. Does that make sense?

Avinash Nahata: So this will just involve a fee in terms of, bank guarantee. To actually the entire process.

Arjun Dhawan: To be nominal fee for us for a bank guarantee, but what you will see is a substantial deleveraging and a boosting in earnings and a boosting in liquidity. Okay. Thanks.

Avinash Nahata: Appreciate it, Thanks, sir.

Arjun Dhawan: Of course. Anytime. Just wanna take the opportunity before, yeah, before, our corporate communications, you know, abruptly ends the call. Just wanna wish you and all your families a very, very happy Diwali, and all the very, very best basically in the coming New Year.

Tanishq: Wanted to confirm, like, reduced your 25% of the divided money raised, go towards a subsidiary repayment?

Rahul Shukla: That's correct, Tanishq.

Tanishq: Yeah. So, also, could you give us more outlook on your tax rate? That seems high in the past 4 quarters. So, you know, it would be helpful. How should we look at it going ahead?

Girish Gangal: I think see, the till last year, if you when you're comparing, are you comparing with the same quarter last year, or you're comparing with last quarter of this year only? So that I can answer very specific.

Tanishq: I think, both last four total seems high, and then it was very low, and then it was high in the 4 stage.

Girish Gangal: It is like this that we have substantial, brought forward losses available for the company, okay, which we can set off again the income what we earn during the year. So that's why there are no provisions which are there in the past as far as that account is concerned. But since we are following a regime, which is either you have to pay tax on a regular income or you have to pay on a MAT or book profit tax, whichever is, you know, higher. So, though my regular income setup happens to my broad forward losses, if I have a book profit, I have to pay tax on that amount. Okay? So, because of this book profit coming in last year as well as this year, if you see 31st March also had a book profit, and this year also have a book profit till September. That's why the provisions are high. It is coupled with few changes in the tax laws also. One of the law is, if you know this, capital gains tax had been changed effect from July 24 wherein instead of indexation benefit, you are only supposed to pay tax at a flat rate on long term capital gains. So that also affects a notional competition on deferred tax liability. So, these are the various reasons for which this there is a tax increase pursued tax increase rate as far as compared to the earlier. Is it a sufficient explanation, or you would like to know something more? Oh, thank you.

Tanishq: I think it was comprehensive. Thank you. Thank you so much.

Pratik Kothari: This is Pratik Kotari. Thanks for taking my question. Just wanted to understand, you know, for the coming years, if you can give some colour on, which segment will be a growth driver for us. And lastly, a little bit on the nuclear power, EPC mandate that we have in our order book, And how do you see that growing, in the coming years?

Rahul Shukla: Santosh, request you to take this question, please.

Pratik Kothari: Yeah. The question is that for the coming years, which is 25-26-27 in the EPC segment, where do you see our majority growth coming from in the order book, slash revenue recognition happening? That was my first question. And the second was, you know, we have shown around 5% of the order book, to be in the Nuclear Power sector. So how do you see that progressing ahead in the next couple of years? If you can just give some colour on that and kind of margins, we are looking in that segment.

Santosh Rai: So, first question, I mean, how do we see our position and everything in 26-27? And I continue to foresee that transport segment and hydropower, these two segments. And Hydropower would be a mix of, you know, Hydropower projects as well as PSPs. Transport would be largely ruled by Railways. Railways will bring out lot of surface as well as underground transportation network. Roads will continue to do whatever, you know, is happening, and I think that program will further get strengthened with more PPPs and other I mean, HAM projects coming in. EPC, anyway, is on a, you know, downward trend. But Road is a sector that you will see some growth. Somehow for us, the majority of the volume would be coming from railway projects, which would be a mix of tunnels and bridges. There will be lot of focus on Metros and which we will continue to participate into. That will be underground metros largely, plus overground. And, of course, urban infrastructure transportation projects, which are like elevated corridors within cities and everything. So this will, in my view, approximately will continue to be 40 to 50% of our business going forward. And that is evident even in the order mix today also.

Nuclear, to the second question, what you asked, Nuclear, look, it's a very specific kind of business. And though the government is planning to, you know, do a lot of things in that, the nature of the business is such that you get 1 or 2 projects announced every year. And right now, it's a very it's a heavily controlled segment. Department of Atomic Energy is owning on the design drawing, and NPCIL is implementing body through which all the projects come. So, we I see that this segment will continue to be like this. Maybe the sizes of the projects will keep changing, and the government will experiment with different types of, you know, modes what they can use for procurement. Maybe what I mean to say, some large projects, some stand-alone projects, that's how they will keep bringing. So right now, you know, there were few jobs which were very large size.

At the same time, now they are coming up with small jobs, which are like Rs. 2,000 crore, 3,000 crore. And let's say, NDCT, other things will keep coming. So, on an annual basis, if you ask me, nuclear sector could be, like, only civil, I'm saying, because nuclear sector is very big. But civil wise, it could be, like, you know, Rs. 15-20000 crores of opportunities coming every year. Within that, we shall be in a position to secure, you know, Rs. 2,000-3,000 is what I clearly see.

Pratik Kothari: Understood. Understood. Thank you so much, and all the best. Thank you. Thank you.

Saras: Yeah. This is one question. The trade receivable seems to have gone up substantially. Y-o-Y business. If I'm not wrong, I could just check the in a very short time. So Rs. 1,000 odd crores in consolidated, cash flow statement that credit receivables. Any reason for that?

Girish Gangal: See, you need to see, this 'Ind AS' accounting requires you to project this account receivable at 2 stages. One is current and one is noncurrent. What do you mean by current rate receivables, which are due or receivable within 1 year, and which is noncurrent, which is the receivable beyond one year. Now this composition keeps on changing depending upon the situation. Just to give an example, during this quarter, we have received certain awards. Now they will stand in my current receivables because as on date, there is no appeal or there is no objection filed by the clients, again, the same. In case the client files your objection within the statutory period of 4 months, okay, then it is going to take a longer period to realize. So that will shift from current to noncurrent. So, if at all you are to see the overall scheme of things, the account receivable, you should see totalling both current and noncurrent for both the periods. You'll find no much difference. What you are talking about Rs.1,000 crore, it'll be only restricted to the accrued interest as well as some portion what you received during the quarter.

Saras: Thank you. Yeah. Just to continue that nuclear thing, which my predecessors were asking, we are asking. In this budget also, they had announced for a small nuclear thing. So, is it, a ground level something is happening or, nothing of that sort is there?

Santosh Rai: On nuclear sector? Look. We are already seeing, you know, for example, the already existing plants which are there, like, Gorakhpur is under construction. So, they have come out with, you know, the next stage bids for that. There are a couple of more bids which are in pipeline, but they're all around the, you know, Indian program, which is there. We are not seeing any movement on any foreign program, like, which was, like, with the Americans or with the French.

Saras: Yeah. I mean, I was actually sorry to interrupt. I mean, I'm referring to that budget speech, which they mentioned that a small nuclear thing will be the modular ones.

Santosh Rai: you are talking about the modular ones. Yes. Yes. I think this is still under, you know, this is a good thought, and this is still under our discussion stage that, how, you know, this can be implemented because when we are involving a private party into that, they want, you know, the technology to be still controlled by them. And then on the what the idea is to, you know, have a private player who can fund some other parts of it and run the show, but then how does the liability gets transferred and everything? These are all still under discussion. There has been some movement and but they're all at discussion stage.

Saras: Nothing concrete?

Santosh Rai: No. No. I think, we did have some meetings with our clients, but we didn't sense much of, you know, you can say concrete coming out of that. Thank you.

Balu: Yes. Yeah. Congratulations on the good set of numbers and the continuous improvement in the company. I think in the middle of September, we had got an approval to raise QIP. I just wanted to know the timelines for the, you know, finalization of the QIP.

Rahul Shukla: So, Balu, tentatively, looking we are looking at, this end of this Q3. By December, we should be able to complete QIP. Okay. Thank you.

Kapil Agarwal: Good evening. This is regarding that; we are having unbilled revenue of approximately Rs.3,000 cr. So that is approximately half of the annual turnover at present on a standalone basis. So, it's normal or in, future also, it will be like that only?

Girish Gangal: Are you referring to the consol results, or you're referring to the stand alone basis.So stand alone, it'll be Rs.2,000 crores roughly, if I'm not wrong.

Kapil Agarwal: So it's Rs. 3,000 something. Rs. 3121.

Girish Gangal: Okay. See, it has a see, the accounting, what is required to be done as far as WIP or the work in progress is concerned is based on the accounting standard ‘Ind AS’. Recognition of revenue 115. So wherever we are to, we have to follow a particular method, call input method or output method. Okay? So it require that wherever I have I have incurred expenditure under a contract; However, I have not built to the client because I have not completed a particular milestone. You know? Suppose I took I have to build only once I complete a 5 km of road. Okay. But I have done a work for complete 2 km. So, the work has been already done. Whereas I have not I'll not be able to build a client. So, at that point of time, estimating the profitability of that project, you have to build in a WIP. For a fair accounting that you will eventually get this much of, you know, billing. So that is that is one part. And the other part is a regular WIP, what you have completed, for which you are yet to bill to the client. So that is generally 1 or 2 months, billing cycle for which you'll have a WIP, which is around Rs.1,000 – 1,500 crores. Roughly, I'm not getting into the individual, you know, breakup. One is account of that, what actual work order you completed, yet to be billed. And second thing is the actual expenditure you incurred, but you are not in a position to bill because of the contractual condition or the milestone. And you require to account WIP based on the 'Ind AS' accounting.

Kapil Agarwal: I got it, so I just want to have an idea that, like, our, stand-alone basis, our quarterly turnover is Rs. 1,400 odd cr. And that unbilled revenue is Rs. 3,100 cr. So, it's more than double of the quarter turnover. So, it's normal for us?

Girish Gangal: It is, I mean, if these numbers, you know, I mean, I am not yet confirming the numbers. I'll have I don't have the numbers in front of me, but it generally, it should be Rs. 2,000, 2,500, not more than that.

Kapil Agarwal: Okay. Yeah. Okay. Thank you.

Kunal Tokas: So, it was, told that, the L1 project should get converted into orders in Q3. So, those will be new orders? Apart from that, what is the sort of quantum of new orders that we expect in the remaining two quarters of this financial year?

Santosh Rai: So, Kunal, the L1 position is where we are is approximately Rs. 3,700 crores. Right now, one of them is a hydropower project. Another one is a transport project. In addition to that, we have submitted bids in, you know, metro segment, then we've also submitted bid for a port project, for a PSP project. So, our estimates are that, you know, in addition to this current LOA which we have received for Rs.1,030 crores plus this L1 position, we should be looking at a number which is around, you know and, of course, this is like an estimate. Around Rs.10,000 is the kind of number we are looking at for the whole year. No. For the whole year.

Kunal Tokas: For the whole year. Okay. Got it.

Girish Gangal: Thank you. Yeah. Just a clarification, we're asked a question on WIP. The first question whether we are talking about console or a stand-alone. So, the stand-alone WIP is Rs. 2,148 crores to be precise, not Rs.3,000. Rs.3,000 is the WIP for the consolidated number.

Pratik Kothari: Sir, hi, Pratik again. Thank you. Yes, Pratik. Sir, I have one more question. This was regards to the total outstanding that they're showing to Micro Enterprises, right, which has gone up by almost about 29% from Rs. 2,400 to almost Rs.3,100 crores, Rs.3097 as I see. So, is there any plan to sort of bring that down, or are we waiting for, you know, the QIP arrangement and the funds to come in? Because apart from prepayment of debt, I think, you know, faster execution, if you can throw some light, if you were to is there a plan how to reduce this also? Because this looks to be a very substantial chunk higher than the borrowings also for us at this point in time.

Girish Gangal: See, as far as MSME is concerned, that is a regular activity what we'll try to settle within the designated time. Depending upon the execution of a particular project where there could be more MSMEs, our liability can increase in particular quarter, and it can go down in the quarter. So, there is always a focus to settle MSME as early as possible. It will have no direct impact on the revenue growth or whatever it is. It is independent because this is more of a liability what you need to clear. Okay? So, I frankly did not get the correlation what you are trying to do with that.

Pratik Kothari: Basically, trying to judge it at as a percentage of sales or a as a percentage of order book, what can we expect it to be maintained that is there a level that you guys look to maintain it at?

Girish Gangal: No. That's what I'm repeating once again. See, as far as you don't select the MSME depending upon the order of a particular project. MSME is a vendor which whenever you select a vendor and in a particular project, if at all you have 10 vendors, you don't select the vendor whether it is a MSME or a large vendor. Okay? what is required for the project, we select accordingly. So, there is no specific, what you can say, theory to select or not select MSME. It depends on the actual work to be executed by that particular person and the capabilities of that person. So, there is no focus as such that, you know, when you execute a project, you select MSME or non MSME. It happens, but naturally, you know, I mean, depending upon the as I earlier explained, depending upon how many how many people you are employed in that particular project.

Pratik Kothari: So okay. My question was from the fact that, you know, while our outstanding has gone up by almost Rs.700 crores, and if I was to look at the first six months, tails right, Rs. 3,200 cr, and the profit in correlation to that. So, would that be a right way to look at it? Because, you know

Girish Gangal: No. There is no correlation. There is no correlation. There is there is no point in correlating that way because Okay. It is it is on the class of vendor viz a viz I mean, profit doesn't have any role to play with the class of vendor.

Pratik Kothari: Right. Yeah. Yeah. Understood. Okay.

Rahul Shukla: Thank you so much. Thanks, everyone, for joining this call, and wish you all a very Happy Diwali. Have a good time and look forward to see you again in next quarter. Thank you all. Good night.