HCC Ltd

Analyst Call Transcript to discuss HCC Q2 FY27 Results

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Company Representatives

- Arjun Dhawan – Vice Chairman & Managing Director
- Vivek Singhal – Chief Executive Officer
- Rahul Shukla – Chief Financial Officer
- Santosh Rai – Chief Operating Officer

Moderator: Soubhik Mitra, General Manager - Corporate Communications

Transcript:

Soubhik Mitra: Good evening, welcome to HCC's Q2 FY27 Investor Call.

From the HCC Management, we have our Vice Chairman and Managing Director, Mr. Arjun Dhawan, our new CEO, Mr. Vivek Singhal, our Chief Financial Officer, Mr. Rahul Shukla, and our Chief Operating Officer, Mr. Santosh Rai.

I may ask Mr. Santosh Rai to take you through the presentation. Over to you, Santosh.

Santosh Rai: Thank you, Soubhik. Good evening everyone, and I welcome you all to the quarterly analyst presentation for Q2 FY27.

We'll quickly begin with sharing the highlights for this quarter. Just a minute, please.

Yeah, a brief about HCC. As you all know, we are near the 100-year-old organization involved in most of the sectors of infrastructure, and these are some of our numbers what you can see on the screen in terms of our credentials. Here are the key highlights for our performance for Q2 FY27. Standalone turnover of ₹895.8 crores and net profit of ₹36.8 crore in Q2 FY27.

Consolidated revenue of ₹896.8 crore and profit of ₹22.6 crore. Our standalone EBITDA margins are at 12.2% versus 16.1% in Q2 FY26. We have been able to secure orders for ₹524 crores in this half part of the year and also have been declared lowest bidders on bids worth ₹2,010 crore, where our share stands at ₹1,557 crore.

It is to be noted that we have submitted more than 16 bids, around ₹34,805 crore, which are under evaluation. And we are at the same time working on a strong pipeline close to ₹86,000 crore in different sectors. We have also prepaid ₹100 crore of debt in Q2 FY27 with a target to further prepare another ₹108 crore by December 2026.

Supreme Court has given an award in favour of HCC in a very important matter, and we have been successful about this. The money should be released in Q3 FY27.

I'm also happy to report that the Mumbai Coastal Road Package 2, which was constructed by HCC, has won the award in the best project category for bridges and tunnels by none other than ENR Global Best Project Awards.

Our order book currently stands at ₹12,901 crore. The order book backlog is largely split across the four sectors where we operate, continue to be led by transportation sector, which has bridges of surface – I mean, which has surface transport projects like bridges, underground metros, followed by hydropower projects, nuclear, and water sector. These all orders are well spread across various parts of the country, with Maharashtra still leading the pack, followed by Bihar.

Some of the operational update,

- What you see on the screen is our Indore Metro project, where already both the machines have started working. We are driving the tunnels through the city of Indore. This is one of the largest underground packages in the country with seven underground stations and 6 x 2 kms. That is 12 kms of TBM tunnelling.

- Patna Metro, we have been progressing well on the project. Various design stages are in advanced stages. Mobilization of diaphragm wall equipment's and everything is in progress. The machines procurement is also in progress. And soon we'll see a lot of activity happening on this site.

- Agardanda Creek Bridge continues to progress well. We have been able to complete a lot of piling on both the – I mean, on the main approach side, a lot of piling on the marine and substructure work has been progressing very well. We are going to commence the superstructure erection in a month's time from now on this project.

- This is Bhivpuri PSP, a 1,000 MW, which we are doing for Tata Power. You can see on the screen that the powerhouse is almost done. It's completed. And so is the main access tunnel to the powerhouse. The other works on different sections of the project are also progressing well.

- This is Vishnugad PipalKoti. Almost 80% of the job is completed. Tunnelling works are nearing completion. Only 830 m of TBM tunnelling balance in the HRT. Dam is nearly 80% complete. And so are the other structures of the project.

- At Tapovan-Vishnugad, again, despite the geological challenges, the works are progressing in extreme, I can say, difficult geological conditions. But we are progressing well as per the time schedules agreed with the client.

- This is our FRFCF facility. A lot of works here, again, are completing in the completion stage. Almost 87 % of the job is done. And we are looking forward to completing this job at the earliest.

- This is a Hindalco Pot Shell and Pot Superstructure project. Again, here, all the production is ongoing in line with the commitment to the clients.

- Parwan Dam, the dam is completed. All the safety checks have been completed. And in fact, the reservoir filling test and everything has been completed on this project. So, only some pertinent ancillary works are balanced, which will be completed over the next three to four months.

- Salal Dam, this was – this basically is a project for rectifying the hydromechanical works in the Salal Dam, which was built by HCC in 1970s. The operations have started on this project, and they will be going on in full swing.

I will hand it over to Mr. Rahul Shukla, our CFO, to take you through the financial statements.

Rahul Shukla: Good evening, everyone. So, in this quarter, we have done ₹923 crore of turnover, vis-a-vis ₹975 crore in the same quarter last year. For this quarter, we have done EBITDA of ₹109 crore, PBT of ₹48 crores and profit after tax of almost ₹37 crore, which is more or less same as the quarter last year.

On a consolidated basis, our turnover is ₹925 crore, EBITDA is ₹102 crores, profit after tax is almost ₹23 crores. So, not much difference between standalone and consolidated as such, because HCC is the main driver of the numbers here.

So, with this, we are closing the presentation and now we are open for questions.

Soubhik Mitra: Yeah, we can start the question answer sessions. Please raise your hands and I will request each participant to limit their questions to a maximum of two in one turn. We can come back to you once everyone has gotten a chance.

Harish Shiyad: Hello.

Soubhik Mitra: Hello. Mr. Harish, please go ahead with your question.

Harish Shiyad: Good evening, team. Our EBITDA margins have come down to 12.1 vis-a-vis the 16 last corresponding period. Can you eliminate the point related to why this EBITDA is lower in these numbers?

Rahul Shukla: So, Mr. Harish, see this construction business is kind of seasonal business and sometimes you will see that there are some elements of the project with high margins will be executed, sometimes some lower margin projects are executed. So, on a quarter-of-quarter basis, matching EBITDA is not very realistic.

We have been maintaining that our average long-term EBITDA on year-on-year basis is in the range of 13 to 14%. And by the end, you will be able to see that that's what we hope to achieve. But every quarter, it's difficult to match that kind of thing.

Harish Shiyad: I understand. The second question is our standalone and the consolidated. There is not much growth in the top line and there is growth in the net profit. I understand. The second question is our standalone and the consolidated. There is not much of growth in the top line and there is growth in the net profit. So, can you explain any particular reason for that?

Rahul Shukla: So, standalone, as I said, is the one who is driving our numbers because consolidated is not much of the business on subsidiary level. With regard to growth, we are currently focused on building very strong order book. As Santosh mentioned, we have submitted tenders of north of ₹35,000 crore and we are very soon expecting these results to be announced.

This will give very big boost to our order book. We are certainly targeting that by end of the year; we should be somewhere doubling our order book. And from there, these numbers will start percolating and you will start seeing growth.

Naturally, in the past, because our order book had stagnated, that's why you are not seeing much growth. But certainly, with the progress in order booking and all, you will start seeing.

Harish Shiyad: I understand. But net profit at the consolidated level has come down. So, does that mean we are making losses in the subsidiaries?

Rahul Shukla: See, there are certain insignificant subsidiaries wherein some, these are accounting entries, kind of, wherein we have given some loans and that interest accrual keeps on happening. So, it's not really any material business loss kind of situation there.

But yes, at the face of it on books, it does look like a loss.

Harish Shiyad: Okay. Okay. Thank you. And lastly, can you share some update on this BKC bullet train station?

Rahul Shukla: I will request Santosh too.

Santosh Rai: Yeah. I mean, the work is progressing, I can say, slightly behind the target, but it's progressing. And so, there are interfaces with other packages, and we believe we'll be able to complete it in line with the other packages.

Harish Shiyad: I would appreciate it if you included into the presentation for the people to know what's happening over there.

Santosh Rai: Oh, sure. Thank you very much and all the best. Well noted.

Soubhik Mitra: Thank you. Thank you, Mr. Harish.

Harish Shiyad: Thank you.

Soubhik Mitra: Mr. Amit Singh Chhabra, you may go ahead, please, with your question.

Amit Singh Chhabra: Hi, sir. Amit here. Basically, I'm an investor. I have access in my QT. So, one of the priority for me like, you know, when I can see the increment in the stake from the promoter side, because 82% of the shares were pledged and the promoter holding like, you know, if I check from last four quarters, it's not in a good trend. So, what's your take on it?

Rahul Shukla: So, Amit, we have mentioned this earlier also, promoter, promoters have been infusing money in the company, and they certainly look forward to infuse further money. And at an appropriate time, certainly, we look forward to increasing stake also. But certainly, depending on priorities of the company and other situations, it will happen when right opportunity is there. So, be assured that we are on track. That is there in our mind.

Amit Singh Chhabra: One last question from mine. Also, I've noticed like, you know, from last year onwards, like we have seen a decrement in the interest portion, like around 26%. Is it a part of the profit?

Rahul Shukla: So, sorry, you are talking about reduction in interest?

Amit Singh Chhabra: Yes, that portion I'm talking about.

Rahul Shukla: Yes, certainly. I mean, reduction in interest is a part of profit because it flows there, right? Am I missing something?

Amit Singh Chhabra: Not at all. So, this was my question. And like, you know, when we can see some sort of, you know, good momentum, like in terms of, you know, you said like, you know, ₹35,000 crore already, like, you know, it was in bidding. So, what kind of expectation from those bidding, like, you know, how much project we can acquire as per your expectation? Any tentative number in mind?

Santosh Rai: Amit, I think you might have heard our CFO saying that by the end of the year, we are looking to nearly double this order backlog, which is currently standing at ₹13,000 crore. So, this should give you a feel that what we are talking about and that's our prediction, I can say.

Amit Singh Chhabra: Thank you so much for all the questions, for all the answers. Sorry. Yeah, take care. Bye.

Soubhik Mitra: Thank you, Amit. Mr. Kunal Tokas, you can go in next, please. Yes.

*Kunal Tokas:*Hello, am I audible?

Soubhik Mitra: Yes, please go ahead.

Kunal Tokas: Okay. Hello and good evening. My first question is, how long will the adverse impact on expenses in the consolidated P&L continue because of various non-material subsidies that you talked about?

Rahul Shukla: How much of expense? Yeah.

Kunal Tokas: How long will the impact that various non-material subsidies are having on consolidated P&Ls take, right? Continue for?

Rahul Shukla: Mostly couple of quarters. All these things will be taken care of and interest approval and all that is happening that will stop accruing. Couple of quarters.

Kunal Tokas: Okay. So, then the standalone and console should match pretty well on both revenue and profitability, right?

Rahul Shukla: Yes.

Kunal Tokas: Yes. Okay. And second question is on your order book and the lack of growth there. Now, we have been seeing both L1 positions in big submitted that you are giving your presentation for quite some time now, but the orders are lacking. It could be very helpful if you can explain the reasons for that. The consequences can be either industry-wide or the rewards have slowed down or something specific to HCC. And as a supplement to that, if you can also give your bid success ratio for the last one year.

Santosh Rai: Yeah. So, Kunal, I'll address this in two parts. Look, I think I'll answer your last question first. Bid success ratio is a very difficult number to be put out like this, because we are still working on that and largely we don't share this information. Yeah.

Coming to the reasons why these orders are delayed, you'll appreciate some of these orders are into hydropower sector, which are requiring a lot of preparation and clearances from the client side before they can award these orders. So, though some of the tenders have happened, we believe that our clients are still taking some time to secure those respective clearances and then award the jobs.

So, that's the key reason. And as we have said, I think we have made a lot of bids and we believe we fairly stand a good chance of securing some good orders from these bids, which should show our order backlog to a totally different position by the end of the year.

Kunal Tokas: And as the CEO said, the order book you expect to double by the end of the year. Is that right?

Santosh Rai: That's a possibility.

Kunal Tokas: A distant possibility or a close possibility?

Santosh Rai: No, I think, I think, I think. Yeah.

Kunal Tokas: All right. Thank you very much. Have a good day.

Soubhik Mitra: Thank you. Thank you, Kunal.

Soubhik Mitra: Mr. Chandrasekhar Dagha, you may go ahead, please.

Chandrasekhar Dagha: Yeah. So, this order book doubling that you're referring to, say possibly you're looking at it at the end of the calendar year or financial year?

Santosh Rai: Financial year.

Chandrasekhar Dagha: Okay. Okay. Thanks.

Soubhik Mitra: Any further questions? Please raise your hands if you have any further questions.

Santosh Rai: Soubhik, I think there are no more questions.

Soubhik Mitra: Kunal, Kunal, you have another question? Yes, please go ahead. I'll ask another question.

Kunal Tokas: So, the strong order book that we expect to double, would this be, as you said, in the hydro segment?

Santosh Rai: It will be a blend of hydro and transport structure where we, that's our area of, you know, core focus. And yes, it could be largely led by hydro because we have submitted more bids in that sector.

Kunal Tokas: Would there be any super large projects in that, that can really move the order book?

Arjun Dhawan: So, no, let me just, I appreciate the reasons why some of these questions are being asked because further details will give you more colour, but we can't share this information. What I can basically tell you is that the bids that we have made are numerous in number, diversified across each one of our core segments. We have had probably slightly more, you know, bidding in the hydro segment in the recent months, and that's the reason why basically we've seen a little bit of delay in the first half because hydro projects tend to actually be, tend to take a little more time to come to market. As far as the country's infrastructure program is concerned, there continues to be a very robust market for infrastructure projects.

What I will tell you that HCC continues to be very selective with regard to the clients we pick and the contracts we choose. And so, while perhaps maybe because in the recent past we've seen a volatility in commodity prices and the fact that maybe in some segments we've seen a little more comparative intensity, that doesn't basically change the way we think about risk and how we will price it. So, I think what you will see from us is a responsible pricing of risk and the selection of clients will continue to be of the best order.

And as the team has actually said, by the end of this year, we should play a substantial catch up with regard to a building of our order book.

Kunal Tokas: That's good to hear, Mr. Dhawan. And just to change the track to accounting, after this prepayment, what would be our debt prepayment liability on the coming March?

Rahul Shukla: So, we will be paying almost after this payment around ₹350 crore should be the liability that we'll have to pay in March.

Arjun Dhawan: And if I may add, the goal for us has been, as we've communicated very, very clearly in previous quarters, our clear imperative is to ensure that we're debt-free as early as possible, which should certainly be, I mean, we're certainly on target to do that next couple of years. We want to be able to achieve that purpose.

Kunal Tokas: Okay. And if I remember from some of the earlier phone calls, you had talked about opportunities outside of India. Any updates on that?

Santosh Rai: Yeah, we have, I mean, some of the prospects which we have been chasing, we have been qualified as a bidder into those projects. But these bids are still, I can say, 12 months away. It's a long process. We are actively pursuing it.

Kunal Tokas: All right. Thank you very much and have a good day.

Soubhik Mitra: Thank you, Kunal. Mr. Amit Singh Chhabra, please go ahead.

Amit Singh Chhabra: Sir, no more questions from mine. I think everything has been clarified. Good work so far. I hope to see positive results in coming time. Thank you.

Soubhik Mitra: Thank you, Amit.

Arjun Dhawan: I just want to just take the opportunity to wish everybody a very, very happy Diwali to all of you and your families and look forward to speaking again in the next quarter.