Transcript of the Webinar held on February 13, 2025, to discuss HCC Q3 FY25 Results

Rahul Shukla: Very good evening, everyone and we welcome you all in this today's meeting for our quarterly results. Joining with us are our senior management, Mr. Arjun Dhawan - our Vice Chairman, Mr. Jaspreet Bhullar - our MD & CEO and shortly our CFO, Mr. Girish Gangal will also be joining.

Sandeep Sawant: He's also joined.

Rahul Shukla: Okay. Already joined. So, we will take you through this, presentation. As a quick refresher to someone who is new to HCC. HCC is a pioneer in construction industry. HCC has completed more than 4,000 lane km of highways, almost 400 km of tunnelling, especially in the complex Himalayan region. 60% of installed nuclear capacity has been contributed by HCC, and almost 26% of installed hydro power capacity has been done by us. We have got presence across India and executed project in almost every state. Apart from India, we have executed projects in Bhutan, Nepal, and Bangladesh as well.

Our current audit backlog as of December 31 stands at ₹9,773 cr. Primarily dominated by Transport sector, which accounts for 47%, followed by Hydro 26%, Water 22%, and Nuclear 5%. Geographically also we are very well diversified, with Uttarakhand leading the show because of our Hydro projects being there followed by Maharashtra and Gujarat. This order book position excludes L1 position worth ₹3,513 cr which we expect to realize very soon.

On our quarterly numbers, on a stand-alone basis, we have, achieved a turnover of ₹1,002 cr for this quarter versus ₹1,244 cr in the Q3 of last financial year. Our EBITDA margin had been quite well, 14.7%, which is also consistent with our historical track record. However last financial year it was 12.3%. Profit before tax excluding exceptional items was ₹18 cr for this quarter viz-a-viz last year's Q3 of ₹21 cr.

However, on a stand-alone basis, we have booked a loss of ₹216 cr during the quarter because of certain exceptional item, which I will be explaining in the next point, against the net profit of ₹68.5 cr during last year. Now on the exceptional item, company has opted for new tax regime. You know, we have been working on old tax regime. Because of, that we had to restate certain deferred tax assets and liabilities and accordingly ₹147 cr of deferred tax assets had to be reversed. Also, since this new tax regime doesn't allow MAT provisions, we had to take write off ₹154 cr of MAT credits. However, at the same time, this has helped us in boosting our liquidity, because we have received tax refund of ₹54.74 cr. So, this, this was written back. So, the net impact though, accounting wise, it appears that we have made a loss of ₹216 cr. But net, if we exclude these items, we have made a PBT of ₹18 cr.

Now on a consol level, our revenue has been ₹1,006 cr against ₹1,474 cr during Q3 of last financial year. Essentially on account of Steiner divestment, because those numbers are not there now. On a consol basis, we have made a net loss of ₹38.9 cr versus net profit of ₹233 cr, because of the tax regime change that that I explained just now.

On Business Development side, we have received the letter of award for Agaranda Creek Bridge of ₹1032 cr. In addition to this, we are also L1 in projects worth ₹3,513 cr. And we have also submitted bids for ₹17,679 cr, which essentially comprised of three metro rails, two pumps, storage projects, one elevated road, and one railway corridor and one dam. So, these bids are yet to be opened. Last year had been a little slow in terms of announcement of bids, but we certainly expect that this quarter being last quarter of the year, bulk of with results should be announced. And we hope to get decent amount of L1 positions during the quarter. In addition to this, we are also very closely working on projects worth almost ₹36,000 cr, which we plan to bid in coming quarters. We also completed the qualified institutional placement of ₹600 cr, which was, well subscribed by very renowned investors.

And we divested stake in Steiner AG, which is our Swiss real estate entity, to focus on core operations in India. I'll take you through the Steiner transaction. So, as I mentioned, that company wants to focus on growing Indian market. This last quarter there has been divestment of this Steiner business. And Steiner was initially owned by HCC through its Mauritius entity, HMEL and HMIL, which were wholly owned subsidiaries of HCC. And our goal has always been to divest our non-core businesses. As far as Steiner is concerned, our focus has been to maximize return on capital in the right timing for this was the target. We faced challenges in the past when we look to divest the business as a whole.

The transaction with M3 last December has helped us provide a clear liquidity path as we have been able to bifurcate the construction related asset receivables, which we have retained while the development business was sold to a Swiss based developer with whom we can look forward to joint success by ₹200 cr of earnout. To summarize, HCC has retained, claims and receivables worth almost ₹1,000 cr that will be bound down in next 5 to 6 years. Earnout from Steiner Development AG up to ₹200 cr and ownership of Steiner India, which has land assets worth almost ₹43 cr. So, these are all this slide summarizes transaction. M3 group retains Steiner AG, and Steiner development AG.

Moving on to the operational updates.

- Anji Khad project - we have received the completion certificate.
- Mumbai Coastal Road project - northbound arm of this project was inaugurated by chief minister of Maharashtra. So, project is, fully functional now.
- BARC Tarapur - all structure works completed and handing over is in progress.
- Tehri Pumped Storage Scheme – synchronization of Unit 5 has been completed and finishing works are in progress.
- Vishnughad Pipalkoti HEP - here we have achieved 4.8 km of TBM mining out of 12.1 km in the HRT.
- Mumbai Metro project - to the flag end almost finishing works of almost every station is being done and we are hoping that by March, trial run will also be started.

Stand-alone financials, key numbers I have already explained, and you can just take a look. You will notice tax expenses here which are quite high because of the shifting to new tax regime that I explained in the previous slide. Consolidated numbers.

Thank you so much. Now we are open to questions.

Sandeep Sawant: We request to kindly raise your arms so that I can allow you to speak. I can unmute you here. Viraj, please go ahead.

Viraj: Yeah. Hi. Still a little unclear. Can you please let us know what is the net debt in the business as it stands today? And what are the implications on that absolute net debt over the next FY 26 and 27 given the staggered payments and earnouts connection on Steiner AG?

Rahul Shukla: So, Viraj, net debt, today stands at around ₹3,500 cr, which includes almost ₹1,700 cr of principal and

Viraj: You're a little soft. Sorry. If you don't mind being a little louder.

Rahul Shukla: So net debt today includes around ₹3,500 cr. And, going forward, we can see that year on year, we are making repayments.

Arjun Dhawan: Rahul, let me interrupt for a second. Net debt as I'm guessing Viraj and the analyst community would like to probably have a sense would be net of cash, available on balance sheet. So, you take the gross debt position, subtract all the cash, and then actually project these numbers out. And maybe if Viraj requires a little more detail, that can be provided separately offline. But you can go ahead and communicate, but just subtract all the cash, please.

Viraj: And, also, if you can tell me of that net debt number, how much is term loan and how much is working capital debt?

Rahul Shukla: So, total debt as of now is almost ₹3,500 cr, which is a term loan, not a working capital loan. And cash wise, we have almost ₹600 cr. So net debt, you can say almost ₹2,900 cr. Cash number, I'll have to recheck. So, we don't have working capital loan as of now. Hope these answers

Viraj: And how do we see this ₹2,900 cr reducing over as an absolute over FY 26 and FY27? Best guess estimate?

Rahul Shukla: So, if we clearly go as per the repayment plan, it will reduce by every year by almost 15%. So next year, it will reduce by almost 15%, which is our repayment plan. However, we plan to accelerate the repayment process and there are quite a few avenues which we are exploring with lenders, including repayment through code BG transaction, which in the previous call, some of the previous call we had explained also, and generation of cash loan from other avenues. So that will be extra that we will be doing.

Viraj: Okay. And the Steiner monies that will come in, the ₹200 cr earn out from SDAG, is it linked to anything in a particular year?

Rahul Shukla: So, it's a earn out, and it's linked with performance of the company as well as, new acquirers' ability to raise. They are planning to go public and all that. So, there are quite a few milestones that needs to be achieved. So we are, at least, today, not in a position to put a strict timeline to that.

Viraj: Okay. And is this over the next 2-3 years, or is it a shorter period?

Rahul Shukla: Yeah. Correct. You're right. 2-3 years.

Viraj: Okay. Thanks. I'll come back with anything.

Bharat Mani: So, thanks for the opportunity. So, I was looking at the HCC stand-alone numbers. So, I guess in the corresponding quarter, we did ₹1,200 cr of revenue, and this quarter, you've done ₹1,000 cr. So, what has been the reason for this decline? The stand-alone, not the console. I can agree consol level, Steiner AG divestment took place. But what about stand-alone numbers?

Rahul Shukla: So, Bharat, this is what we had budgeted for the quarter, and this is a good performance in terms that, we have completed a lot of projects, like, we have completed Anji Khad project; We have completed Delhi Metro; Mumbai Metro and Coastal roads are also in the flag end of completion. So, with limited availability of work front, this is a very good outcome as per our budget we have achieved. And certainly, with new orders which are lined up in which one is already there, others are about to come. We will be able to ramp up the turnover once again.

Bharat Mani: Okay. So, you expect the next quarter to be better than this? what is the outcome on the next quarter?

Rahul Shukla: So next quarter, generally, we don't give future forward looking statements.

Bharat Mani: I know that, but just a just a general Yes.

Rahul Shukla: But looking at current, order position and the work from that will be available, we should be in the same range.

Bharat Mani: So, one more question on the consolidated statements. So, I could see a change in inventory of ₹305 cr. So, could you just, you know direct me what is that regarding?

Rahul Shukla: I will request, Mr. Gangal.

Girish Gangal: See, as you know, we have divested Steiner. So, because of divestment of Steiner, there are a lot of moments on these expenses, whether it is inventory or if you'll find finance cost or other expenses. Because since all business have moved out, then there is typical transaction. For example, depreciation and other expenses have gone up because various lease transaction, what we had in Steiner and you have to create as per IND AS the lease equalization fund, okay, which slowly releases cost to the profit loss account. Whereas when you transfer this completely to a different party, the entire balance, what is lying in the balance sheet, has to be written off. So similarly, all these adjustments including for the inventories have been written off as far as Steiner is concerned on a deconsolidation because of you'll see that variation.

Bharat Mani: So, in the finance and, depreciation cost result, you could see the lease being written off partly in terms of interest in the business. And that's what you're saying. In the inventory as well. So, but is it is it a one time or should we one time.

Girish Gangal: No. No. No. That is over. See, this is related to Steiner. So, for us, Steiner is over now. Chapter is over now. This is the last quarter. We'll have all this adjustment. Next time, you will find more or less a stand-alone and consol. Numbers will be more or less, you know, matching more or less, I precisely I mean, particularly you say that. Because there is no standard turnover or related cost coming in into HCC anymore.

Bharat Mani: Okay. And, in the last quarter, you had said about you had submitted a few bids for the metro segment, the port project, and the PSP project. So, what is the status on that?

Girish Gangal: Those bids are unfortunately got delayed as far as, you know opening up those tenders is concerned, but few of things are expected in this, this month itself, especially PSP and some metro bid, and something will go to next quarter.

Bharat Mani: And there were a few, projects that you were L1 as well. Like I guess ₹3,500 cr worth of projects. So, what is the status on that?

Arjun Dhawan: Bharat, let me just give you, Girish, let me just jump in. Let me give you a just a a broader perspective right now on order book. And, so certainly, I think we're a little disappointed that at the closure of this quarter, we're not able to communicate a strong, a much stronger LOA position. And that's a little unfortunate in terms of the timing of what we are expecting hopefully in the coming weeks, would be a little more of a flurry of kind of not only L1, but the conversion of L1 into LOAs. And so, I think, our expectation certainly is that we will have a much, much stronger Q4 that will make up for, the previous couple of quarters. So, we have also had a change of government in two states, in Maharashtra and J&K. That's where both our L1 orders basically are.

And as a result of that, we've actually had, you know, I think probably three-to-six-month delay that has been in our Maharashtra project, a land acquisition position that is going to probably get completed fairly soon. And so, as expectation is that we should probably end up having, those conversions, done there. There was a question also that you had with regard to the turnover being lower. Yes. As I already said, it's as per our budget, and it's comparable, on an operating basis, you know, historically. Our business is seasonal. Yes. But it also is a little lumpy depending on claims settlements and arbitration awards that we get from time to time. And, so to some extent, the comparable quarter that you have before is not entirely comparable to this in the previous.

Bharat Mani: That that that I agree. But at the same time, the corresponding quarter in the last year is when you did around in stand-alone, you did ₹1,200 cr plus revenue.

Arjun Dhawan: And I and then this is where, you know, we request, basically, you as the analyst community and our shareholders to look beyond this coming fiscal year. So, we've had such strong operational performance. And as we wind down our current order backlog, what is really going to see the growth in our future turnover and our, profitability is gonna come from new orders.

So, to some extent, as we've said before in previous calls that we'd like for fiscal at least large portion of fiscal 26. This is now we're closing 25. So, over the next 2-3 quarters, you will see some softness in the top line because the conversion of our current, new jobs that we intend to win will probably take about six months or so. And the current order backlog as it winds down will show a little softness in our numbers, but that's certainly as far as basically fiscal 26-27-28. When you look at the future growth in turn of the business and the and the profitability, we're not really, from a shareholder perspective, really be disappointed.

Bharat Mani: Okay. So just one last question. So, did you receive any claims or awards in this quarter?

Arjun Dhawan: You know, we don't. Girish, I think I let me ask you to answer that question. We tend to not answer the question as directly, I'm afraid, as to whether we did or we did not. Unless, of course, Girish, you may clarify that we did not in this quarter get any.

Girish Gangal: You know? I think I can answer it, in a such a way that we did not receive any material claim or award in this quarter. There were there is some marginal thing, as compared to what we have received in last quarter. That's why you are seeing also the reduction in turnover, what you have seen in this quarter vis a vis last quarter. But specific numbers, naturally, we would not like to share. What is included, what is excluded.

Bharat Mani: Yeah. That's it for me, sir. Yeah. Thank you.

Sandeep Sawant: Gaurav, you may please start.

Gaurav: Thanks for the opportunity. My question is on the subcontracting expense. So, looking at the December figure, we have ₹316 cr against the September number of ₹759 cr in So quite a significant drop in that number. So, can you please provide some more colour on it? Is does it mean slower execution this quarter compared to last quarter?

Girish Gangal: Gaurav, that is not the case. See, you the accounting as far as this cost of material consumed and subcontract expenses, it is it is it is based on the accounting standard of accounting revenues and cost. That is AS115, which has a particular method in which you can account. That is the first statement. Secondly, we have certain turnover which is of our own and which is something what is subcontracted. So, if at all in a particular quarter, if at all we have done a turnover more where we have subcontracted the work, naturally, the subcontracting cost of that quarter goes up. And in particular quarter, when this execution of subcontracting is less as compared to our own execution, the subcontractor cost goes down. So, it's it depends on composition of my revenue, what I have, and the typical nature of accounting standard, the way it is accounted, which call which is call if at all, you know, just for your information, cost to completion method. So because of that, this, I mean, typically, abnormalities will be seen.

Gaurav: But it doesn't mean the slower execution this month.

Girish Gangal: Absolutely not. Absolutely not. Rather, that's what Rahul confirmed, and I'm reiterating that we have done the turnover, what we are envisaged for the quarter fully. We are not even down by 1% than our estimation, from our budget or expectation. Both.

Gaurav: Okay. Thanks a lot. Yeah. Yeah.

Sandeep Sawant: Shikha Mehta, you may please start,

Shikha Mehta: I just had a few questions. One thing our growth for this quarter and next quarter, if I refer to the last few concalls, earlier, we had said that FY25 would be a washout year, FY26 onwards, we would start seeing growth. I think we have deferred that guidance from what I understand that, FY27 onwards, we'd start seeing, meaningful growth. Is that the right way to look at it?

Girish Gangal: No. I don't think that is the situation. We continue to state the same thing that this year, that is FY25 we might be, you know, more or less, having a flattish turnover. But next year onwards, you can see the results once these tenders or the orders are converted, I mean, orders are issued in our favour during the next few months.

Arjun Dhawan: Little bit of a lag, I guess you would probably it'd be fair to say about six months. You know, there's been about, you know, a delay in sort of our plan, but we respond. But I think the goal is for us to actually make that up considerably. And as far as we're concerned from a profitability standpoint, I think that we hope to kinda still be on track for what we actually have planned in terms of growth and profitability and margins.

Shikha Mehta: Understood. So internally, you are expecting FY26 to be better than FY25 and FY27 better than FY26. Would that be the right way to see it?

Girish Gangal: Yes. You can take it that way. Yes, please.

Arjun Dhawan: And look, one of the key measures for us, Shikha is, as Rahul has already pointed out before, is an accelerated deleveraging of the business. You know, we have a considerable amount of assets in the forms of our arbitration awards and claims. There's settlements that we expect to accelerate with our clients. There's, award monies that deposit court that we plan to actually have with our banks, taken out and prepaid debt. So, you will see a substantial reduction in finance charges is what our goal is to achieve.

And, yes, the while I think that you will have a combination of new jobs building in, pushing up turnover, I think next couple of quarters year over year, I think you could probably expect to see some softness, and that's because it will take time for the new jobs that we actually convert to actually flow into our P&L, which will probably be about six months from today.

Shikha Mehta: So, when we say softness, do we mean, around the same as this quarter, or do we mean this quarter is the bottom and then what's the I mean

Arjun Dhawan: you know, it's I guess I've it would be unfair for me to be more precise than the broader general statement, you know, that I've made. I think that my CFO would actually probably, not be too happy if we actually, give a little more detail in that. And, Girish, do you wanna give any more colour? Is that

Girish Gangal: No. I think that is fair because we'll not like to make too many specific, you know, forward looking statements, you know, because this is not, permitted also as per the

Shikha Mehta: So, I had a few more questions if you would allow me. One was with regards to the exceptional item this quarter. I understand we've seen, restructuring of our tax structure. I would just like to understand going forward, do we have any other exceptional items expected? Because I guess Steiner is done. Our tax structure is done. So, going forward, it would just be business as usual.

Girish Gangal: Right? Perfect. That is that is that estimation is perfect.

Shikha Mehta: Understood. And lastly, on the nuclear side, we've been reading and hearing about a lot of things happening on the nuclear power side. Are we seeing any traction? Are we seeing any orders coming out? Or is that still very initial

Girish Gangal: See, the government all initially had announced even last year that budget budgeted expenditure, what they have planned, ₹11 lakh cr, etc, they could did not spend in full. Though at that time also, they were expecting that nuclear jobs of 2-3 lakh cr will be issued. However, there are not forthcoming as they were planned or expected. To best of our knowledge, only one project got awarded Kaiga. That is the only thing where we had also participated, but, through our, you know, other partner. But, that went to somebody else. So, except that, we have not come across any other nuclear job in recent times.

Shikha Mehta: Alright. Got it. I'll come back in the queue. Thank you. Thank you.

Arjun Dhawan: Can I just, request while we're on the subject of nuclear? You know, can I just request, our CEO, Mr. Jaspreet Bhullar to give some comments on what we can probably expect? You know, it is, something that, that we are entirely focused on. We have a large market share nuclear. We have a fantastic track record with the Department of Atomic Energy, and we do see these prospects actually be fairly bright in the future. So maybe he can give you some additional colour in terms of what our plan and preparation is there.

Jaspreet Bhullar: Mr. Dhawan, thank you. So, Shikha, basically, you know, we have been involved in this sector since long, and, we have executed many works recently. We have completed BARC Tarapur. We are doing quite well at FRFCF. So, NPCIL which is the client for basically nuclear projects, they are gaining momentum, and I believe that in next one year or so, we'll get some good traction on the orders. I think nuclear projects require a lot of planning that has been done by them, and we're quite hopeful that we'll have some decent target to aim for on these projects.

Government of India is planning big projects. It takes time. There are units which are coming up which are smaller units of 250 MW. Some of the private players are also getting into it. But I would say that six to nine months, you will see some good movement in the sector.

Sandeep Sawant: Thank you Shikha. Gaurav, do you have anything to add?

Gaurav: Yeah. So, today morning, there was one news regarding Engineers India getting into nuclear power segment. So, does it affect our positioning in the sector? And how is the company landscape looking like for the nuclear power segment?

Jaspreet Bhullar: Can you repeat the question once again?

Gaurav: Today morning, there was an article in the newspaper that Engineers India, the government of India company, get it into nuclear power segment. So, does it affect our positioning in the sector? And how is the competitive landscape looking like? Like, we have L&T also in the sector active. So how is your company looking like?

Jaspreet Bhullar: So, Engineers India's Limited is basically looking at design. They are not into construction. They are, working for the government agencies to do the design, and they are expanding their field into nuclear also now. So, execution agency is Nuclear Power Corporation of India (NPCIL). They have joint ventures now with NTPC. So, we are contractors, so it doesn't affect us at all. Okay. So, we construct that projects, Engineers India Limited is more towards consultancy in terms of designing the project.

Gaurav: Okay. Sounds good. Okay. Thanks a lot.

Viraj: Going back to your proforma Steiner transaction, you referred to Eagle AG, having claims receivables of about ₹1,000 cr. Who are these claims and receivables against? Is it in Europe? Is there a process court process for these claims? Is it bilateral with clients or older clients? Can you explain that a bit, and what are the timelines there?

Arjun Dhawan: So, let me just quickly take that, Rahul. These are all counterparties in Switzerland, for projects that have already been completed, because the construction business was wound down. And, in some cases, these are just basic receivables that require, the closure of final bills, certain kind of reconciliations. In some cases, they happen to be, substantial amounts that involve a portion of which are, let's say, in dispute, but do require to have an effort made with the clients to end up closing settlements of final bills.

And some cases, there are a couple of matters which are in litigation. For us, this is something that we have targeted in entirety to see wound down in the next, let's say, conservatively five to six years, but our goal is to try to achieve as many closures and settlements as early as possible. When we wound down the construction business in Steiner, I will basically say in a fairly circumspect fashion, there were certain counterparties, who, because we were winding down the business, thought that they could probably take advantage of the situation and withhold payment, or for that matter dispute payment. And I think as a function of this transformation, that has been affected, with the bifurcation of the, the assets, and the receivables, as well as the real estate development business, it's now fairly clear that, we have an entity, which is now focused on entirely basically closing these receivables out. And we should basically have a clear focused team on this that will see these, see these obligations through in the in the coming months and years.

Viraj: Understood. And, Arjun, are these receivables due entirely to HCC or does

Arjun Dhawan: They're entirely due to HCC. Earlier, you know, we had a structure where, within Steiner, we had Steiner's banks. We had effectively, other liens, we had banks. We are so the banks, we had liens, we had other counterparties cross collateral. And now as a function of this transaction, really, as soon as basically the money is received from any one of these counterparties, the money comes directly to HCC. So, that's structure basically is a much cleaner way to have these payments actually in these cash flows that flow directly to us. And so let me say it another way. The structure that you saw that Rahul presented earlier, is within H56 Immo and channels are all debt free entities without any kind of liens or without any other kind of cross collateral, etc.

Viraj: Right. Understood. And, Arjun, again, the $1,000 cr or the $125,000,000 CHF, are these equally split between court processes and bilateral conversations or is everything in litigation.

Arjun Dhawan: Well, I mean, I would rather basically not go into that level of detail at this point in time. I think that what we let us reflect on exactly how we'd like to how we should and how we'd like to present this going forward. I will basically limit my comments to state that we expect a material portion of this to be to be recovered in the coming months and years.

Viraj: That's good to hear. As you can see, I'm just trying to drill down on the balance sheet fix. Right? As simple as that. I mean, I am trying to get some timelines around that. Is it a FY26 event, 27 event, etc.

Arjun Dhawan: No. You and I appreciate exactly your first question in terms of, you know, figuring out how soon the deleveraging will take place and how the earnings growth and where the earnings growth is gonna come from, which is a function of, obviously, the new jobs that we get in, and it's also a function, frankly, of the finance charges and how those basically come down from our balance sheet.

These are two these are two these are the two simple metrics. Absolutely. I can just tell you with confidence that as far as the team is concerned, these are the two fundamental metrics that we are focused on as well.

Viraj: Excellent. And the last piece is Steiner India, the land assets. Is that more easily monetizable? Can we see that

Arjun Dhawan: Yeah. It's that would be fair to say that these are less liquid. You know, some of these land assets include land in Lavasa, which frankly, and unfortunately is seeing this very prolonged process of resolution. And so, I think that we could probably expect, I mean, as far as we are concerned, obviously, return on capital and any liquidity that we have today that we can have back in HCC and then generate that sort of higher return on is much better than it's sitting on our books. So, we will be focused on a resolution very soon. We're talking about a fair amount of acreage, which is reflected at book value. So, you can imagine it's a substantial amount of acreage. And I think that we could, expect something hopefully, basically, in the next year and a half as we've seen a huge interest, a much bigger interest be evinced in Lavasa's resolution, you know, more recently, than it was the first time around.

Viraj: Understood. And maybe if you can spend thirty more seconds on that, Arjun, on Lavasa. It's going through an NCLT court process, and there are bidders coming in, and lenders are taking haircuts, and you would get a certain amount of land pay. Is that correct?

Arjun Dhawan: No. So, let's be clear. HCC has nothing to do with Lavasa any further after that. I think about nearly about seven years ago or eight years ago, we took our full write off, you know, when, to Lavasa when it went into, into IBC.

All we all we own is effectively land in Lavasa. This is so, part of this ₹43 cr sitting in this subsidiary is land that is owned in Lavasa, but it has nothing to do with anything else. So, we have nothing to do with the IBC process. We are, not involved.

Viraj: Understood. Is that IBC process making progress in terms of the overall Lavasa?

Arjun Dhawan: You know, as an erstwhile promoter of effectively Lavasa, we're kept the furthest away from any kind of progress and understanding as to what's going on. From what I understand, because, obviously, we would like to see it, succeed.

My understanding now is that the process has been restarted. The previous shortlisted bidder has been cancelled. That guarantee was encashed. The banks have decided to restart the process again. And, I hope that, obviously with all the infrastructure and urbanization that's happening in Maharashtra, we're gonna see a much greater value and appreciation for the project in the coming future.

And because of that, I guess we could get some satisfaction that the project will see some light of day at some point in the future just as an erstwhile promoter of it. And then the minor benefit that would happen is the monetization of whatever land assets that we have in Steiner India books. This this land was acquired at the time, because Steiner had actually, as a real estate development business, had an idea to actually develop that land itself, but it never happened. And so, we have now inherited it as part of this transformation.

Viraj: Understood. Thank you. Good luck with the deleveraging.

Arjun Dhawan: Thank you very much.

Kapil Agarwal: Yes. Yes. So actually, at the moment,

Arjun Dhawan: Kapil, let me interrupt, immediately so they don't have to repeat yourself. Your voice is not coming in clearly. So, if you can kindly just maybe speak up or actually probably just shift the phone.

Kapil Agarwal: Okay. So, I will skip for now. Okay.

Arjun Dhawan: Sandeep, please make it a point that you follow-up with Kapil with regard to the question he has and just offline, basically, please get it answered.

Sandeep Sawant: Sure. Sure, sir. Thank you. Bharat Mani?

Bharat Mani: Hi. Yeah. Just one small question. So, could you just elaborate a little on why have you made, like, EBIT loss in the engineering and construction division?

Girish Gangal: No. we haven't made any losses as said. What from where you are referring these two? You are referring to stand-alone? Or

Bharat Mani: The consol level segment revenue, I could see the engineering and construction division making a ₹7 crore EBIT loss.

Girish Gangal: NoThat is that that see, that is that is I think, when you get into a segment, possibly, I need to also check for the detail, but it would include some portion of the Steiner also. Because as

I mentioned to you, some Steiner losses also have been I mean, the expenses have been booked in part.

Bharat Mani: That is real estate. Right?

Girish Gangal: No. We had a construction division also. Not earlier. So, there are some deals in been

Bharat Mani: that has been divested for a while. Right?

Girish Gangal: That's right, but a few liabilities were also carried by us. Like, we are carried this Eagle Receivables. We are carried certain liabilities also of this construction business even after divestment. So, because of that, you might be seeing that loss.

Bharat Mani: Yeah. How much how much is the liability, and do we should we expect something further in the next quarters?

Girish Gangal: No. I already explained that since we are divested Steiner completely, there is nothing on account of Steiner. Either revenue or cost will come from next quarter onwards. So, we don't expect anything further than

Bharat Mani: This is the last quarter. Right?

Girish Gangal: This is the last and only quarter where we are having this charge because of the close closing down on the selling of that, asset completely.

Bharat Mani: Okay. Okay. Yep. That's it from there. Thank you.

Sandeep Sawant: Shikha Mehta, you have the additional question?

Shikha Mehta: No. That's all from my side. Thank you.

Sandeep Sawant: Okay. Anybody else?

Jaspreet Bhullar: Sandeep, I would like to come in just to explain that subcontract question. I think Gaurav had raised it. So, you know, when we are executing our jobs, when we get the project, every project has a different subcontract component depending on the nature of the job execution strategy. When I say subcontract, it is job which is to be done through a subcontractor, and we manage all the other enablers. And certain work we do directly. That means self-delivery.

We deploy our own equipment, our own manpower. So, every project has a different component of subcontract and direct delivery. Then every project at a different stage, like in beginning, in between, in finishing, has, again, a mix which is different than the total mix. So, whenever you compare from quarter-to-quarter subcontract expenditure, it doesn't yield to anything. It is just a figure because that quarter probably, a particular project would have lesser component of subcontract or the stage of that project at which it had lesser component of the subcontract that was executed.

So, there is no direct relationship between what we are executing as a total turnover. There is no relationship as a percentage. So, it's a total mix, which is quite complex. I hope I have answered it in the right perspective.

Gaurav: Yes. Thanks a lot.

Kenil: Just I wanted to know, does the private PSP project include in the order tender, order bidder segment or it's only PSUs?

Rahul Shukla: It's included Kenil.

Kenil: Okay. And should we expect, there has been heightened government intervention in PSP segment. So, should we expect majority of our order wins in coming quarters will be majorly heavily related to PSP projects, 40 or 50% of our order wins? Because the order size will be also huge.

Arjun Dhawan: No. I think, we are our order backlog, that is currently represented will largely be something that you will see going forward. PSP. So, I think if we look at transportation, we'll continue to form the bulk of our order backlog probably, ranging from about 50 to 60%. But when I say transport, we're talking about metros, we're talking about bridges, we're talking about, complex, basically, highway networks, and then hydro, which accounts for about, let's say, 30%, which is gonna increase because we have our remaining order backlog increase. I think of that, basically 30 to 40%, you could probably expect one or two jobs to certainly continue to be PSPs, but a traditional hydro will continue to be the bulk of our order backlog.

Kenil: And wanted to know there has been one huge order from, Arunachal Pradesh for the Dibang Hydropower project. So, have you bided for that order, or we are in the process of getting L1?

Arjun Dhawan: So, we don't comment on the projects that we've bid on until they've been, opened and we communicate at the appropriate time. So, once we are L1 on a particular job, at that point in time, we will communicate then we'll know where we stand on it.

Kenil: No problem. No question further. Thank you. Great results. Congratulations.

Sandeep Sawant: Thank you. Anybody else? Please raise your hands. Rahul, you may please close then.

Rahul Shukla: Since there are no more questions, we would like to close this, call for today. We thank you all for participating and, your encouraging words also. And look forward to meeting you again in the next quarter. Thank you so much. Thank you, everyone.