

HCC Ltd

Analyst Call Transcript to discuss HCC Q3 FY26 Results

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Company Representatives

- Arjun Dhawan - Vice Chairman & Managing Director
- Rahul Shukla - Chief Financial Officer
- Santosh Rai - Operations Director & Chief Business Officer
- Nitesh Jha - Company Secretary
- Ravi Jain - Deputy Chief Financial Officer

Moderator: Sandeep Sawant, General Manager - Corporate Communications

Transcript:

Sandeep Sawant: Good evening, everyone, we will be starting the analysis investor call in few minutes. Rahul sir, are you ready?

Rahul Shukla: Yes, Sandeep

Sandeep Sawant: Okay. Mr. Rahul Shukla, our CFO will start with the presentation. Over to you, Rahul sir.

Rahul Shukla: Good evening, everyone. Sorry for the delay because of some technical issues. And we start with the presentation. Just a quick refresher.

We are a hundred-year-old company this year on 27th of January. We have just now celebrated our centenary here. And with our very strong credentials, we are now geared up to take forward this infrastructure and national building of India. We thank you all for your continued support. We have been receiving good support from all our stakeholders. And with this, we will just play a small video to take you through our journey.

Thank you.

Moving forward, quick snapshot of our diversified order book. As off now we have 13,000 crores of order book well diversified across sectors and across geographies.

Key highlights of this quarter. In this quarter, we have achieved 921 crores of turnover. And with standalone profit of almost 86 crores. We have continued to maintain very strong EBITDA margins of over 15%. And that's what we will continue to do. We have been discussing in the past also that while our order book and revenue take sometimes to pick up we will continue to improve operational

efficiencies and demonstrate good amount of EBITDA margin as well as improving PAT. Quality of our PAT will continue to improve.

In this quarter, we have secured two orders, aggregating to almost 1,500 crores in joint venture with an NFR. And in addition to that, we are also lowest bidder in 2,700 crores of projects. We have submitted bids of almost 36,000 crores, which are under evaluation. And we have got very strong pipeline of almost 54,000 crores, which we are submitting bids in coming quarters.

We have successfully completed 1,000 crores of rights issue, which got 200% subscribed.

We have also received 84 crores from our Steiner subsidiary H56 with the total receivables of 89 crores. Balance will come in due course.

In our journey towards, accelerated deleveraging, we have prepared 680 crores to lenders in this entire financial year, and we are also in the process of paying 876 crores during this quarter by March. And we are hoping that with this payment, our substantial debt reduction will happen. Our debt will come down to 1,950 crores, which was our target for this financial year.

We have also achieved a reduction of corporate guarantee of HCC to Prolific debt. So, we have talked about it earlier also. Now everything has been completed and documents have been signed. So, this process is completed.

On the operations update, things are moving quite well. And Patna Metro real project, we had taken two packages, package 5 and 6. They have been inaugurated by Chief Minister Mr. Nitish Kumar, and projects are progressing well.

Indore Metro real project also, piling works are underway. You will see some photographs going forward. And work is well underway in all five stations. And excavation work in progress in airport station, as well as Rajwada station.

In Vishnughad Pipalkoti Hydroelectric Project, which is a large project that we are doing. We have achieved significant progress in tunnel excavation. And out of 12 km of HRT, we have a completed 8.5 km.

Work is progressing swiftly on other projects also. Agardanda Creek Cable Stayed Project, Tehri Pumped Storage project, Bhivpuri Pumped Storage project, all are progressing well. Now we will go to details of these projects.

- In Indore metro, certain photographs, Trial Ring assembly photo, as well as BSF, Kalaninagar station, excavation work, piling work going on.
- Patna Metro inauguration photo, as well as Casting Yard development picture.

- In Agardanda, significant amount of marine work is going on. You can see photographs of piling happening, as well as segment casting work going on.
- This is the picture of Tehri Pumped Storage project, wherein out of 1000 MW, 750 MW is already generating electricity. And the last unit out to 250 MW is also expected to be completed soon.
- This is the picture of Bhivpuri Pumped Storage project. You can see excavation work going on in lower reservoir.
- On Vishnughad Pipalkoti, dam completing work, Progressive well. HRT, we already spoke about, we have completed it, 8.5 km, out of 10 km of HRT.
- On Tapovan Vishnughad Project, which is another hydro project in Uttarakhand, work in both Face 4 and Face 5 is moving on quite well. These are tunnels that we are doing there.
- And FRFC nuclear project, nuclear project again, block six and seven photographs are here and work is progressing well.

These are the financials. So, in this, I have already given key numbers and other numbers are here, which are also uploaded in the exchange.

And these are the consolidated numbers.

Now, we will just take you through another video of our Centenary Year celebration before we open for questionings.

Now, we are open for question answer. You can raise your hands and ask your question.

[Sandeep Sawant:](#) Please raise your hands so that I can allow you. Ajay Desai, you may please start.

[Ajay Desai: \(Q\)](#) Yeah, the question is usually to understand how the Shanti, which has come is going to impact us and how quickly we will be able to get business and orders.

[Santosh Rai \(A\):](#) Yeah, Ajay. So look, Shanti bill, I think what it does is definitely pay for the private sector to participate in nuclear power development and operation. This definitely is a big step and we are clearly seeing lot of entities showing interest in collaborating first of all, with HCC, given our nuclear grade safety and quality performance, which we have done over the years, as you might be aware, we have already delivered more than 65% of country's nuclear power plants, main plant construction, other related works. So, this what we are seeing is not only the Indian technology, but also some of the other technologies like Light Water or maybe EPR. These are going to come into line and next in line with the government's plan of adding almost 100 GW of nuclear power by 2047 is very close to reality. I mean, even if we say 50% of that, it's a huge program which will unfold itself over next 10 to 12 years and HCC being one of the front runners is well poised to participate in that. At the same time, we're also expanding our footprint into the allied sectors of mechanical and electrical and instrumentation works. So, by this strategy, we are going to be present in this market.

[Ajay Desai \(Q\)](#): So, like earliest, the revenue we can start seeing from FY27.

[Santosh Rai \(A\)](#): No, I think this program to I mean as a result of this, what we foresee that we'll see actions on the ground starting summer in 2027-28 actual contracts getting placed because this will take some time for development of identification of sites, acquiring land, agreeing on the technology and post that only we can see these works actually coming to the ground. So, you can see something coming from this may be from early 2028.

[Ajay Desai: \(Q\)](#) Sure, thanks.

[Santosh Rai \(A\)](#): Thank you.

[Sandeep Sawant:](#) Mr. Kunal Tokas, you may be start.

[Kunal Tokas \(Q\)](#): Hello, Am I audible.

[Sandeep Sawant:](#) Yeah, yeah, go ahead, please.

[Kunal Tokas \(Q\)](#): Thank you. My first question is on accounting question. As I see on the balance sheet for FY25, because those are the details that I have. Your advances from contra tea to undercut around 1000 crore rupees. And please correct me wherever I'm wrong. But your interests do on these advances to get 345 crore rupees for FY25. And so just wanted to understand why it was so high in relation to the amount of advances. And what is the interest rate that you pay on advances from contractors?

[Rahul Shukla \(A\)](#): So, we pay very nominal interest on contractor advances, which generally goes around bank rate plus 2% kind of thing. Not every advance is interest bearing. Now though most of them are interest bearing. So what interest approval you are seeing are in one or two projects where the repayment is has not been due or necessary at that point in time. However, we are also working about towards settling those advances with clients because there are certain receivables also in those projects. So once those settlements complete, you will see significant reduction in these client advances in comparison to FY25. However, in continuity of our business, we will keep on acquiring new orders and there will be more client advances which will be coming as a virtue of contract. So that number may not be comparable, but yes, as far as historical advances are concerned, they will reduce very significantly. And when they reduce, they will reduce along with their accrued interest. So that will get settled once those things are.

[Kunal Tokas \(Q\)](#): So, if I understand correct, there were some advances which are sort of on limbo but continue to accrue interest. And that is why. And first of all, also are my numbers correct, 345 crore for increase and 1,000 crore rupees of advances for FY25. 345 for the period and 1000 crore as on 31st March.

[Arjun Dhawan \(A\):](#) I think what Kunal, the team is checking the numbers as you are speaking and what I think Ravi, I think is it. So, I think your numbers are correct and I think maybe. Ravi Jain, Deputy CFO or Rahul can take this up with you offline if required. If you need some further reconciliation, but I will add one perspective. Typically, client advances over the life of the project will be recovered through the cash flows of the project and the project will basically close with no liabilities. What happens when project delays take place? Sometimes the client also basically allows for further ad hoc advances until such a time certain bills and certain claims are settled. That has happened in the case of one or two of our larger projects that are now probably in the next year, year and a half closing. So, in fact, we have large independent engineer related awards and receivables against which those client advances will be squared off. Typically, there is a process and there's a lag within which period these things do happen and the expectation that we have is that these projects will get closed with those in fact, there were certain projects, certain hydro projects that actually went through a period even during COVID when certain large unusual delays took place and so as we close a couple of these large hydro projects over the next year and a half, you will see a substantial amount of this debt basically come off our balance sheet, which is actually today flowing through our P&L in terms of our finance charges as well. So that will be a substantial increase in the bottom line on our PAT when that happens because this in addition to our bank debt is another reason why our finance charges are actually a little on the higher side.

[Kunal Tokas \(Q\):](#) Yes, that is exactly what I saw. Now we can mention the hydropower project in the last concall you said one was stuck in Maharashtra. You removed it from L1, which.

[Arjun Dhawan \(A\):](#) But that is that is that is that is a project that was not even awarded for which we didn't even begin any work. So that's not relevant to this discussion. There are projects that we have hydro projects that we have in Uttarakhand. You know that because of some various issues that we had in Uttarakhand including you know COVID and that we had certain landslides that took place. There were court orders that prevented work from basically continuing. So, there are one or two projects that we have that have faced an unusual delay. In fact, there's only really one and I think when that basically closes out about 18 months from today, you'll see a substantial amount of this go off our balance sheet.

[Kunal Tokas \(Q\):](#) Thank you. My question was concerning the hydropower project related to your L1 position last quarter you had said.

[Arjun Dhawan \(A\):](#) We have a project in New Gandarbal, which is basically an L1 project, which has been L1 for a while and we expect for that to actually now be converted quite soon. You know, so please stay tuned in the coming months.

[Kunal Tokas \(Q\):](#) Okay. And the other question is regarding PRPL. You have received BG guarantee and the payments start from September 26. So how is progress towards that resolution of awards second in PRPL?

[Rahul Shukla \(A\):](#) So PRPL September 26 is already prepaid. And so.

[Kunal Tokas \(Q\):](#) Okay. And can you go progress on a semi annual basis?

[Rahul Shukla \(A\):](#) No, it's annual

[Kunal Tokas \(Q\):](#) annual. Okay. And also in the consolidated segmental account. If we look at this segment called others, which contributed just a ticket, he lacks you top line, but there's a 84 crore ruby charge in the habit against this other segment. Can you explain that a little bit please?

[Rahul Shukla \(A\):](#) Okay. You are in console. You are talking about console numbers.

[Kunal Tokas \(Q\):](#) Console segmental numbers.

[Rahul Shukla \(A\):](#) Okay. So, you are talking about 83 crore number that is charged there.

[Kunal Tokas \(Q\):](#) Yes. Against others lying item.

[Arjun Dhawan \(A\):](#) I think we can. And let's limit everybody's questions to two per, you know, per maybe get back in the QB to appreciate. And there's a lot of people basically, you know.

[Kunal Tokas \(Q\):](#) Thank you.

[Sandeep Sawant:](#) Thank you. Rajesh Pandari, you may please start. Rajesh is not supporting any more hands. I can't see any more hands raised. Please raise your hands.

[Sandeep Sawant:](#) Okay. Ken you please start.

[Arjun Dhawan \(A\):](#) I'm sorry there is a lot of ambient noise. You need to please be clear with your question or we'll have to go to somebody else.

[Ken \(Q\):](#) Difference in Consolidated and standalone numbers in profit slide. So, I want to know what the reason was for our consolidated profit being down compared to standalone as Steiner has been sold out.

[Arjun Dhawan \(A\):](#) I'm sorry your question is not clear. You know, and so maybe if you can, I'll request my CFO touch base with your offline. And we can have this question answer later. If they, if your question is relating to why there's a difference between the standalone and the console numbers.

Hello. I was basically pointing out that we've actually had a very positive development in the settlement of a substantial erst while Steiner related receivable. In fact, these were matters that we were expecting receivables that we were expecting to have come in in the next, you know, two to three years. We've managed to close one well in advance and we've taken a minor right off on that to in trade off for the substantial cash flow that comes as a result of that. So that's perhaps maybe where you see that particular right off because we've got a number of receivables associated with a few counter parties.

Sandeep Sawant: Hardik Chheda you may please start?

Hardik Chheda (Q): Sir, I just want to ask other expenses have gone up substantially. YOY and QOQ? The reason for the jump in the other expenses. And secondly, the first you can answer that, then I'll ask my second question.

Rahul Shukla (A): So other expenses has gone up by almost 20 crores quarter on quarter and that is essentially we have settled one large tax related dispute. So, it was a very positive outcome 157 crore has got settled. So that has resulted into 20 crores of book losses. That's why you are seeing that number, but that is one time.

Hardik Chheda (Q): And the consolidated it has gone up even more on the consolidated basis. It is even more it is up even more sharply. So, the reason is only tax or something else.

Rahul Shukla (A): So other we just now explained with regard to our settlements where in cash has.

Hardik Chheda (Q): Yeah, that they understood it. So, it is because of that only right both.

Rahul Shukla (A): Yeah, both put together.

Hardik Chheda (Q): Okay, perfect answer. And sir, the just wanted to understand little more on the nuclear power side opportunity apart from the SHANTI which was launched apart from that any other. In the near term any other opportunities in the nuclear power space, which you can expect in this year. Any orders any L1 or anything.

Santosh Rai (A): When you say this year, I'm treating till December, right? And yeah, yeah. So, you know, we are clearly we are clearly seeing that NPCR will come out with some tenders for their PhDWR program, specifically my Banswara and Chutka. These two bits are going to come out in export to five ones. And you know, we can expect that those orders will get decided.

Hardik Chheda (Q): Okay, how large will be that order roughly sir, the bid size.

Santosh Rai (A): My Banswara and this if they're going on fleet mode, it will be like each order would be close to 8,000-9,000 crore.

Hardik Chheda (Q): Okay, okay, and we'll be bidding for the whole part. How much will be in terms of percentage can you just say?

Santosh Rai (A): So, look the civil constitutes almost 40 to 50% of this value. The civil works.

Hardik Chheda (Q): Okay, great. Thank you, sir. Thank you. That's very helpful. 8 to 9000 crores each you said, right? Both 8 to 9,000 crores and 40% will be the civil and that. thank you so much. Thank you. That's all from my side. Thank you.

Sandeep Sawant: Lokesh; You may please start.

Lokesh Kashikar (Q): Yeah, hi. Thanks for the opportunity. Couple of questions from my side basically. So just wanted to understand out of these 13,000 crores of orders you have. So how much is this is slow moving or yet to start work on those projects?

Santosh Rai (A): Look, I think. In fact, there is none is slow moving here in this entire 13,000 crores. We have secured 20 almost 2500 crores of partner metro, which has just started. And even Indore metro is initially take off stage. So that's another 1200 crore. All all-other jobs are and of course, we have also secured some orders in the railway sector recently around 600-700 crores. So these are in the off take stage, you know, everything else is ongoing works.

Lokesh Kashikar (Q): Okay. And so we were basically targeting around 10,000 crores of projects in this year. I understand that we have got around 3,000, 3,500, 3,600 kind of numbers. That by daily levels. So where do you see that the order in full basically settled down for FY26? And what is your expectation for FY27 as well?

Santosh Rai (A): So look, I think I will not be able to help you with numbers specific because these are forward projections. And you're not like to do that, but I can give you some sense. Look, we already have a position where our order intake as on date, if I speak, will be around 3,800 crores. We are L1 on we are having holding L1 position of another 2000 crores. And there are bits almost worth 9,000 crores, which are under evaluation. We expect, you know, to be successful somewhere. So you can take, you can, you can consider some percentage around that. Let's say 20%, 25%. We think somewhere around that we should be able to close that.

Arjun Dhawan (A): One thing I want to add. I think that there's some of the most of the jobs that we are looking at now are in that sort of 1000 to 3000 crore range. And so there will be some lumpiness. And so, you know, what certainly the shortfall that we basically have on a quarterly on a fiscal year basis, we certainly look to make up within the next basically three to five months, right? And I certainly expect that while there might be a little bit of short, shortfall year to date, I think that it's highly likely that we should be able to make that up in the coming months.

Lokesh Kashikar (Q): Okay. Okay. Okay. And so on the revenues, if you can just qualitatively, if you can.

Arijun Dhawan (A): There's one more point I'd like to make on that subject without giving sort of forward guidance is that there are a number of jobs in which we are in discussions with clients and we are in negotiated discussions with clients, right? We have a certain positivity with regard to how some of those discussions will actually unfold in the coming months.

Lokesh Kashikar (Q): Okay. Okay. Let's just last one from my side. We have basically declined on the top right in front understandably because we have got lower inflows as well. So contribution was lower, but this. I just wanted to know for our long time target is around 15 to 20% CAGR want to grow. So do you think that will basically start with FY27?

Arijun Dhawan (A): Yes, and I think we should certainly try to exceed that. I mean, certainly our order backlog growth should be substantially basically higher than that in terms of growth. And the turnover from that will obviously flow depending on when the projects mobilize and get moving. But at least, you know, from our investment community, you would have a very, very good visibility of what the earnings will look like for the next three to five years as we start to build this up. So one thing that Rahul did mention in his initial remarks, which I wanted to just reemphasize. We are entirely basically along with top line and because that will drive ultimately the exponential growth that everybody's been patiently waiting to see. But effectively, we will continue to generate strong margins. You know, as one, our operational efficiency has increased, but at the same time, the quality of the work that we're doing is continuing to improve along with some of the major settlements that we expect to conclude with our clients for closing projects, so a combination of these three factors along with our deleveraging should actually see our profit margins actually in the short run be higher than normal. So why our top line may continue to be constrained until the order book flows into sort of a top line. Our expectation is that our margins will actually relatively speaking be stronger in the short run.

Lokesh Kashikar (Q): So that helps that's it for my side. Thank you.

Sandeep Sawant: Harish. you may please start.

Harish Shiyad (Q): Hello.

Sandeep Sawant: Yes, Harish, we can hear you.

Harish Shiyad (Q): Good evening and thanks for the opportunity. I went to during the presentation; there was no mention about the BKC bullet train. Update and there were some media report that this work has been stopped due to police and problems.

[Santosh Rai \(A\):](#) Thank you. Harish, you know, so bullet train see bullet train project is ongoing at a good pace, I will say. Definitely, there are some slowdowns due to issues mainly with respect to the restricted working hours. And that is why, you know, the progress has not been able to achieve to the desired pace. Also, there are some interface issues with the adjoining contractors, you know, how there are some planning related issues with that. But, but it's not, I mean, I think that's not a correct news that the work has stopped there.

[Harish Shiyad \(Q\):](#) No, no, it came in the media, there are BMC has stopped you work over there.

[Santosh Rai \(A\):](#) That was long back and that happens for one or two days when they're when the AQI goes very high on all these things.

[Harish Shiyad \(Q\):](#) So, what is expected data completion of this project?

[Santosh Rai \(A\):](#) Right now, it is 2029 almost April, 2029.

[Harish Shiyad \(Q\):](#) Okay. Any more package from this project bullet train you are expecting?

[Santosh Rai \(A\):](#) See, the Mumbai Ahmedabad, I mean, Mumbai Ahmedabad line is almost awarded for every package. But now you might have read in the in the newspaper that there are seven more bullet train projects which government. Exactly. So, whenever, you know, that's there, we will focus on that.

[Harish Shiyad \(Q\):](#) But here on to there are some underground tunnelling work to be done. So, there is already awarded.

[Santosh Rai \(A\):](#) Yes, AFCONS.

[Harish Shiyad \(Q\):](#) Okay. Thank you. Thank you very much, sir. All the way.

[Santosh Rai \(A\):](#) Thank you.

[Sandeep Sawant:](#) Ajay Desai, you may please start. You have more questions.

[Ajay Desai \(Q\):](#) Sir, I just wanted to understand this. My Baswara and another project which you talked about saying 8,000 crore each. If you can give me little bit more understanding about these two projects.

[Santosh Rai \(A\):](#) So, Ajay, these projects are basically, you know, they are PHWR program. They're all cell and megawatt reactors. What the government is going to do in line with you, you might have seen the bids of Kaiga and PPP beforehand. They're going to be six units, which will be tender together with all the ancillary equipment's, MEP, main plant and equipment's, that's going to be the package. And that's why this package of size will be bigger in nature. What you've traditionally seen.

[Ajay Desai \(Q\):](#) And this will, like, bidding will start. So, effectively, the execution will start when whatever we get of contract.

[Santosh Rai \(A\):](#) So, Yeh Man ke Chaliye execution will start in August or October, 2027.

[Ajay Desai \(Q\):](#) Okay. August and October 2027. So, it will start at that time, right?

[Santosh Rai \(A\):](#) Yes.

[Ajay Desai \(Q\):](#) And I have one more question from investors point of view, like, you know, the market cap, which was pre-write issue, post-write issue. And, you know, how do you evaluate that when you look at it? Basically, the investors, you know, the change in market cap between pre-write and post-write, effectively, are at sitting at loss. So, what's your view?

[Santosh Rai \(A\):](#) I think, you know, it's a function of how the market is reading the current situation, but I think it's going to improve.

[Arjun Dhawan \(A\):](#) So, look, I think, first of all, there's two things here. One, I think it's technically, I think, and mathematically, pre and post-money situation, you know, the market cap should actually adjust for the fact that there are obviously more shares, and you have a subscription now, I think that we have to probably take into account folks that decided to arbitrage versus basically, you know, people that were long-term investors. And I think that, you know, the right issue certainly benefited a lot of our long-term investors that subscribe for additional shares and actually got them consolidated their positions. And, you know, I think that our goal is to actually build a larger, stronger institutional shareholder base. And perhaps maybe the... And look, I don't think that we want to comment on why a market cap either moves up or down, right? I think that what I will basically say from a positive standpoint is that we certainly look to deliver a substantial, you know, value to shareholders as we really grow our auto backlog, and that's something that I feel very positively about in the coming months.

[Ajay Desai \(Q\):](#) So, thanks.

[Sandeep Sawant:](#) Ken, you have any additional questions? You can unmute and start.

[Ken \(Q\):](#) Sir, would like to know whether on the private side, sir, was telling about negotiating contracts with some big players. So, would like to know which industry we are and which segment we are discussing?

[Santosh Rai \(A\):](#) So, Ken look, we are talking about renewables. And renewables of, you know, both nuclear and hydro form, that's one part. We are engaged with the private sector.

[Arjun Dhawan \(A\):](#) And hydro includes pumped storage.

[Santosh Rai \(A\):](#) In addition to that, the minerals and metal sectors are where, you know, we have, again, we have picked up pace and we have just... We are working on some project right now for Hindalco. We are definitely seeing a lot of traction there. And we are, again, engaged with the you can say the leading players of that sector. And we believe, you know, we'll be in a position to convert some good orders over there.

[Arjun Dhawan \(A\):](#) We have also identified two regions abroad where we have an interest to actually work in the medium to long term. And we've made, you know, fair amount of headway in terms of establishing a presence with, hopefully, the beginning of some new business, which we will basically communicate at the appropriate time.

[Ken \(Q\):](#) And so, one more question asked. There was one big order, hydro power orders, bid coming in Arunachal, so what's the status for that.

[Santosh Rai \(A\):](#) So, this was the Dibang and we have lost that bid. I can say the... Some of the industry players have gone ahead with a very, very aggressive bidding on that project. And we continue to maintain our bidding discipline, post... You know, after analyzing all the risk associated with such a large job. So, we have not been successful on that bid.

[Ken \(Q\):](#) Thank you.

[Sandeep Sawant:](#) Kunal Tokas, you may please start again. You have more questions.

[Kunal Tokas \(Q\):](#) Yes, please. Thank you. A question about your versus expect to grow very fast, do you think labour can become an obstacle to that growth?

[Santosh Rai \(A\):](#) Yeah, that's an industry issue. You are right. I mean, labour is a challenge for the entire industry. And I think we will have to factor this into when we are looking at growth. The solution to that is going to be some of the captive training which we have to do. Some very, very innovative retention programs with the labour workforce. We are engaged on that. But yes, we will have to live with that problem. And I think we will have to work around it.

[Arjun Dhawan \(A\):](#) Well, I think the one other thing that I would like to say on this front, I think that... HCC has remained very, very proud of its health safety and environment standards. And I think the respect for our labour force and the quality of our labour camps and how we treat our labour, and at least what we consider to be the joy of working within HCC is something that we tend to basically feel fairly strongly about. So that certainly helps. But we all know that there's a stretch demand supply situation in the country. So yes, I think what Santosh has said is something that we continue to be cognizant about in terms of, well, how do we better manage with our labour, with our partners to ensure that at no point in time, we have our cycle times disrupted by labour disruptions.

[Kunal Tokas \(Q\):](#) Thank you for your answering also. Here correctly get to say you're evaluating 2 international destinations to be working.

[Santosh Rai \(A\):](#) Well, sorry, we couldn't understand this question clearly.

[Kunal Tokas \(Q\):](#) Did I hear you correctly saying that you were evaluating 2 foreign destinations?

[Arjun Dhawan \(A\):](#) Yes, that's right.

[Kunal Tokas \(Q\):](#) When you divested for Steiner or did you also not say that you were satisfied with the amount of opportunity available in India, I wanted to focus us here.

[Arjun Dhawan \(A\):](#) Yes, but yeah, but Steiner was in a different line in building construction. And so I think that our goal and we still maintain that is that our core business of engineering construction is where our focus area is, period. Where we have where we see clear high margin opportunity and where we've actually frankly in some cases been invited to work and provide our expertise is in a couple of regions. It is something that we are evaluating and this is something that we don't see as a dramatic shift or distraction from our core area of working. This will always account for a very small portion of our order backlog, but then could tomorrow become, you know, could complement basically our work and our diversified order book and our margins as time goes by.

[Santosh Rai \(A\):](#) In fact, we are taking over on the best strength in new locations.

[Kunal Tokas \(Q\):](#) That's what we heard. It might not become a stretch on the working capital.

[Arjun Dhawan \(A\):](#) No, I know we're very, very clear. Look, I think that, you know, we're blessed with a lot of opportunity in India. And it continues to be focused on infrastructure spend and. "*Jinta Infrastructure banaya apne desh mein woh kam padta hai*". So, it's, you know, at least for the number of years to come. We will always have tremendous opportunity here, but we will look very, very opportunistically at a couple of, you know, just because we mentioned international is not because we don't see opportunity in India, right? it's sometimes a quality of the work, the quality of the client, the pre-qualification that comes with that and the high margin basically that comes with that is something that we don't done a blind eye to. And certainly this, this, you know, this is not something that will require any material investment. You know, very clear about why is use of our capital in the in the short to medium term.

[Kunal Tokas \(Q\):](#) I'm glad to hear your thoughts and excited for this next phase of your journey. Thank you. Thank you. Have a good time.

Thank you.

[Sandeep Sawant:](#) Hardik Chheda, you may please start.

[Hardik Chheda \(Q\):](#) Yes, sir. I just wanted to ask regarding the margin for the next year. Do we see margins remaining at the same level or now do we see the margins going up?

[Arjun Dhawan \(A\):](#) I think I've, you know, I've already commented on that. I think that it would be unfair to probably see anything further.

[Hardik Chheda \(Q\):](#) No, I don't know the exact. I missed that part. I just wanted to understand, but let's say not about next year in general. The margin trends. Are you seeing them going up from here for the forthcoming orders that you'll execute or staying in the same range around where they are? I think asking for exact numbers.

[Arjun Dhawan \(A\):](#) I think if you're asking from a job specific standpoint, I think we will continue to maintain our discipline off and we've always maintained the position of the kind of work we do is in the mid EBITDA margin category. As you see our debt come down and our goal is not just by the end of fiscal 26 to see the debt come down to sub 2,000 crores, but to actually have the company completely delivered as early as possible. You know, in the next basically, you know, two to three years we want to be debt free. So that along with basically the client advances being adjusted. The kind of works that we're picking at least, you know, Rahul talks about the diversified order book as well as effectively the fact that we work across the country allows us to actually. You know, see through cycles, right, whether it's in a particular sector or in a particular region and to some extent because of our pre-qualifications and the complexity of the works we do and the appreciation that the clients have for our work. We tend to actually not have competition in more than basically three or four years in the space we look at. So, combination of all these factors is going to imagine maintain the quality of our margins. And you know, and so certainly don't think that you should be disappointed on that one.

[Hardik Chheda \(Q\):](#) Okay, and let me just put it that this I got it and with the opportunity in the nuclear space say I'm not asking six months say two to three years down the line. Could that substantially take our margins up from the present level or even after that the margins you're expecting to remain same or that could be a change or in terms of margins.

[Arjun Dhawan \(A\):](#) The answer is yes, yes, it's a simple yes, you know, and it's a function of two things. It's a function of the quality of work, but it's also a function of scale, so.

[Hardik Chheda \(Q\):](#) Okay. Got it. Got it. Thank you. Thank you. That answers my question. Thank you.

Thank you.

[Sandeep Sawant:](#) HS Read. You may please start

HS Read (Q): Yeah, you mentioned about the Dibang 3 project, So if I'm not wrong Patel engineering and your group are there, so. Where's actually finally won this.

Arjun Dhawan (A): I'm sorry, who is what? Company by the name of Rithvik is one the project or is L1the project of these that the is.

HS Read (Q): But sir, do they have any track record or something because the technical.

Arjun Dhawan (A): Look, we're not in the position to comment on our competitors or peers or any other come that would be certainly unfair.

HS Read (Q): Okay. I appreciate it.

Arjun Dhawan (A): I just wanted you to do your own dediligence.

HS Read (Q): No, I agree, sir. Thank you so much.

Arjun Dhawan (A): It's a question you can ask NHPC in your next in the next analyst thought.

HS Read (Q): Yes, just wanted to ask one thing like the guidance because we are shareholders for long time now. What kind of thing we can expect in next two, three years, what kind of guidance you can give us. Because all these rights issues and everything is over financial restructuring is over. So what we can look up to now.

Arjun Dhawan (A): We've seen I think this past year, you know, there's been a higher level of comparative intensity. I think that what you will certainly expect is at least from HCC, you will not expect us to make a mistake. You'll expect the highest quality is a basically, you know, health safety environment. I think that that's something that when we the industry goes through cycles. You know, people basically appreciate that at the end of the day are certainly our clients do.

As far as now coming down to what investors care about is growth and growth in earnings. And return on investment. And as far as we're concerned, I think that one we already spoke about the leveraging and the, the substantial growth in earnings that will come from that. That's one. But as far as turnovers concerned, we said this in prior calls. Then we want to see a doubling of our turnover every three years. You know, ultimately, we want to on such a low base. I think it would be certainly a disappointment for us if we didn't basically grow. At 20, 25% a year, right? And that's now a function of us building an order backlog and really kind of, you know, having those numbers transferred into free cash flow. And what we requested in the past, basically, quarters is that the community, and the investor community overlook this, this, this period during which time, you know, we've, we've been looking to basically do our business. I have said this on our last analyst call that I've been a little disappointed at the speed at which we've done that in this past year. But I certainly look to make that up in spade. So not only will we look to make up for the last year, but we look to

basically accelerate that along with this year's, you know, fiscal, and I say fiscal 27 is basically planned, right? So I hope that gives you a sense as to the ambitious plan that we have. And I appreciate the patience that people have had in us basically achieving this task.

[HS Read \(Q\):](#) You're giving this bid pipeline of 53,000 crores in your presentation. So, I could not attend that initial part of your presentation. So, I'm sorry for that at the outset. If because you might have expressed something, can you just tell me now which are the main projects in that and what is our probability of winning them?

[Arjun Dhawan \(A\):](#) We don't, we don't go into the bid pipeline in terms of project by project. And, you know, certainly what you can expect is that the, is that we have, we have been in our areas of co-competence, right? We look at our diversified order book where, you know, you wouldn't be that surprised to effectively see that most of our pipeline, the work we've already done and the work we plan to do is actually in that. Now, let Santosh basically add to that, but I think, you know, we look at generally speaking of 15-20% hit ratio. I mean, that's what we target. I think that in some cases, I think we'll be actually probably maybe even exceed that where there are jobs in which where the competition is lower. And we're one of two or three players that, you know, is your mark to kind of, you know, win the job.

[Santosh Rai \(A\):](#) So, I think just to give you a feel, this, this bit pipeline, which is there, majority of the bids are coming from hydro power sector and urban transport sector.

[HS Read \(Q\):](#) So, sir, our hit ratio, it is 15% let us say, then it translates into only 5,000 crores. I mean, maybe 7000-8,000 crores.

[Santosh Rai \(A\):](#) Yeah, 7, 8,000 crores.

[HS Read \(Q\):](#) So that takes care of only one year, hardly one year because now we have to grow at 25% also.

[Santosh Rai \(A\):](#) Yeah, but this is in addition to whatever we have secured already.

[Arjun Dhawan \(A\):](#) Yes. And, and by the way, this, this pipeline we're talking about is with what we're talking about currently now in the next three or four months that pipeline will continue to grow.

[Santosh Rai \(A\):](#) Right. Yes.

[Arjun Dhawan \(A\):](#) So, for us, the definition of pipeline is a project that we are getting very near, ready to bid for as opposed to the identified number. So, this is the, it depends on how we define it. The 50,000 crores is not a, it's not a definition of a fiscal 27. It's basically currently, you know, what's on our slate and what we plan to basically look to focus on.

HS Read (Q): Okay, okay. And then 35,000, which is mentioned above, is like order book.

Arjun Dhawan (A): Its bid submitted.

HS Read (Q): Bid submitted. So there, the hit ratio will be 15% of.

Arjun Dhawan (A): Again, I to be very honest, I, you know, I'd like to withdraw the comment of 15% to 20%.

HS Read (Q): I mean, look, I think that we just for understanding, sir. I appreciate it. I appreciate it.

Arjun Dhawan (A): We think about, we think about that from a growth allocation of capital, you know, capacity perspective. Obviously, it could be much higher than that. It could be slightly lower than that. We don't expect it to be lower than that, but it certainly could be higher than that, in which case, then we have to, you know, obviously have the excellent capacity to you know, to execute that.

HS Read (Q): Thank you, sir. Thank you so much.

Sandeep Sawant: Thank you. Kunal Tokas you my please start.

Kunal Tokas (Q): I just forgot to lower my hand.

Sandeep Sawant: Pranav, but now you may please start.

Pranav (Q): Hello, am I audible?

Sandeep Sawant: Yeah, yeah.

Pranav (Q): Yeah, sir, I like you. So, just, I mean, that are fast also and You were consistent when it go and proven ourselves when it comes to having the margin that you want it as a company. Right? And we started showing the results when it comes to the, you know, getting our money back, receivables, clearing our balance sheet. And just one thing for the last three, four quarters, we've always been talking on the order booking side. Where is the lack or where is the lag that is happening? Is it from the government's end? Is it from our end? Or is it, you know, environment business environment as such? That is not.

Arjun Dhawan (A): I don't think that first of all that we can place the blame on the government at all. The government is doing a wonderful job in bringing a very large infrastructure pipeline to market. I think that perhaps maybe, as I've said this in the last quarter, perhaps a little bit of ill luck on our part. We had 5,000 crores of L1 jobs basically in our order book, which were Maharashtra basically jobs, which were then cancelled or retendered. Right? So, then they went, we went sort of back that should have theoretically today been in an LOA position, which we could have executed. And I think, you know, to be very frank, I think it's a function of us not having executed as quickly. There's no

other excuse for that. I think that there are, yes. You know, we tend to look at, we're looking at fewer bids, but larger bids in terms of size, 2 to 5,000, 2 to 4,000 crores. So, there's a more lump, there's a greater lumpiness in our order backlog. Hopefully there will be one or two quarters where you would be surprised with a substantial order. So, for example, Dibang was a bid that was 15,000 crores. I mean, it would have got me at one that doubled our order backlog. Now, I don't think that there's any excuse, but effectively our own performance in terms of generating that order backlog. Very simple.

Pranav (Q): Okay. Okay. So, then the path going ahead because now our balance sheet can basically support a lot of larger orders and more orders was because we are technically at the lowest debt in our last 10 years. How are we go, how as a management, how, what do you see our company becoming in the next four to five years? I mean, where will our niche be or what is our mode that is going to be as a company?

Arjun Dhawan (A): I don't know. I mean, are you asking from a financial standpoint? Are you asking from a position?

Pranav (Q): No, no, from our, from a promoter's standpoint, what do you see our company becoming or what is our niche that is that we are going to create? Or probably, you know, that this is the segment that we are going to have our foot in like an elephant or, you know, cement our position, whatever orders we, whatever tend to it or whatever.

Arjun Dhawan (A): You know, the one thing that we have been blessed with is that we've been blessed with a hundred-year pedigree and having actually done landmark projects for the nation. You know, there's been projects of incredible difficulty and complexity, which have not just basically helped the contribute to the economic growth or of the country, but also basically been associated with strategic areas and defence, etc.

So as far as we're concerned, we will continue to work in our core areas of expertise. I think you're already aware, you know, that we, we've done nearly a quarter of India's hydro out of the 24 nuclear reactor buildings today, 14 have been built by HCC. I don't think they need to repeat our credentials on the tunnelling front in terms of even building some of the most complex and most impressive bridges. Over that matter, strategic projects like effectively the dry dock for the aircraft carrier or the strategic oil cavern reserves, you know, where our crude oil basically rests. So I think that we will continue to embrace complexity. We will continue to take on projects which, which require great engineering excellence. And I think that you will not notice probably more than a few competitors in the field that we basically continue to compete in. Does HCC need to regain, you know, yes, HCC has a lot of these landmark projects to his name but financially speaking and in terms of the size of our business, are we sort of, you know, today. Do we today, in the next five years, if you ask me, do we need to regain our place among, you know, as one of the largest and most successful and

financially successful companies in India doing large complex infrastructure projects. That's certainly basically where we need to be and they will be and that's basically our goal.

[Pranav \(Q\):](#) And our plan to reach that is basically building and showing our complexity is for us.

[Arjun Dhawan \(A\):](#) Yeah, it's simple. I mean, it's, it's a simple, it's a matter of simply of remaining keeping. Like I said, the most important thing is being true to who we are, the integrity with which way we work, we're a professionally driven firm. And we will continue to maintain that discipline in terms of taking on commitments responsibly and executing them with the highest standards of basically quality and safety. And, and just that's right. I mean, we just need to do much more of what we've done before.

[Pranav \(Q\):](#) Okay, okay. Thank you so much.

[Sandeep Sawant:](#) Kiran, K.R, you may start. Kiran is not responding.

[Sandeep Sawant:](#) Naman Ranbhan. Hello. Yeah, you can start.

[Naman Ranbhan \(Q\):](#) Yeah, hi, sir. So, my only question was regarding the profitability. If we see on a standalone basis versus the consolidated basis, there has been a reduction. So just wanted to understand the reason for the difference and is it a one off or how should we see it on a future basis?

[Rahul Shukla \(A\):](#) So, Naman, we have already explained this. And it's one off because of couple of items, which I have explained. So maybe you can refer to my comments there, please.

[Harish Shiyad \(Q\):](#) Thanks for opportunity. I have a two, three clarifications to ask. One is about the promoters are having some shares pledges. And depending on the company. Are you planning to add stake in the company because it's only 16, 17%. Did they subscribe to the right issue recently.

[Arjun Dhawan \(A\):](#) Sorry, didn't really understand your last question, but I think that look as far as the promoter group shareholding is concerned. I think the fact that the goal is to obviously have as much of the shareholding. It is possible and you know that's the that's the goal. I can't comment beyond that at this point, but we will share that information basically with your due course. And the promoters basically are not only subscribed to their portion, but actually oversubscribed as far as this part as the right issue is concerned. I think that what you can expect in the in the in the near future is our plan to try to basically raise the shareholding at this point in time. I won't say it any further on the subject. You can please stay tuned for what our plans are later.

[Harish Shiyad \(Q\):](#) But the pledging is bad on the stock price. What is the road map for that?

[Arjun Dhawan \(A\):](#) I'm sorry, your question is not clear.

Harish Shiyad (Q): In any case, I am talking about the preaching of the says very promoter is supposed to be in the bad sentiment on the stop price. So what is the road map to remove the pledge of the promoter?

Arjun Dhawan (A): I can't comment on that. This is not the appropriate forum in which I will comment on that. What I will say what I will say and I will repeat again to you is that there is a clear plan to basically do that. But unfortunately, I will not be unable to I will be unable to basically be explicit on this underscore.

Harish Shiyad (Q): Thank you very much. All the best

Sandeep Sawant: There are two more hand rays, Rajesh Bhandari and K there repeat. I'm allowing Rajesh. Rajesh you may please start. Have you raised your hands or it is by mistake?

Santosh Rai (A): Sandeep, I think you know where they have just not put it down.

Sandeep Sawant: So I think most of things are answered. Rahul sir, you may please close the call.

Rahul Shukla (A): So now that there are no questions, we will close this call. Thank you all for joining and making it a fruitful discussion. Goodbye and see you next quarter.