<u>HCC Ltd</u>

Analyst Call Transcript to discuss HCC Q4 FY26 Results

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<u>Company Representatives</u>

- 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

<u>Moderator:</u> Soubhik Mitra, General Manager - Corporate Communications

<u>Transcript:</u>

<u>Soubhik Mitra:</u> Good evening all. Welcome to HCC Q4 FY26 results announcement. Before we start, some house rules, please. I would request after the presentation, please limit two questions at a time and you can come back into the queue. From the management, we have our Vice Chairman and Managing Director, Mr. Arjun Dhawan, our CFO, Mr. Rahul Shukla, and our Chief Business Officer, Mr. Santosh Rai.

<u>Santosh Rai:</u> Hi, good evening, everyone. I'm Santosh Rai here, Chief Business Officer, and I'll be taking you through this presentation. Some part of it I'll be taking through and remaining part will be taken care by our CFO, Mr. Rahul Shukla. Let's begin.

This works. There is some technical issue. Just, okay.

So, as an organization, HCC completed its 100th year this January and we are celebrating our centenary year. For the record purpose, we have done more than 4,000 kms of highways, 395 kms of tunnelling, installed more than 60% of nuclear power capacity for the country, and around 26% of hydropower capacity in the country, and we plan to continue to do so. Here are the key performance highlights for Q4 FY26 and FY26.

The most noticeable thing is 142% year-on-year increase in our standalone net profit to ₹206 crore in FY26 as compared to ₹84.9 crore in FY25. And this is largely driven by a lot of, I can say, improvement in the operational methods, operational efficiency, cost discipline into the execution of projects, and trying to focus upon to control the cost despite all the global volatility which we have into the market. We expect to sustain these margins going forward.

The next important thing for us to notice is the 38% year-on-year decrease in the debt to ₹1,995 crore, and the full impact is not reflected in this year's result. You will see on a proforma basis that the annual interest reduction could be to the tune of ₹112 crore in FY27. We are not done yet. We will continue to focus, you know, on completely deleveraging the company and want to further reduce the debt. In fact, the objective is that we become debt-free in some relatively short-term period. That is going to the effort on the entire organization.

On the numbers, standalone turnover is ₹988.7 crore in Q4 FY26, and for the full year FY26 it is 3,937.3 crore versus ₹1,330.2 crore in Q4 FY25 and 4801.1 crore in FY25. Our standalone EBITDA margins is 18.2% in Q4 FY26 and 16.1% for the year FY26 versus 31% of Q4 FY25 and 19.4% in FY25. In the Q4 FY26, we have been able to secure ₹2,290 crore of order and a total order intake of ₹5,654 crore for FY26. This includes a ₹1,100 crore LOA we received in April. This was a schedule point of view. It just came in the first week of April. And we are also the lowest bidder for a project on which our value is around ₹840 crore.

In addition to that, we expect that, you know, to get some more orders from the bids what we have already submitted. We have around ₹26,000 crore of bid under evaluation, and we are well prepared to submit bids in north of ₹43,800 crore in Q1 and Q2 FY27.

This is the position of order backlog as of 31st March 2026. Transport continues to be a sector where we have our maximum order backlog, followed by hydropower, then water and nuclear and buildings.

These are the geographical breakup. We continue to have projects across the country. This does not include our ₹1,100 crore of LOA, which we have received in April 26 and L1 position of ₹840 crore.

Some updates on the operational projects.

Indore Metro, what you see on the slide, the FAT, that is the Factory Acceptance Test of the machines are completed, and these machines are on their way to reach the job site. What you see on the right side is an excavation going on for our airport station, which we are planning to finish by December 2027, ahead of schedule actually.

This is Patna Metro PC05 and PC06. We got this job almost five months ago, and all the necessary mobilization activities are in progress. All the GC and everybody is on board. Other preparatory activities are again in progress here.

Agardanda Creek Bridge, we continue to drive the piles in the marine environment and on the land also. What you see on the screen here is a floating batching plant that is being used to cast these piers and piles, what you are seeing in the water in floating condition.

Tehri PSP, all the four units are commissioned, and you can see the picture on the picture, the commissioned powerhouse.

This is the Bhivpuri Pump Storage Project, and this is the excavation what is going on for the powerhouse.

On Vishnughad Pipalkoti, significant amount of concreting has been done, nearly 65-70% of the dam concreting is done, and we have also completed 9.3 km of tunneling in the HRT using our TBM. This is the machine hall, unit 1 and unit 3, almost unit one you can see is like 75-80% ready, and machine hall unit three is under preparation.

Tapovan Vishnugad, which is an NTPC project also here, things are progressing well. We are facing challenging geologies, but progress is being maintained as per the required pace.

This is the FRFCF Kalpakkam, block three and blocks five and seven are under progress, and the job is progressing well in line with the schedule, what we have agreed with the department.

You know, so this being our annual kind of analyst presentation, so we thought we will also take you through our take on the infrastructure sector and how it is looking like. You will notice that this year we are targeting to have an order booking of around ₹15,000 crore, that is our guidance for the year. So, let me explain you the sectors we are looking at and what is the situation is looking like.

We believe that India infrastructure is going to grow at tremendous pace, and this is evident from the kind of plans what the government has and the needs what are there. For example, we are currently operating 1,000 kms of metro line, which has to be increased to 20,000 kms of elevated tracks. We are having 500, not having, we are in the progress of putting 508 kms of high-speed line, which has to be increased to 4,500 kms. Similarly, power PSP from 7 GW to 1,000 GW. Hydro capacity has to be increased from 50 to nearly 70. Nuclear power from 9 GW to 1,000 GW.

So are the numbers here on the screen for your road sector expansion, port capacity expansion from 820 to 10,000 MTPA. And the number of train services which has to be increased, which will again increase the demand for infrastructure related to railway works.

So, looking at hydropower, we will see that what is the growth is looking like in next 10 years. In FY25, we have around 57 GW installed and the plan is to take it to almost 167 GW, which is almost 11% CAGR in terms of if I talk the opportunity in lakh crore, it will be jumping from ₹0.5 to 1.9 lakh crore.

Lot of hydropower projects are currently in tendering, which we are seeing now, and a lot of focus right now is also on the Pumped Storage Projects. I believe the current energy crisis, which is going across the world will also, you know, make the government and the developers look at alternatives and PSP is going to stand out in this thing where very long gestation of readily available power can be made ready as compared to some other modes.

So, here our advantage is we have built around 27% of India's hydropower and we, I think we are one of the few top two, three companies, which has the experience in almost all kinds of hydropower projects, be it EPC, be it item rate and have done all elements of that various projects.

These are some of the projects which we can clearly see coming up very soon, almost ₹40,000 crore of hydropower projects, what we have put on the screen here. Similarly, some of the upcoming pump storage projects. So, these two together is like almost ₹70,000 crore of opportunity on the screen, which we are going to be very actively participating into.

Transportation, again, as we had said, thousand kms of operational metro has to be taken to 20,000 kms, which means that lot of tier two cities will come up with this metro projects. We are seeing a lot of traction into that Delhi, Patna, Indore or for that matter, now Baroda is preparing, Srinagar is preparing for metro projects. Plus, we are going to have this new seven speed high corridors, which are under preparation. Rapid Rail Transit System, which are going to be like connecting two major cities kind of project. This project is also on the table, and a lot of such opportunities are there.

We have constructed very similar structures which are required in this kind of project, be it bridges or be it be surface works or tunnels. HCC is a company which has been specialist, I can say, in underground metro rail project. We started, the first metro in the country was built by us, followed by Delhi, Chennai, Mumbai, everywhere.

And we have done all kind of structures which are required here. So, we believe we will be able to participate on a large part of this again. Here is the list of some of the projects which are going to come. You can see nearly ₹1 lakh crore of elevated metro projects and nearly ₹37,000 crore of underground metro projects.

Nuclear, I believe this is one sector where, where we are very, very uniquely placed because the company has built more than 60% of India's nuclear power plants. We have built the main reactor buildings. We have built plant water intake system. We have built lot of auxiliary buildings required there. And we are right now also constructing some of the projects which are related to this process. For example, the fast reactor fuel cycle complex which you saw in the presentation before.

So, here the important thing is the country wants to take the production of nuclear power from 9 GW to 100 GW by 2047. This is going to be through a mix of different technologies, something like a pressurized heavy water reactor which is I can say a workhorse for the country right now, followed by light water reactors, followed by small modular reactors also with the SMRs.

And this will definitely put together the need of people who are actually, nuclear quality and nuclear safety trained. And HCC here comes in a very unique position. To show you what it will look like, here are some of the upcoming opportunities very quickly which are going to come up.

On this slide, you can also see how the different technologies will be contributing to these 100 GW by 2047. PHWR which is the indigenous program will continue to be the biggest one, you know, which will be like almost 4%, followed by pressurized water reactors. Also, technology from France which is like EPR, that project is also coming up in Jaitapur. That will be a part of it.

And here are some of the immediate opportunities which we see like Gorakhpur 3 and 4, Kaiga 5 and 6, Chutka, Mahi Banswara. And in fact, we are working on some of these opportunities already with these clients.

Building and Industrial sector, again, I think a lot of expansion is required in steel, copper and bauxite capacity into the country which we believe in the next five years can lead to a capex of nearly ₹3 lakh crore. You will be happy to know that we have already picked up our one order into the aluminium sector which is about making the pot shells and pot superstructure and the job is proceeding very good. This project we got as a result of our, I can say, super performance with the same client 10 years ago wherein they have been using these structures built by us with no complaints and that led us to be where we are.

We will continue to grow in this sector and will continue to acquire more such orders which are fast turnover, quick turnaround projects and also, they have element of technology which allows us to be little uniquely placed. So, this sector in steel, copper and aluminium is where we are going to play. We are also going to selectively look at buildings which comes up with some big complexes on a very selective basis but that is a sector also we will keep examining.

Thank you. Now, I hand over the presentation to our CFO, Mr. Rahul Shukla for the financials part.

Rahul Shukla: Good evening, everyone. So, headline numbers have already been presented by Santosh. So, these are just detailing of that. So, as you can see, we have this quarter we have achieved the total income of ₹1,016 crore viz-a-viz ₹950 crore during last quarter and our EBITDA has been ₹180 crore viz-a-viz ₹139 crore during previous quarter and profit after tax has been ₹44.6 crore is against ₹85.9 crore.

So, that is where we are. We have reduced our debt very, very considerably which will be reflected in the coming financial year. Since it has been done during fag end of this year, you are not seeing much impact of that. But going forward, that will start reflecting in the numbers. On the console side, because now HCC is the main company in the group, your numbers are more or less matching with the standalone. So, we are there at close to ₹1,017 crore not much difference from standalone.

EBITDA stands at ₹170 crore which is 17.21% and profit after tax is ₹58.9 crore. So, with this, we are closing the presentation and now we are open for question and answer.

Soubhik Mitra: Mr. Kapil Aggarwal, you may go ahead with your question, please limited to two questions at a time. Thank you. Mr. Kapil Aggarwal, are you able to hear us? Hello. Yes, Mr. Agarwal, go ahead, please.

Kapil Aggarwal: Yeah, yeah. So, my first question is regarding that our trade receivable, non-current trade receivable has escalated from ₹646 crore to ₹1,178 crore. So, why such kind of spike is there?

Rahul Shukla: So, these are receivables which when our claim gets converted into awards. So, in this year, we have got significant positive development in terms of received of claim to award conversion. That is why you are seeing increase in receivables there, but it is a positive thing to have.

Kapil Aggarwal: And on standalone basis, our operating cash flow is approximately ₹700 crore in this year. So, how will, how we should, going forward how we should see it like, it will be in this range or more than this only or there is something exceptional in this year?

Rahul Shukla: So, our EBITDA as we have been maintaining EBITDA margins of 14-15% with team and we can expect to be in that range in the long term. Short term sometimes there may be some increase and then there could be some decrease, but on an average 14-15% EBITDA we will be maintaining.

Kapil Aggarwal: Yes, EBITDA I understand, but operating cash flow ₹700 cr is a normal cash flow we can see going forward.

Rahul Shukla: Yeah, yeah, that is normal cash flow because we have received a lot of our receivables from client which we have stuck. So, that is why the cash flow is there. And we can expect these kinds of things to keep on coming, but they may be lumpy in nature. In some quarter they will be there, in some quarter they may not be there, but on an average, we are targeting one. Okay.

Kapil Aggarwal: And in cash flow, we have shown that finance cost we have paid ₹979 crore. So, this is only the finance cost or some repayment of loan also?

Rahul Shukla: So, we have prepaid the loans, lender loans this quarter.

Kapil Aggarwal: I got that, but in standalone cash flow statement, finest cost paid is ₹979 crore.

Rahul Shukla: So, basically we have OCDs and NCDs. Our OCD number when we say there is principal amount and there are some approved coupon amount of historical accruals. So, when we pay amount, our principal amount will be small, but the historical coupon accrual will be larger number.

So, you will see that debt repayment is some ₹650 crore, but interest repayment is ₹900 odd crore put together ₹1,500 odd crore. So, that is why it is represented like that.

Kapil Aggarwal: And we have announced that we have transferred some arbitration award of ₹1,900 something crore to over one of subsidiary. So, it is not showing any reduction in our balance sheets. So, how is this?

Rahul Shukla: So, see we have transferred those awards at mid mill value. So, there in balance sheet, there was some receivable and there were some liabilities. Both have been transferred. So, there will not be any impact in balance sheet.

Kapil Aggarwal: But in asset side and liability side, both sides similar kind of reduction should be there. Overall balance sheet size should be reduced.

Ravi Jain: So, basically what has happened, there are some assets are there and against that we have already received the advances for that. So, that is showing as a net of advance in the balance sheets. So, there is no change as such in the balance sheet. We have transferred both the things to that.

Kapil Aggarwal: And we are having investment in HCC Infrastructure of approximately ₹1,150 crore and it is substantially eroded. It is we can say network is substantially eroded. But why we think that it will be recoverable kind like we have not written of this. So, what kind of asset is in this that company that which gives us assurance that this is recoverable, or we can say this subsidy is having such value.

Rahul Shukla: So, Mr. Aggarwal, I will answer this question. But I will request that since we have a limit of two questions at a time.

Kapil Aggarwal: Sure, I will come back in queue.

Rahul Shukla: So, there are significant receivables in HCC infrastructure which we are expecting to realize. So, this investment repayment will happen plus there are significant business prospects because HCC infrastructure has historically done very large amount of BOT project developments. And we have got capabilities, PQ, all those things. So, naturally we are aspiring to continue with that business, grow that business. So, those things are in place, intact and that is how we intend to get this ICD repaid. Okay.

Kapil Aggarwal: Thank you. I will come back in queue. Thank you.

Soubhik Mitra: Mr. Kunal Tokas, you can go in next, please. Hello, am I clear? Yes, go ahead, please. Okay.

Kunal Tokas: The first question is, the order booking for FY26 have not been what we expected. So, I just wanted your revenue guidance for FY27. What can we expect?

Rahul Shukla: So, Kunal, generally we avoid giving revenue guidance's because our revenue is generally guided by order that we book. Execution has been intact that you have seen that when there is order we have been executing well. So, as we intend to ramp up our order booking and growth, you have seen that this year we are targeting ₹15,000 crore of order intake, which if that happens, we are able to achieve that we will be at almost ₹26-27,000 crore kind of order booking by end of FY27. So, once that starts materializing, you will start seeing significant ramp up. However, for immediate year we avoid giving guidance's. So, kindly excuse us for that.

Kunal Tokas: Thank you, sir. The second question is about your L1 book being at ₹840 crore for the last two quarters, which used to be multi-thousand crore rupees. So, is there a change in how you recognize your L1 book?

Santosh Rai: Sorry, Kunal, we are having only one L1 position right now, that is for a project in Kashmir where our share is ₹840 crore.

Kunal Tokas: Yeah, it has been, you have been showing ₹840 for the last two quarters, right? This one and Q3 and Q2 as well.

Santosh Rai: You are right. And this order is, you know, has not been converted yet because government, I think the department has it's their own issues to be sorted out within themselves in terms of some, you know, I can say administrative work and that is what is delaying this conversion.

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

Soubhik Mitra: Mr. Shashi Kant, you can go in next, please. Mr. Shashi Kant, am I audible? Yeah.

Shashi Kant: I just wanted to know about the current scenario after the SHANTI Bill passes, what is the, you know, ground development in the nuclear front?

Santosh Rai: So, Mr. Shashikant, look, there is a lot of discussions happening around, you know, the discussions right now are largely centred between the authorities and the developers about the kind of preparations which the industry need to be prepared with and also various rules of licensing, how the government is going to fulfil some of the condition precedents and what condition precedents developer will have to fulfil. So, this discussion is going on, I can say, in a good positive way. You must have seen reports by TERI, by other bodies which are highlighting the kind of work which is happening in this direction.

And I believe, you know, like any other new approach, this will take 6 to 8 months for things to start getting crystallized. Having said that, that is on the developer side and what kind of power plants could be set under the SHANTI Act. But at the same time, there are the other programs which has already been into place like, you know, this Mahi Banswara project or RAPP.

These projects will keep going to be implemented by NPCIL directly and we will have those opportunities. Other than that, look, SMR, BSMR, this discussion is happening and you could see some of them actually turning on the ground maybe in 18-20 months, somewhere around that.

Shashi Kant: So, I mean, what is the, you know, the cycle once the approvals are in place, land acquisitions are in place and so, what is the normal time that the reactors take to build and get up crystallized and all?

Santosh Rai: So, if you go by the record worldwide and also in our country, our reactor which is based upon pressurized heavy water technology or a light water reactor technology, I think the average time till date has been 7-8 years.

China in some cases, I believe has been, in fact, their first EPR which was Taishan has taken quite a lot of time but some of the other programs, they have been able to do it in 6 years. So, I will say once everything is done, we can expect 7 years, 8 years as an average time. Naturally, when every learning is being put into process, some other regulatory things are, you know, further rationalized, these kinds of time cycles may come down to 5-6 years also.

Shashi Kant: Okay, one last question. So, what is the, you know, ongoing scenario in the refurbishment of, you know, plants, old plants that we have seen in Tarapur and all? So, what is the scenario in the ground?

Santosh Rai: Look, I think some of them, I mean, all our plants are not 700 MW, some of them are smaller capacity and if government plans to do a upgradation of these plants, these are very, very technical things. We are seeing some kind of upgradation, but I think they are on routine basis. There is not some, you know, I can say fixed timeline or program to that. It is on a very, very selective basis what each plant will go through.

Shashi Kant: Thank you, sir. Thank you. Thanks a lot.

Soubhik Mitra: Mr. Rajesh Bhandari, you can go in next, please. Mr. Bhandari, are you able to hear us, Mr. Bhandari? Yes, go ahead, please.

Rajesh Bhandari: Sir, what is our present order book?

Santosh Rai: Around ₹13,000 crore as of 31st March 2026.

Rajesh Bhandari: And what can we expect in next 3 to 5 years, the order book and the debt?

Santosh Rai: No, look, out of ₹13,000, ₹1,100 is not there. That ₹11,000 is not there. Sorry, ₹1,100 crore is not there. This year, we are targeting around ₹15,000 is what we have said as an order intake. If

Rajesh Bhandari: FY26-27.

Santosh Rai: Yes, Sorry, go ahead.

Rajesh Bhandari: How much, sir?

Santosh Rai: ₹15,000.

Rajesh Bhandari: ₹15,000 this year. And what turnover we are expecting, sir?

Santosh Rai: See, as Mr. Rahul Shukla has already said, we cannot give you exact guidance, but we are looking at a fairly good growth from where we are. You know, you can assume that by the end of FY27, we may be sitting on an order backlog of something like ₹24 to 27,000 crore. It could be something like that.

Rajesh Bhandari: Now, that order backlog has become one, sir. Execution. Because our money comes in execution, right?

Santosh Rai: Mr. Rajesh, as I said, we have done nearly ₹4,000 crore this year, right? Yes, you can expect, you know, 20-20% kind of growth you will see in turnover in this year.

Rajesh Bhandari: And when will the debt be settled, sir?

Rahul Shukla: Mr. Bhandari, the debt is such that this year we have paid almost more than ₹1,500 crore. So our endeavour is to continue to pay prepaid debt and become debt-free fairly soon, which we have already said, and we are working in that direction.

Rajesh Bhandari: We can expect FY27-28?

Rahul Shukla: Yes, we can assume 28 in a fair manner.

Rajesh Bhandari: Because then our profitability will also increase, right?

Rahul Shukla: Of course.

Rajesh Bhandari: Yes, yes, yes. And sir, I have one request. Looking ahead, I think the future of HCC is very bright.

Rahul Shukla: It is absolutely bright, because the execution is strong, we have a legacy, we have a qualification, and the market is also big. Yes, yes, yes. So certainly, we are very comfortable, we are very hopeful, very positive about it.

Rajesh Bhandari: But sir, our total execution of ₹4,500-4,500 crore is very less according to the name of HCC, sir.

Rahul Shukla: Of course, we have already discussed, we are working towards ramping up that.

Rajesh Bhandari: Increase it a little bit, sir, so that everything goes well.

Arjun Dhawan: This is Arjun Dhawan, let me just add a couple of perspectives. I fully agree, and we are definitely at this point in time punching below our weight. I certainly appreciate the patience that all our investors have had with that. One thing that I want to say is that we are very, very particular about our risk management. As far as the pricing of bids are concerned, we are certainly not going to make any compromises there. And execution-wise, as far as safety quality is concerned, there are no compromises there either. Now, as far as basically growth is concerned, I think that these questions have come up. Obviously, we don't give guidance, but we should expect a certain healthy growth from this year onwards, starting with fiscal 27 numbers onward.

And what you can expect with the operation efficiencies continuing to actually happen, and at the same time, deleveraging happening at the same time, the PAT growth and the PAT margins, you should see, will actually also substantially basically continue to improve.

This year, we have been very particular with regard to costs. We have been very particular with regard to risk management. It's not been an easy year from a comparative intensity perspective. We should expect that some of the pipeline that we have our eye on in the coming months should actually yield some substantial results. So, please stay tuned for that.

Rajesh Bhandari: Sir, as you said in the beginning, there are hydro projects all over the world, there are nuclear projects all over the world, there are metro projects all over the world. And in all of them, HCC is very, very active. So, in this, sir, there can be a huge jump in order expected and order execution.

Arjun Dhawan: I think that's a very fair expectation. So, I think that the only one thing that we can certainly look forward to actually working off a very, very low base is certainly as far as growth is concerned, both of our top line, but even greater for our bottom line, should actually be much higher. Absolutely correct.

Rajesh Bhandari: And when can we expect dividends, sir?

Arjun Dhawan: Hopefully soon. I mean, I think that, you know, the one thing we definitely do want to do is ensure that we have that healthy order book in. We want free cash flow and a substantially healthy balance sheet. The questions have basically come up about debt repayment. I'm expecting and our strategic imperative very, very clearly is that we want the company to be debt free as early as possible. That leaves a lot of room for us to basically take some very basically big decisions regarding growth.

Rajesh Bhandari: And sir, one last request. We don't get time to look at your documents, sir. So, why don't you keep the investor meeting for the next day, sir?

Arjun Dhawan: Your point is noted. We have already done this. Earlier, we used to have an investor call at 5 pm, but we have done it at 6 pm. Your point is noted. We will definitely take that.

Rajesh Bhandari: Sir, as you can see, we don't even get the results by 5 pm on the site. So, if it happens the next day, people can easily look at your documents.

Arjun Dhawan: We appreciate the suggestion.

Rajesh Bhandari: Please, please, please, sir. Okay, sir. Thank you, sir. Thank you very much. Thank you. Namaste. Bye, sir. Namaskar, sir.

Soubhik Mitra: Mr. Abhishek Leekha, you can go in next, please. Mr. Abhishek, are you able to hear us? Hello. Yes, go ahead, please.

Abhishek Leekha: Yes, thank you for the opportunity. And congrats for a good set of stable numbers. One thing, I'm also coming on to that interest question. Even if we take into account ₹1,995 crore of reducing debt to almost ₹1,995 crore, the effective interest still works out to be 14.4%. So, concrete steps can still be taken to refinance at least, so that even if we are not able to reduce it immediately, but it's not yet into the bottom line.

Arjun Dhawan: I'm sorry, could you just please repeat? We'd like to understand what this 14% number was, please, that you would come up with.

Abhishek Leekha: Like, ₹400 crore is the interest that has been for 2025-26, and we are expecting ₹112 crore saving for this year. So, that means ₹288 crore or ₹1,995 crore of debt portion.

Arjun Dhawan: So, the accounting standard requires to actually have us report finance charges as reflecting not only interest to lenders but also interest on client advances. So, when we price projects and take them on, those automatically, over the life of the project, get regressed.

So, the number that you're actually thinking about is much, much higher than what the actual number of lender interest service is divided by. So, that's, I think, number one. We have in our presentation already talked about, in fiscal 27, we intend to prepay further debt. Obviously, we can't tell you precisely what that number is, but you will see a substantial EPS accretion as a result of that further prepayment. We've talked about wanting to deleverage the company completely. Now, we can't tell you precisely when that's going to happen, but certainly, our goal is to actually have that happen in the very, very short to medium term.

And so, the point that you make on refinancing, I mean, our cost of finance is about 11%. And so, we appreciate the fact that there are financing options in the market today that are lower. We are now moving to higher levels of investment grade, and we have had proposals been made to us, one of which we are actually contemplating right now, that will potentially refinance our current debt, which will then not only reduce the cost of our debt, but ensure that there's greater liquidity in the short term for growth. So, again, I can't see anything more beyond the fact that this is under consideration. And your suggestion actually happens to be quite timely, because it is something that we are in the process of considering it. Yeah, thank you.

Abhishek Leekha: Thank you so much. That's it from our side.

Soubhik Mitra: Mr. Aggarwal, you can go in, please.

Kapil Aggarwal: Yeah. So, my next question is regarding, are you getting?

Rahul Shukla: Yes, yes, Mr. Agarwal, go ahead.

Kapil Aggarwal: So, now we are proposing fresh issue of, we can say, up to ₹800 crore. So, what will be the, what will be its usage and how we will raise this?

Rahul Shukla: So, Mr. Aggarwal, we are taking that enabling approval, but the idea is that we are planning to grow very fast. We are targeting to book ₹15,000 crore of order. So, when that comes, there can certainly be need of capital. So, accordingly, we want to have that enabling approval in our hand in case we have to go. It's not that we are immediately going and doing that, but we'll take a call according to our requirement.

Kapil Aggarwal: Okay. And we have given some likelihood that by end of FY27, we'll be having order book of more than ₹20,000. We can say ₹22 to 25,000 crore. So, what about FY28 we are expecting? It can be further this kind of jump, or we can say normal growth?

Santosh Rai: No, our thrust would be to continue this momentum.

Kapil Aggarwal: So, like we can expect if something, everything will be in line, then it can be ₹40 to 50,000 by March 28.

Arjun Dhawan: I think we are reluctant to put the numbers there, but I think the CAGR, long-term CAGR in terms of order backlog and revenue growth should be, you know, I think considering our low base, should be about 20-25% in the long term. Okay.

Kapil Aggarwal: Okay. Thank you. That's it for my side.

Soubhik Mitra: Mr. Tokas, you can go ahead, please.

Kunal Tokas: Am I clear?

Arjun Dhawan: Yes, please go ahead. Okay.

Kunal Tokas: Just one quick question. In your balance sheet, we have a line item called loans under non-current asset, which has moved up from around ₹250 to 600 crore rupees. Does that reflect the amount extended to PRPL?

Rahul Shukla: That's correct. Okay. So, you remember our contingent liability had come down substantially during the year with regard to that PRPL loan. It belongs to that. And this is an ITD that we have introduced. So, at some point in time, we expect to get it back along with interest.

Kunal Tokas: Okay. Got it. Thank you.

Soubhik Mitra: Mr. Rajiv, you can go in next, please.

Rajiv K: Yeah. Hi. So, I've seen that you have taken an enabling provision of ₹800 crore fund raise. So, what is the purpose of this? And what is the mode is going to be like a QIP or a rights or what?

Rahul Shukla: So, we have not yet decided. We are keeping it open. And I just answered a question with regard to that. So, we will come back whenever that mode and all is decided.

Arjun Dhawan: But, you know, just to be very precise, if we do go down this path, it will be a rights issue, which will benefit the existing shareholder base. And as far as we're concerned, you know, the promoter group will be entirely basically supportive of including potentially look to increase their stake. So, as Rahul has said, the goal is to actually sync that along with our plans for high growth, as well as basically a complete deleveraging of the company.

Rajiv K: But will it be planned in the near term, like in the quarter or two or like it's at the end of the year?

Arjun Dhawan: You know, I'm sorry, but that would be quite unfair for us to answer that question. I think that we would do that at the at the appropriate time, taking into account all the various considerations.

Rajiv K: Because if I see a company has raised around two thousand crores over the last one and a half years, and like the prices kept on reducing, like first you raised at 32, then at 16 -15 rupees. So, I mean, like what is the like the current situation? Does it make sense to raise money given that you have repaid the debt?

Arjun Dhawan: I mean, we can't comment any further to what you said. I think that the entire point is for us to generate value for shareholders. I think that's fundamental. And, you know, the return on equity considerations that we have, as far as the medium to long term is concerned, are fundamentally basically the most important considerations. So, I think that we will keep you informed. And hopefully you will be clearly convinced once we actually have the plan before you in terms of what we what we intend to do.

Rajiv K: OK. And the last question is regarding the amount of claims which are pending.

Arjun Dhawan: So, I do. I'm not let me just I'm not sure. CFO, do we share that information

Rahul Shukla: We don't share all that information. So, we would like to reserve it to us. Whenever there is some more conversion in award and all that can be discussed.

Arjun Dhawan: You know, one thing that one thing that we will say is that, you know, that's something that we've been fairly conservative about as far as our accounting is concerned. The projects that we actually execute by nature have delays associated with them. And these are not delays associated with simple things like land and right of way, where HCC is involved in heavily complex works, many underground works, which are due to geology, due to uncertainty, prone to delays that there are clients entirely acknowledge.

And as a result of that, you generally see contract values increase. And as is basically clearly contractually required, there will be amounts that then get paid as a result of those delays. Many of those amounts tend to actually end up getting paid towards the end of the contract, mid to end of the contract or when substantial milestones have been completed.

And so, you can expect I mean, if you've seen HCC's track record in this particular regard, you can expect a similar track record to continue. I think that would be fair to say. One thing I will basically qualify, I'll qualify that remark. I think that considering HCC's pedigree and the fact that it's been part of HCC's infrastructure expansion all the way from, you know, besides 100 years, but in the last basically 20-30 years, we've seen the infrastructure program really basically escalate. In the last 10 to 15 years, the government has been much, much more responsible about the kind of projects it's bringing to market with the preparation that it has in its DPRs, the clearances that it has in place. And so, you would expect that in the more recent projects, projects would actually be less delayed than they were before. And you would expect the percentage of claims as a percentage of the amount of claims as a percentage of the total project cost to also come down as a result of. And then finally, basically, it depends on the client mix as well. Right.

I think that in certain kinds of projects, you generally have delays, which lead to kind of additional payments and other projects you don't.

Rajiv K: Oh, OK, that's it.

Soubhik Mitra: Mr. Saurabh, you can go in next, please.

Saurabh: Yeah, thank you. So, Mr. Arjun, I do acknowledge that there's a lot of work happening at the company side. And we have a lot of hopes coming through. The point that you just confirmed that the fundraisers would be through the rights issue. I have a little bit of concern there. In the last 4 to 5 years, you have done two rights issues and this would be the third right issue. So, every time shareholders are kind of forced to apply for rights issues so that their value is not diluted. But again, as one of the other speakers said, the share price is not commensurate to the kind of investments we are having to make in the company. So, what is your comment on that and what is the ray of light that we should wait for?

Arjun Dhawan: I mean, it's a fair comment. You know, I think that the last rights issue was a large one because we had clearly placed at the fore the strategic imperative to substantially deleverage the company, ensure that we had the highest grade of investment grade rating. That puts us in the position of having our facilities be at the lowest cost of capital and then allows us to kind of expand, you know, you know, for growth. Right.

And as far as basically the going forward is concerned, I think that it's a where we're in a much, much better position to address the market opportunity. And I think that as far as the rights issue is concerned, it's certainly not a it's not certainly a done deal. I think that it's an enabling provision that Rahul has taken.

And perhaps maybe what we should have done was actually not taken at all and actually come to the board at the time that it was it was required. But we decided to do so simply because there's a there's a material expectation of some very, very substantial orders and opportunities, including a potential BOT opportunity. And these are extremely sort of high IRR basically opportunities before us.

So, if those opportunities were to materialize, we need to actually be flexible. But I do take your point. And as far as the equity raise is concerned, the feedback that we have received in the past is that generally rather than actually do a QIP or raise equity in another fashion.

The given the shareholder base, we've actually had many shareholders benefit from an oversubscription or getting additional basically shares as part of the rights issue. And it is also basically sink promoter incentive and interest along with what our goals is. Right.

But your point is taken. And I think as far as we're concerned, if we do not need to raise equity, certainly this year to achieve our goals, we will certainly basically avoid doing so. Because for me personally, you know, equity rate of return is much, much higher. It's the highest as far as we're concerned.

Saurabh: Sure. Thank you. And just to just affirm that if it's done for a major, major opportunity, we would be there with you.

Arjun Dhawan: I really appreciate your support. And I deeply appreciate the fact that our investors and shareholders like yourself have been patient with regard to what we need to execute.

Look, as far as this past year is concerned or the past year and a half is concerned. The easiest thing for us is to is to take a job at a price that is not meaningful. But as far as the integrity of our process is concerned and how we think about our responsibility to our clients and to our shareholders and to our stakeholders, that is not something that we will indulge in.

But that said, we do need to deliver on the promise of that growth. And frankly, at some stage, a substantial repayment to shareholders for their patience, which includes, you know, starting to actually pay dividends. So, we take this responsibility very seriously.

And I think that there's always scope for improvement in terms of what we can be doing better. And certainly we will strive to actually have a much stronger year. So, we've had many achievements this year. We're very, very proud of. I think that we're happy with our results. But certainly, I think from a from a growth standpoint, next year, we will certainly basically hit all the boxes is my expectation.

Saurabh: Thanks. Thanks for maintaining the discipline. And one last request, if you could do that. I think you need to have more analyst events and have, you know, a better perception of the company. I could see some of the reports coming on the nuclear sector projecting company on the pivotal position. A little bit more of PR, I think would help improve the overall sentiment.

Arjun Dhawan: Thank you. We take the suggestion very seriously and we will act on it. Thank you.

Soubhik Mitra: Mr. Pranav, you can go in next, please.

Pranav: Am I audible? Yes. Hi, sir. So, I just had one question. You earlier commented saying that we are contemplating on a certain funding that, you know, we are, we have an opportunity towards us. If we have that opportunity, why do we need the rights issue then?

Arjun Dhawan: I don't think that we need to comment any further, Pranav. I mean, it's not, it would be inappropriate for us to get into the details of that. I mean, certainly opportunities that generate high returns require investment, require working capital and require, frankly, a cushion and contingency. Right. I mean, I think that the kind of size of company that we need to be requires to actually have at least that cushion in place. It doesn't mean that there will be a continual increase in fundraising as a function of further jobs, basically, and opportunities coming in. But at least that certain cushion and that certain base needs to be there for us to really avail of, I think, some very, very scalable opportunities. I can't go into any further detail on that.

I think at the appropriate time, and I think that this enabling resolution has actually raised more questions than we expected. To be very honest, I think that we might have made perhaps an error to actually have taken this board approval as a contingency. Please treat that as a contingency.

And at this point in time, when we have something material to basically talk about, and it will certainly be positive as far as we're concerned, we will come back.

Pranav: Okay. Okay. Okay. That was the only question I had. Thank you so much and all the best.

Arjun Dhawan: Thank you very much.

Soubhik Mitra: Mr. Shashi Kant, you can go ahead next.

Shashi Kant: Yeah, thank you for giving me the opportunity again. So actually, currently our order book, nuclear, nuclear is just 3%. So how do we see in coming five years, this change? I mean, how, how much percentage of the order book it can go to?

Santosh Rai: So Mr. Shashikant, look, our, this position is low right now, because the projects which we are doing, two major jobs which we're doing are already completed. And the FRFCF job, which we're also doing is nearing completion now almost 70% done. So, the point is, how it increases because these opportunities which used to come, you know, like, just once in two years or something are going to multiply much more. And we can, we expect a lot of traction in this sector because of the private developers and as well as the government.

Arjun Dhawan: You know, traditionally, the nuclear order backlog percentage is a percentage of the total has been relatively small. You know, it's been something that we've been tremendously proud of. We've been 14 of the 24 reactors in the country on the civil side. But it's been less, it's been less than 5%, Santosh, if I'm correct.

Santosh Rai: Santosh Rai: 5 to 8%

Arjun Dhawan: And, and certainly what we can expect as the nuclear program scales up and the lack of, lack of capacity in this space to execute this, these, these complex projects and the, and the qualifications that HCC has, when this program does basically take off and generate real orders and revenue, I certainly think that there's a huge opportunity for HCC to, to really scale its nuclear business such that it would actually be akin to the transport and hydro and water spaces that we've actually traditionally have occupied about 90% of our order back.

Shashi Kant: Okay, so what is the average if we take 700 MW plant? So, what is the average order size that we normally see for HCC?

Santosh Rai: Look, traditionally, traditionally, the procurement mode was very different. These orders would be in the size of you can say, I'm saying in terms of present value could be like ₹2,000 crore. But now since the mode has changed, now the mode has changed, and these are going to be called on nuclear island mega EPC packages. That's what they call this NIMEP. These packages are in the north of ₹12 to ₹14,000 crore.

Shashi Kant: Okay. Yeah. Thank you, sir.

Santosh Rai: Thanks a lot. That's all. Thank you.

Shashi Kant: Best of luck. Thank you.

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

Abhishek Leekha: Yeah, thank you for the opportunity again. My take is like commodity prices are rising and as a result because of loss scenario. How effective are escalation clauses in protecting HCC profitability?

Santosh Rai: So, I think we have, we have, look, I can say appropriately placed escalation mechanism into these contracts and also our, our procurement strategies have been such that that we have been able to hold on to some of the prices what we have been negotiated and everything.

That's how that's reflected in our results too. Largely, largely, I will say the escalation formulas are made in such a manner that we are, we are able to absorb some of the shocks.

Arjun Dhawan: You know, I will not, you know, I would say that it's not a major area of risk or concern for us. I think that, and the clients that we have as far as HCC is concerned are top quality clients with very, very deep pockets. They tend not to be certain clients at the state level that have very, very poor resource constraints or have payment issues. And I think that, that, that, that the quality of client also basically, I think, allows for a very, very fair and amicable and swift discussion as far as payments are concerned.

So, in fact, with some of the difficulties that we're seeing globally, and India is actually also facing these headwinds, I think macroeconomically, you know, the challenges that we might actually face from an inflationary perspective, you might actually see in some cases that HCC would, through its escalation formulas, actually have an efficiency rather than a risk. And, you know, to some extent, we're, as a sector, a nicer alternative to some of the other sectors there are actually probably more affective so in that sense I think that we're thankful.

They tend not to be certain clients at the state level that have very, very poor resource constraints or have payment issues. And I think that the quality of client also basically, I think, allows for a very, very fair and amicable and swift discussion as far as payments are concerned. So, in fact, with some of the difficulties that we are seeing globally and India is actually also facing these headwinds, I think macroeconomically, the challenges that we might actually face from inflationary perspective, you might actually see in some cases that HCC would, through its escalation formulas, actually have an efficiency rather than a risk. And you know, to some extent where as a sector, a nicer alternative to some of the other sectors that are actually probably more effective. So, in that sense, I think that we are thankful.

Santosh Rai: I think fortunately, we are not building a blacktop road.

Arjun Dhawan: No, correct. We are not doing that. So, we are not, exactly. So, I think that if we were doing, if we had exposure to huge amounts of bitumen requirement, where there is direct correlation with prices of crude, I think that we would have a concern. But look, I think that the inflationary expectations that would probably, that may creep in if this conflict continues, will really affect the price of everything ultimately. But I think that that's where the quality of our contracts and the quality of our clients do matter.

And to some extent, I believe that the heavy civil space, especially the kind of projects we do is relatively well insulated from other sectors in the market.

Abhishek Leekha: Yeah, thank you for the elaborate answer. And one suggestion, if I may, can we have an analyst day wherein we probably give a next 3 to 5 years kind of horizon where we want HCC to be?

Arjun Dhawan: Yes, I think, you know, one thing that I have not completed my commitment on, I have to apologize to everyone. We talked about this last year where we decided that at least once a year or during the fiscal year end that we will actually have a meeting in person. And so certainly what we will do, because HCC is actually in the process of finalizing its 3-to-5-year plan and its business strategy, and that is something that we're extremely excited about. So, I think in the coming months, once that is finalized, we will organize an 'Analyst Day', maybe we'll have it coincide with one of our quarterlies.

And you can expect that we will actually have a clear presentation at some point late in this calendar year to the entire community to give you a sense of what our direction is for the next three to five yrs.

Abhishek Leekha: that would be great because India at this stage would require a lot many L&T's and a lot many bays and HCC deserves its roaring loin to be back.

Arjun Dhawan: I will deeply appreciate your support. Thank you. Thank you.

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

Santosh Rai: I think Soubhik could be just that his hand is there. Yeah, he has asked his questions.

Soubhik Mitra: Okay, with that, I think we've taken all the questions, no more questions.

Arjun Dhawan: Thank you for your time. Yeah, I just want to just again thank you for your support. It's the end of the fiscal year. It has been a very momentous time for us because HCC celebrated 100 years of its service to the nation. And as far as we are concerned, we're blessed with the support that we have from all of our stakeholders, including our investors and our shareholders. So thank you very much for your support.

Santosh Rai: Thank you, everyone.