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**ITD Cementation India Limited
Q2 FY24 Earnings Conference Call**

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CORPORATE PARTICIPANTS:

Mr. Jayanta Basu
Managing Director

Mr. Prasad Patwardhan
Chief Financial Officer

Mr. Mohit Kumar
ICICI Securities

Moderator

Good evening, ladies and gentlemen. I'm Edwin, moderator for the conference call. Welcome to ITD Cementation India Limited Q2 FY24 Results Conference Call hosted by ICICI Securities Limited. As a reminder, all participants will be in listen-only mode and there'll be an opportunity for you to ask questions after the presentation concludes. Should you need any assistance during the conference call, please signal an operator by pressing * then 0 on your touch-tone telephone. Please note this conference is recorded. I would now like to hand over the floor to Mr. Mohit Kumar from ICICI Securities. Thank you, and over to you, sir.

Mohit Kumar

Thank you, Edwin. Good evening. On behalf of ICICI Securities, I welcome you all to the Q2 FY24 earnings call of ITD Cementation India Limited. Today, we are pleased to host the Senior Management of the company, which is represented by Mr. Jayanta Basu, Managing Director, Mr. Prasad Patwardhan, CFO of the company. Without much delay, I'll now hand over the call to Mr. Patwardhan, sir, for his opening remarks, which will be followed by Q&A. Thank you, and over to you, sir.

Prasad Patwardhan

Thank you, Mohit. Good afternoon, everyone, and thank you for joining us on this Q2 FY24 earnings call. We declared our results for the second quarter yesterday. And I'm sure you have had a chance to go through our numbers. Before we begin the discussion, I would like to mention that during the course of this call, there could be some forward-looking statements that will be made. These are subject to risks and the actual results are likely to differ materially from these statements. So, I would like to request you to keep all this in mind. I will start with the financial performance of the company and then hand over to Mr. Basu for his views on the operational performance and then we'll take your calls.

We have reported a robust performance in this quarter. With an operating income of INR 1,610 crores as against INR 1,035 crores, a growth of 56% on a YoY basis. EBITDA at INR 172 crores has grown by about 78% on a YoY basis. And profit after tax is INR 54 crores as against INR 20 crores with an increase of about 168%. Our balance sheet continues to be leverage much less. And our net debt to equity is about 0.34 times. Our order book stands a little over INR 22,000 crores as of Q2 end. And the new orders that we have secured during the quarter are worth about INR 4,600 crores.

That is all from my side to start with. I'll now hand out to Mr. Basu for your opening comments.

Jayanta Basu

Thank you, Prasad. Good evening, all of you for joining this con-call. Happy to say that we had seen another one good quarter in terms of the profitability, and even the revenue as well. Normally, this was monsoon

quarter. So, revenues did less than the first quarter, but still much better than last year. The numbers are all available with you, so I don't have to talk on much on that. But, if you like, I may have mentioned that EBITDA is around INR 172 crore on consol, a revenue of INR 1,610 crores, which was up to more than 10% EBITDA margin. PAT was INR 54 crore, 3.3% of the revenue. And in last six months, that is Q1 and Q2, we have achieved around INR 3,500 crores of revenue.

We have to consider that in Q2 due to monsoon revenue was a little less. So normally, Q3 and Q4 we can expect better revenues than Q1 and Q2. Say last year, our Q1 on Q2 revenue was INR 2,000 crore and Q2, Q3 was INR 3,000 crores, just for information. Our cash position also is good. Collection and outflow, we are able to manage properly. You may like to know progress and status of few major jobs, which I'll share with you. Underground metros, we are having the underground metro in Chennai, running job. Kolkata and Mumbai is almost in verge of completion. Bengaluru Metro substantial progress has been done, around 80% of the job has been completed. Chennai, around 20% plus progress we have done.

And good thing about Chennai is that in one of the package, as you know, we have got 2 packages there, already we have launched our tunnel boring machine and the tunnel boring has already started from the Marina beach site. In Road i.e. Ganga expressway, from the inception we have so far achieved around INR 900 crore revenue during the last seven to eight months. Monsoon has affected last quarter. So, around 18% revenue progress we have achieved in a very small duration of time. The earthwork is the main item there. Almost 40% of the earthwork has been completed. We have our plan and that's going on pretty well as per the plan progress. I also like to mention here that one bridge over the Ganga river at Allahabad, we have completed, all the foundation and superstructure. So, this has gone very well.

In marine works, Udangudi, except the finishing item, which is commissioning of the crane, which has to come from overseas. All the civil works has been completed. A remarkable project in terms of the challenge and the volume. Colombo, overseas job is going pretty well. You must have seen some news yesterday and day before yesterday, about the promoter's view and support they are getting from the financial institutions. We are there very much and progress is as per the schedule. Vizhinjam breakwater, another one marine job, very challenging. I'm happy to say that the job is almost getting completed by end of this year. So, with that, there are a few other jobs like airport at Trichy and Pune almost completed.

At Delhi, Kasturba Nagar, after 2 years the job has started a few months back, so now it has picked up. We have started also the army headquarter at Delhi. We have achieved the first milestone as per the schedule and few other building jobs also going okay. So with this, as you can see that we have got INR 22,000 crores of work and marine has again come to the top around 35.3% of the share of the work. We have got few jobs in pipeline.

One of the job we are L1 is in Vizag that is for the ship repairing facility for Hindustan Shipyard. We are discussing with the customer. And we are also pursuing few overseas jobs as well. So, with this, I'll stop, and I request you to have questions. We are ready to answer whatever you ask. Thank you.

Q&A

Moderator

Thank you, sir. Ladies and gentlemen, we will now begin the question-and-answer session. If you have a question please press * and 1 on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing * and 1 again. The first question comes from Nikhil Abhyankar from ICICI Securities.

Nikhil Abhyankar

Yes, sir. Thanks for the opportunity. You have reported very strong robust execution growth in the H1 itself. And also, the margins are already above 9% in H1. So, will you be revising your guidance for FY23?

Jayanta Basu

Based on which guidance you are talking?

Nikhil Abhyankar

Revenue EBITDA and order inflow, sir.

Jayanta Basu

I think, we'll maintain the same, which is around INR 7,000-core-plus in the top line. We hope that EBITDA will be just 10% above this end of the year.

Nikhil Abhyankar

And sir, order inflow pipeline, order inflow, sir?

Jayanta Basu

Order, so far, we have secured close to INR 5,000 crore, INR 4,800 crore. And as we said that few jobs, L1 and there are some prospects. So hopefully, end of the year, it will be around INR 8,000-crore-plus total order inflow in this year.

Nikhil Abhyankar

Okay. What is the quantum of the L1 order that you're sitting in?

Jayanta Basu

Sorry, can you come again?

Nikhil Abhyankar

What is the value of the L1 order?

Jayanta Basu

L1 order is about INR 650 crores.

Nikhil Abhyankar

INR 650 crores. Sir, now moving to order inflow in H2. So where are the opportunities, what are the opportunities that you're looking at and that is it first.

Jayanta Basu

The opportunity, we have few marine jobs in Bangladesh. The tenders are now under preparation and hopefully by end of this year we'll be able to submit our bid. And few marine job already have quoted for JSW and Adani as well. We are pursuing some job in Odisha for a big port, new port being developed. We have also some hydroelectric job pursuing at Karnataka. And there are jobs from ArcelorMittal in Hazira. So, it's the mix of various segment, like marine, the building and the metros. Altogether, I think around INR 13,000 crore, INR 14,000 crores of job is under the pipeline now.

Nikhil Abhyankar

Okay. Sir, just a final question. Pump storage hydro projects are getting a lot of traction and lot of companies are announcing their plans. So, are we thinking of developing any capabilities in this segment?

Jayanta Basu

Actually, we are in this segment, and we have done, few very challenging jobs in this segment before. In Meghalaya we have done, and we are also pursuing a similar kind of job now. So, yes, we are there, very much there.

Nikhil Abhyankar

Sir, are there any discussions with any of the IPPs or developers?

Jayanta Basu

Yes. We are discussing.

Nikhil Abhyankar

Thank you and all the very best sir.

Moderator

Thank you, sir. Next question comes from Bajrang Bafna from Sunidhi Securities.

Bajrang Bafna

Congratulations for a good set of numbers. So, my first question pertains to the average execution of the existing order book we are sitting on, let's say, INR 22,000 crores of order book and we have a visibility of, let's say, another INR 3,000-4,000 crore to flow during this financial year in the second half. So, considering, what could be the average execution cycle and what sort of growth on this base of INR 7,000 crore execution this year we can expect or, let's say, FY25-26? Some strategy or the guidance or the thought process of the management will be really appreciated.

And my second question is the visibility on the, like you are moving more and more towards slightly, the projects where margins are high and the competition is low, like marine and some complex jobs where, which is not the business of other companies where you can run a better margin. So, the trajectory maybe next 2-3 year perspective, where we can move from, let's say this 10% to maybe towards 12%, 13%? Is it something the management is thinking from next 2, 3 years perspective? So that's the second question from my side. And some sense on the improvement in the working capital cycle that probably how we are looking at, and some thought process on that will be appreciated. That's all from my side. Thank you.

Jayanta Basu

Okay. I think many things you have asked in just one question. Good. So, I'll try to address one-by-one. This year, the revenue so far, we have done around INR 3,500 crores. So, this Q3 and Q4 will be definitely a little bit more than that. So, hopefully INR 7,000-crore-plus, I mean, we'll definitely achieve. Going forward to next year, we can think about around 20%, 25% growth in top line, because work in hand what we have now they are fairly big, like Ganga expressway, as you know, INR 5,000 crore, and project for Navy, we had

project worth of INR 3,200 crores. Bangalore Metro and Chennai Metro as well. So, big ticket jobs. So, revenue-wise, we should be able to achieve around 25% more than this year.

Regarding further from next year onwards, our focus will remain for the bigger jobs. The idea is do less number of project, but each project should be bigger. Bigger in the sense, INR 1,000 crore, INR 2,000 crore in that range. And that gives us lot of leverage to properly efficiently execute that we have seen. That is why we are also targeting job, which has got turnkey sort of things, like electromechanical, crane and many other things, not only civil. And our focus also will remain on the green energy because a lot of emphasized being given by the government and some private sector on the green energy, on hydrogen. So, big plants are being set up by the local entrepreneurs.

We are focusing on that. We're also focusing in neighboring countries for the marine work at least. And there are some inquiries which are quite encouraging. So that is what I can say about the execution for next one or two years. Regarding working capital, Prasad, if you can address that.

Prasad Patwardhan

Yes. In fact, there is a lot of efficiency that we are reporting on our working capital cycle as well. Net working capital is today less than 90 days. While, there are obviously opportunities to improve the working capital cycle. I don't think there is a significant improvement possible beyond this level. So, 80, 85 days, I think is a very robust and healthy net working capital cycle. But our endeavor will be to wherever possible to improve the cycle further.

Bajrang Bafna

Okay. Sir, just one sense that we want to get now. Most of the players who are there in the industry, in the infrastructure side, they are struggling to get BG limits at the right costing, like we were even bearing that a lot of being 2% or maybe 2.5% kind of the BG cost for getting those lines from the banking channel. So, what is the interest rate that we are paying on BG currently? And some sense on that because it is a major portion of our interest cost as well. So, some guidance on that will be really helpful.

Prasad Patwardhan

Well, the guarantee commission that we pay generally varies from 0.7%, 0.8%. And it depends on the value and the tenure of the bank guarantee. So, especially for the guarantees that we provide in foreign countries where there is more than one bank involved. The bank guarantee commission would tend to be a bit higher, but it's in the range of about, say, 1% or thereabouts, 0.8% to 1% or thereabouts.

Bajrang Bafna

Great. Okay. Thank you very much. And I think this is a very competitive rate because of late whenever we are meeting with a lot of companies, they're all struggling for getting this BG limits at the right costing. So, this is really challenging, and it is really happening to know that we are getting most competitive rate in the industry, at least for this BG is concerned. Thank you, sir.

Moderator

Thank you, sir. Next question comes from Pratik Kothari from Unique PMS.

Pratik Kothari

We're currently already at about INR 7,000 crore, INR 7,500 crore run rate. We'll be at INR 10,000 crore very soon. So, if you can talk about internally, what are we doing, or how are we preparing to execute and scale. This is something which we have not obviously done in the past. So, how is our preparation going internally?

Jayanta Basu

Well, we are seriously concerned about our internal capability. If I can define, we address one-by-one. First of all, technical capability, that's not an issue because we have got experienced people and through experience, they are quite knowledgeable in the business what we are. We have to build up some new team for the overseas. So, what we are doing now, we have already worked in Myanmar. We are working in Colombo. We are working in Bangladesh. So, there is a core team. So, we're trying to invest some more team with the existing core team. So that by other 6-7 months time, they become trained.

The most important part is the support system, because we have to support the execution from logistics, from finance and from whatever do you say. So, those area we are strengthening. And the plant machinery is not a problem because nowadays you get the required plant machinery, either you can buy it or you can hire it. Those things are pretty available.

So, where we stuck up mostly is the bottom force, the labor force, work man. And that is a common problem for all the companies in our industry. So, we are trying to migrate from most of the manual work to the mechanical work. That is one area. And second area, how to educate this labor force, how to keep them, how to continue them in our company, what sort of initiative we should take. So, we're really focusing on that. So, these are some of the area, I mean, things we are doing to increase our capability.

Pratik Kothari

Correct. Fair enough. And, sir, earlier I think we had planned for about INR 150 crore, INR 200 crores of Capex this year and I think they've already done INR 240 crores in first half itself. So, any change in plans? Are we accelerating something for the execution coming up there, if you can highlight there?

Jayanta Basu

Yes, I think the Capex was more of this last year or so because of we have to invest a lot trench cutter and tunnel boring machine for the metro jobs that we have secured. But going forward, we don't expect that that much of Capex will be involved. Because whatever we have already, that can be used for the next project. And for the marine, we already have our adequate plant and machinery. There will be some, but not to this extent.

Pratik Kothari

Okay. So, large part of whatever investments we have to make for next, taking into account next 18 months, 24 months, we have already begun that, and it will only be minor going forward.

Jayanta Basu

Exactly. Except Bangladesh project, which is already we have secured and it is not Capex. Basically, you have to rent some big machinery for a duration of 6-7 months' time. So otherwise, large amount of Capex, what we have invested already that will yield our result. We don't expect much investment now.

Pratik Kothari

Got it. Fair enough. And sir, one of the previous participant answer, you did mention that now our focus would be to do less number of jobs but do very large INR 1,000-crore-plus. Is it also fair to assume that the competition in that segment is lower than usually what we see at a lower order rate of INR 200 crore, INR 300 crore, INR 500 crores order?

Jayanta Basu

Exactly. If you see, now if you have a airport tender, and the value is INR 300 crore to INR 400 crores, you'll find 10 participants there. For the same airport terminal building, if it costing INR 2,000 crore, it will hardly come down to 3 or 5 participants, in that way also. And good for us that we are able to get qualified ourselves because for whatever work we have done. So definitely, the tickets is big, the competition is less.

Pratik Kothari

Got it. So, my last question to Prasad sir, if you can highlight any further provisions that we have made this quarter? And also, in a standalone cash flow, we see this INR 9 crores of loss from some unincorporated entity, if you can highlight what is that regarding?

Prasad Patwardhan

No, we haven't done. What we would have done is a normal expected credit loss provisions. So, there is nothing really any additional provision that we have carried out in this quarter.

Pratik Kothari

Correct. And the loss from unincorporated entity?

Prasad Patwardhan

So, that is something that we had done in Q1. I don't think we have done anything in Q2 right now. So, maybe you're looking at the six-month balance sheet or the cash flows, there it will get reflected because it is for the half year and not for this quarter in particular.

Pratik Kothari

Fair enough. Thank you and all the best sir.

Moderator

Thank you, sir. Next question comes from Siddarth Shah from MK Ventures.

Siddarth Shah

Yes. So, thank you for the opportunity and congratulations on great set of numbers. Sir, in your opening remarks, you mentioned that second half was normally much higher than the first half. For example, last year, you had INR 3,000 crores in second half and INR 2,000 crores in first half, so 60-40 type of ratio. But the current year guidance is still around INR 7,000 crores, and you already done INR 3,500 crores in first half. And also, all the projects are taking off well. Just to understand, is this quite conservative or this is what is practically possible or what is? So, some comments on this would be very helpful, sir.

Jayanta Basu

Yes, I think you have rightly picked up the comments what I made. I want to emphasize that whatever guideline we have given, that is definitely we'll be able to achieve that. We definitely try to achieve more, but sometimes those numbers also varies year-by-year, it may not be same this year. Last year, 50% more, this year it maybe a little bit less on that. So, what I try to emphasize, the INR 7,000-core-plus definitely will be achieved this year.

Siddarth Shah

Sure, sir. That's helpful. And the second question is similar question to one of the previous participants, that going forward, all this provisioning of Bangalore project and all has been taken. So, from next year onwards, what kind of margins are you guys internally working on. Is it 12%, 13% margin possible in the next two-three years or we should kind of expect 10% of margin going forward?

Jayanta Basu

See, so far, till few quarters back, our margin is to be around 8% to 9%, 8.5% EBITDA, which has come to close to 10% now. So ,beyond that, if you have to do one you have to really get the job at a better price. So, we have to be in the competition also. So, yes, 10%-plus and how much we can go beyond that has to be seen based on the nature of job and what price are getting the job, what is the competition etc.

Siddarth Shah

Sure, sir. And sir, last question is on the debt part. If you can just highlight what is the net debt of the company now as on date?

Prasad Patwardhan

Net debt of the company as of September end is about INR 460 crores.

Siddarth Shah

Ok sir. That's it from my side. Thank you and all the best sir.

Prasad Patwardhan

Thank you Siddarth.

Moderator

Thank you, sir. Next question comes from Laha Nirvana from Laha Professional Investor.

Laha Nirvana

Hi. Thank you for the opportunity. Sir, I wanted to understand because general elections will be there in Q1 of next financial year. So, just like in the road sector, there is usually some slowdown. In our line of business, do you anticipate any kind of execution slowdown?

Jayanta Basu

Not really. I think because of election, there'll be a lot of pressure to do more work. So, because of election, I don't see that will affect our work. In fact new tenders or new projects which come up tendering, but the orders that we have already received or have been awarded to us, we don't expect any slowdown in the execution of the projects that we have on hand.

Laha Nirvana

Okay. And for orders also, sir, do you anticipate a slowdown? And if you do, then do you expect it to be a transient phenomenon which will take it normalized in from Q2, Q3 onwards next year?

Jayanta Basu

Generally, there may be a little bit of. I'm not saying there definitely will be a slowdown, but there could be a bit of slow down or postponement in some of the tenders which come up for bidding. But that would obviously be a temporary phenomenon, when the elections are through, I mean, the focus on infrastructure would remain. And I don't think it is going to impact the industry in the long run.

Laha Nirvana

Okay. All right. And in Sikkim recently there was a cloud burst and flood which kind of caused a lot of destruction. So, we are doing those tunnel projects in Rangpo. So, was there any impact on our project or is there going to be any impact in future?

Jayanta Basu

So, touchwood, there was no damage to, for any structure or any sort of, I mean, problem we faced. The only thing that few days the work was stopped, that too only for three, four days. So, we are able to manage. I don't see that there's any issue with that.

Laha Nirvana

Okay. That is very nice to hear, sir. And on cash flows and debt. So, we have done a lot of CapEx as was already discussed. Now, I noticed that our operating cash flows are quite healthy in half year. So, I think going forward also, we can hope to generate this kind of operating cash flow. So, are we planning to become net debt free anytime soon, Prasad, sir?

Prasad Patwardhan

No. I don't think we'll be able to be debt free at least in this financial year or in the next financial year. This business is working capital intensive to some extent. So, while we are trying to manage or ensure that the debt doesn't go out of hand in our balance sheet. I really don't see us becoming a net debt free in this financial year or the next financial year.

Laha Nirvana

Okay, sir. In that case, can you help me understand the interest rate trajectory. So, I think you have short-term working capital loans, long-term loans, and the non-fund based limits that you take. So, can you guide the interest rates that we should assume for this, so that we can sort of estimate the interest costs that will come?

Prasad Patwardhan

Well, I can indicate the interest rates that are being charged to us presently. Now, going forward, we'll have to see, it depends on many factors. So, for our working capital debt, the interest rate would vary typically from 9%, 9.5% to maybe 10.5% or 11%. For term debt, the interest rates are still lower than that, maybe in higher single-digits.

Laha Nirvana

Okay. And for our BG limit, you said maximum 1%?

Prasad Patwardhan

It's around 1%. It typically depends on the bank which we are dealing with and the tenure of the bank guarantee and the location where it is issued. So, there are multiple factors will influence the charges that we pay. But it's around 1%, maybe sometimes a little higher than 1% or many times lower than 1% as well.

Laha Nirvana

Okay. All right. And final question, sir, from my side, is that the CapEx that we have done INR 238 crores. Can you help me understand towards what this CapEx has gone towards? Because I'm not very familiar with the kind of machinery that you're using. So, it'll be very helpful if you can outline, like, what are the kind of machines we have got with this and why a buy decision versus a leasing decision, so some color on that so that we understand better.

Jayanta Basu

Look, at Chennai metro, we had to do a construction called diaphragm wall, which is vertical wall below the ground, which goes around 30, 35 meters. And in most of the cases, you have to do the wall through soil. But typically in Chennai metro, it is rock. In rock, whenever you try to do such work, you require a special machine, which is called trench cutter. Hardly we had in India before. So, we had to have 9 trench cutter mobilized. To answer your second question, out of that 4 we have bought and 5 is buyback or rental sort of things.

Laha Nirvana

What is the cost for each machine?

Jayanta Basu

It will vary around INR 40 crore plus-minus each machine. And supporting the trench cutter there are some other small equipment, and we bought few piling rigs as well. And another one, the important thing is the Tunnel Boring Machine. We bought one tunnel boring machine for the Chennai metro. So, tunnel boring machine, trench cutter and few piling rigs. These are the equipment we have purchased out of the CapEx.

Laha Nirvana

Okay. That's helpful, sir. Final two questions follow-up on this. The four trench cutters. You said INR 40 crore per trench cutter, right?

Jayanta Basu

Yes, around that.

Laha Nirvana

Okay. And the tunnel boring machine would be how much?

Prasad Patwardhan

The tunnel boring machine, there is a cost of procurement and there's some refurbishment cost as well. So, each tunnel boring machine could cost between, say, INR 30 crore and INR 40 crores.

Laha Nirvana

Okay. And we hope to utilize this machine across the multiple projects. We are working on tunnel projects plus metro projects, I think. So, utilization you think will not be a challenge for both the trench cutters and the TBM machine that we have bought?

Jayanta Basu

Yes. We have to utilize them. There are visibility. That is what is the business. I mean, you have to utilize them.

Laha Nirvana

Right, sir. Sir, many congratulations on this quarter, it was really heartening to see 10% EBITDA. And really wishing that in the coming years, you can cross INR 10,000 crore with much higher EBITDA margins and keep doing the excellent high level technical work that the entire team is doing. Thank you so much.

Jayanta Basu

Thank you.

Moderator

Thank you, sir. Next question comes from Aman Soni, an Individual Investor.

Aman Soni

Hello. Good afternoon, everyone. I'm joining the con call for the first time. I have a couple of question, I'll go one by one. My first question was on the margin profile. I understand that, the company does different orders from NHAI to Marine and all other things. So, which kind of orders provide a better margin? And if you can quantify that, that would be great.

Prasad Patwardhan

Well, typically, our experience has been that underground metro and marine projects give us better margins. There would typically each project comes with its own set of complexities. So, the margin profile would differ from project to project, but our margins are certainly higher on these two segments as compared to the other segments that we work in.

Aman Soni

Okay. Alright. And, one more thing, reading your previous con-call that you mentioned something about INR 29 crore provisioning that you did. So, what was it during the current quarter?

Prasad Patwardhan

Nothing. There was no provisioning. This was in the Q1, for one of the elevated metro projects, we have taken a hit of INR 29 crores in Q1. There is nothing in Q2.

Aman Soni

Okay. And secondly, my last question is on the tax rate. So, in the past couple of quarters, I see the tax rate hovers around sometimes 40%, 45%. So, what should be the number going forward? What can we expect?

Prasad Patwardhan

No. On a standalone basis the tax rate is around 25%, so there's no change in that. But the results that we declared has a mix of our standalone profit as well as the profit that we record on some of the joint venture projects that we have. And that is why there is a change in the tax rate. But going forward, I think it should be in the range of 25%, 26%.

Aman Soni

25%, 26%. Okay. And one last thing, I read in the opening remarks, you detailing out different projects and their completion period. So, I can see that some other companies in their investor presentation usually give what the percentage which is completed along with the project name. So, would it be possible to share that in the coming quarters in the investor presentation?

Prasad Patwardhan

There are about 50, 60 projects that we are executing, but that's a good input that we have received from you. We'll see how we can factor that in the presentation going forward.

Aman Soni

Yes, I understand. Basically, it would be great if initially you can just start off with maybe 50%, 60% of whatever your top orders are, and that would be very much helpful.

Prasad Patwardhan

Right.

Aman Soni

Ok That's all. Thank you so much.

Moderator

Thank you, sir. Next question comes from Sameer Deshpande from Fairdeal Investments.

Sameer Deshpande

Hello. Good evening, sir. And congratulations for the excellent set of results you have produced over the last 6 months. So, actually, I heard the net debt is around INR 460 crores or 260 crores?

Prasad Patwardhan

INR 460 crore.

Sameer Deshpande

INR 460 crore?

Prasad Patwardhan

Yes.

Sameer Deshpande

Because in the balance sheet, if I go for the consolidated balance sheet, the gross loans are around INR 750 crores, and cash and bank balances it's totaling around INR 500 crores. So, it comes to INR 250 crores net debt.

Prasad Patwardhan

No, the gross rate number is correct. We have taken some of the deposits are earmarked against some of the guarantees that have been issued. So, we have already considered the unencumbered deposits for working out the net debt. And according to that, the net debt works out to about INR 460 crores.

Sameer Deshpande

Okay. So, it is quite comfortable considering the industry situation. And we have managed our working capital also very well. As you mentioned, less than 90 days is quite commendable. And, you mentioned regarding this maritime projects, and this underground metros are the most profitable part of our total business. So, in that demand, that maritime order contributes, I think, more than 50% of our order book or 40%?

Jayanta Basu

It is now close to 40%.

Sameer Deshpande

Which is around INR 7,800 crores out of INR 22,000 crores. Okay. It's quite good. Business is picking up well and we hope the execution also will be good in the second half.

Jayanta Basu

Yes, that is what is expected.

Moderator

Thank you, sir. Next question comes from Kaushik Poddar from KB Capital Markets Pvt Ltd.

Kaushik Poddar

See, with your turnover going up sharply, say, 20%, 25%. Do you see the margin also growing up, EBITDA margin?

Prasad Patwardhan

EBITDA margin, yes, you are right because there are some fixed cost which doesn't get proportionately changed. So theoretically, it should go up.

Kaushik Poddar

And to what level do you see in 2025? See, right now, I think you are around 10.6% or 10.7%. So, can we think of, say, 11%, 11.5% this year and next year?

Jayanta Basu

Yes. Actually, the margin also is a function of competition. You have to seek some job as a lower margin. So that is also a way. So yes, 10%-plus, let us see how best we can do in the next year.

Kaushik Poddar

Okay. And do you see with the election being a few months away or something, there will be a kind of freeze in new orders?

Jayanta Basu

Yeah, expected around the election time there'll be, but whatever work we have only secured, and whatever we are expecting from the L1, I don't see whatever we have given the guidelines will be affected.

Kaushik Poddar

Okay. So, even with the election being, say, four-five months away, do you still see the 20%, 25% growth for next year? I mean, that should not be a problem because of the orders are at hand, that's what you're saying?

Jayanta Basu

Yes, you're right.

Moderator

Thank you, sir. Ladies and gentlemen, if you have any questions, please press * and 1 on your telephone keypad. Next question comes from Kunal Patudia, an Individual Investor.

Kunal Patudia

Congratulations, sir, for the fantastic results. And hope to get the guidelines also net for the balance of the six months. Sir, I wanted to ask about the arbitration awards that we have in our hand, and do we expect any cash flow from any of these awards in this financial year?

Jayanta Basu

Yes. Kunal, you are most welcome. Thank you for joining this con-call. Yes, we have got a few arbitration award. One, is from Kolkata airport, which was a joint venture of our parent company. The discussions are going on. So, we expect that some result will come out soon. I mean, when I say soon, maybe three-four months' time. And another one award we have from the Noida authority, which is around INR 40-odd-crores. So, now the authority has gone to the court challenging the award. But normally, if the arbitration award are there, you can expect that the court order also will be favorable to us. So, these are the two arbitration awards we are now pursuing.

Kunal Patudia

So, what will be the value of the cash flow that you're expecting?

Jayanta Basu

From the arbitration?

Kunal Patudia

Yes, from the arbitration.

Jayanta Basu

For the Noida, it is quite defined, because it is around INR 40 crores. But for Kolkata airport, the discussions are going on. So, we really want to see that how well it goes out. So, we don't want to comment on that, but Noida is around INR 40 crore will look at it.

Kunal Patudia

Right, sir. So, if you could give me a breakup of the revenue that you expect from Ganga expressway, Chennai metro and Varsha project for next six months?

Jayanta Basu

Ganga expressway, there should be around INR 152 crore to INR 200 crore per month. Typically metro job INR 40 crore to INR 50 crore per month for each metro job. That is the statistic. We don't go into such details.

Kunal Patudia

And sir, Varsha marine project?

Jayanta Basu

Varsha marine project is a little bit early because we are still in the planning stage. It depends upon where we do the dredging, because we can do the dredging in the monsoon, before the next monsoon starts. Or we may go to dredging after the next month to start. So, the whole thing will depend upon the dredging progress. At this moment, I don't have the right number to share with you.

Kunal Patudia

Right, sir. So, for Ganga expressway, you said INR 900 crore revenue was booked in this quarter. Am I correct, sir?

Jayanta Basu

No. You are wrong. So far we have done INR 900 crores from the inception.

Kunal Patudia

Okay. This is the total execution. Okay. Understood. So, one more thing I wanted to understand. We are giving, paying royalty to our parent company, ITD Thai, and we are also giving dividends. Can the company consider a share buyback, which is more tax efficient for retail and small investors?

Jayanta Basu

I don't have the answer for that today. This is our discussion strategy. So, I won't be able to comment on that, right now.

Kunal Patudia

Right, sir. Sir, last question. Any bill discounting for vendors or your contractors or financing, like L&T does with L&T Finance? Have we tied up with any NBFC or is there anything in pipeline that we are looking to do it?

Prasad Patwardhan

We have such facilities from a few of our banks.

Moderator

Thank you, sir. Next is a follow-up question from Bajrang Bafna from Sunidhi Securities.

Bajrang Bafna

Thanks for the opportunity. Sir, on the Bangalore metro is there anything left? Because I think most of the provisions has already been done. Any revenue which is yet to be booked or any more provisions required? And can we expect some sort of the total loss that we booked over last any maybe one to two year kind of time frame? It's upwards of INR 150 crores, if I recollect it right. So, any possibility of getting this money back to some settlement or some arbitration. So, some guidance on that will be really helpful, sir.

Jayanta Basu

Well, Bangalore metro, physically all work completed. There are four contracts there. So out of that three contract already taken over by the client, final bill certified, our certification is under progress. The fourth one also completed and taking over also is happening. So, what about left out revenue would be hardly few crores, which will come through the final bill. And the provisioning part is almost over. I don't expect there'll be anything further required that I have clarified in the last con-call as well. And we have got a few claims and the additional work done. We have submitted our bill. So, those are under process and some will go for arbitration. And as you know that arbitration process takes time. We will not be able to comment on the timeline, but definitely we're pursuing few claims on our extra items.

Bajrang Bafna

So, what is the total cost overrun that we have booked so far in P&L in the Bengaluru project? The total amount till date.

Prasad Patwardhan

Bajrang, the numbers are not readily available with us. Maybe we can reconnect offline and discuss this further.

Moderator

Thank you, sir. Next question comes from Mehul Mehta from Nuvama Wealth.

Mehul Mehta

Good evening, team. In terms of CapEx for the first half, I believe, like, what I heard is, INR 238 crores has been so far incurred. So, any guidance for next, I mean, for H2, like, what would it like to be for CapEx? What can we expect?

Jayanta Basu

It will be very less, I mean, first two quarter we had to invest for many things which we have discussed right now. But, going forward, it will be quite less. I don't have the exact number, but it will be much less.

Moderator

Thank you, sir. Next is a follow-up question from Sameer Deshpande from Fairdeal Investments.

Sameer Deshpande

Thank you for the follow-up question. I wanted to know what is the amount of advance received against contracts in our current liabilities?

Prasad Patwardhan

Well, as of the quarter end, the total amount of advances outstanding is about INR 1,300 crores, INR 1,400 crores.

Sameer Deshpande

INR 1,300 crores, INR 1,400 crores. Because normally we must be receiving the advances when new contract we are getting, we will be receiving certain portion as advance. So, it is INR 1,300 crores, INR 1,400 crores. What was the amount last year, any idea on that?

Prasad Patwardhan

No. I wouldn't have the last year's figure readily available right now.

Sameer Deshpande

Okay. Because our unbilled work in progress as on 30th September is around INR 1,540 crores.

Prasad Patwardhan

Right.

Sameer Deshpande

Which is up now almost 50% because I take on the 31st March figure last year. So, this year also, because of the new contracts issued, et cetera, in significant way, this figure also must be better. That will help us in questioning our working capital requirements?

Prasad Patwardhan

No, you're right. And the numbers will be available in our Annual Report and our results are available publicly, so you will be able to look at it. The work in progress is higher because we need to, in the initial periods of any project, after it is awarded, there is a lot of expenditure that we need to incur our mobilizing plant, equipment, materials, etc. And only when the billing cycle starts that we see moderation in the work in progress. And so, I think the growth in the work in progress number is in line with the growth in our order book and our revenue.

Moderator

Thank you, sir. Next is a follow-up question from Pratik Kothari from Unique PMS.

Pratik Kothari

Yes. Sir, one comment from you on ports. I mean, we read about Mr. Jindal's comment on the kind of capacity which they expect that India should build, similarly from Adani Ports. Recently this development the US government funding one of your projects. Just your comment, I mean, what kind of pipeline or runway do you see for next few years on the port side?

Jayanta Basu

Yes, port side, there are a lot of capacity deficit we have in our country, either the container cargo or the bulk cargo. When I say bulk cargo, it is iron ore, coal, etc. So, there will be a lot of new terminal, it has to be there in the coming years. And you can see that is getting reflected in the Odisha, one by one of the promoters like, Adani, Jindal, ArcelorMittal, and many of them are focusing in Odisha to building up the port there. And at the same time, defense also coming up with a lot of marine jobs in and around the coastline in Ahmedabad and many other places. So, there is a lot of marine job prospect in India going forward.

Moderator

Thank you, sir. There are no further questions. Now, I hand over the floor to the management for closing comments.

Prasad Patwardhan

Thank you very much for joining us on this Q2 FY24 earnings call. On behalf of the company, Mr. Basu and myself, I would like to wish each and every one of you a very Happy Diwali and prosperous New Year. Look forward to interacting with you again after our Q3 results. Thank you.

Moderator

Thank you, sir. Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a pleasant day.
