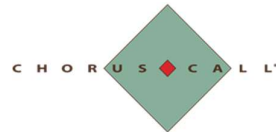




“ITD Cementation India Limited
. Q3 FY '23 Earnings Conference Call”
February 10, 2023



MANAGEMENT: **MR. JAYANTA BASU – MANAGING DIRECTOR – ITD CEMENTATION INDIA LIMITED**
MR. PRASAD PATWARDHAN – CHIEF FINANCIAL OFFICER – ITD CEMENTATION INDIA LIMITED

MODERATOR: **MR. ASHWANI SHARMA – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to the ITD Cementation Q3 FY '23 Post Results Conference Call hosted by ICICI Securities. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ashwani Sharma. Thank you, and over to you, sir.

Ashwani Sharma: Thank you, Seema. Good evening, everyone. On behalf of ICICI Securities, I welcome you all to the Q3 Post Results Conference Call of ITD Cementation India Limited. Today, we are pleased to host senior management of the company, which is represented by Mr. Jayanta Basu, Managing Director; and Mr. Prasad Patwardhan, CFO of the company. The meeting will start with a brief by Mr. Basu and Mr. Patwardhan, after which we will open the floor for Q&A. Thank you, and over to you, sir.

Prasad Patwardhan: Good evening, everyone. This is Prasad Patwardhan, and I would like to thank you for joining us on this Q3 FY '23 Earnings Call. We'll start with our financial performance during this quarter. Thereafter, I will hand over to Mr. Basu for his initial comments on the operational performance, and then we'll be happy to answer any questions that I'm sure you would have to ask us.

We are very pleased with our operational performance in Q3. We have posted a robust performance, and we are hopeful that this will be a precursor to a better performance during the next quarter and in '23, '24 as well. I will briefly touch upon the highlights of our performance in this quarter. We have posted the highest ever quarterly revenue of INR 1,327 crores during the quarter as against INR 998 crores a year back. So that represents a growth of about 33% revenue.

Our EBITDA has come in at about INR 118 crores as against INR 87 crores a year back, again, a growth of 36% and profit after tax of INR 37 crores as against INR 20 crores a year back. So a growth of 87% in our profit this quarter. In terms of our performance for 9 months as well, we have posted a robust performance this year.

The 9-month revenue has come in at INR 3,459 crores and against INR 2,625 crores, which represents a growth of about 31%. EBITDA has also grown by nearly 30% on a year-on-year basis and is coming at INR 316 crores. And our profit after tax is at INR 87 crores as compared to INR 53 crores a year back, again, a growth of 65% on a year-on-year basis. Our new order booking in this year, in the 9 months ending December '22 has been nearly INR 8,000 crores. And our order book as of December stands at a little over INR 21,000 crores.

So that is all from my side. I'll hand over to Mr. Basu for his initial comments now.

Jayanta Basu: Thank you, Prasad, and thank you all for joining this con call. As you have seen that our performance in last quarter that is Q3 was quite good. We have achieved close to INR 1,400 crores of revenue. And all the segments, whatever we are working have done very well. And I hope that the same tempo and run rate will be maintained in the coming quarters as well.

To brief you about the few key jobs what we are doing, underground metro at Bengaluru Metro as usual going very well. We have done around 44% of progress so far. Chennai Metro is progressing well, and hopefully, by another 3, 4 months' time, we'll be able to start the tunnel job, that is from May or June. Mumbai Metro, as you know, is almost on the verge of completion.

Coming to the Marine, Udangudi, we have done substantial progress. Around 80% job has been done. It's one of the iconic jobs we are doing in marine field. As you know, I've been telling it for many times. Apart from that, Sea Bird for Indian Navy at Karwar, BMCT for Port of Singapore at JNPT port, IOCL at Ennore Port and Breakwater at Vizhinjam. All the jobs are going very well.

Beyond that, we are doing few jobs in other segments like industrial projects and building like Sikkim University, CPWD Kasturba Nagar at Delhi, Guwahati Riverfront, Surat Metro, industrial projects for ArcelorMittal at Surat, Aerospace Museum at Delhi, Ganga Expressway and Ganga Bridge. All the jobs are going well, and I hope that in this quarter also, it continues to be better. So operations are under control.

A few jobs we are L1 to the extent of around INR 2,700 crores. We are expecting order maybe in a couple of months hopefully by end of this year. And there are some big jobs under pipeline in Marine and Metro. So that is all about the operational performance and our job in hand. We are opening for the questions now onwards. So kindly go ahead.

Moderator: The first question is from the line of Mr. Mohit Kumar from DAM Capital.

Mohit Kumar: My first question is, how do you see FY '24 panning out given that you may end up doing roughly around INR 4,500 crores revenue for FY '23. Can you expect INR 6,000 crores kind of run rate in FY '24?

Jayanta Basu: Yes. You can expect that.

Mohit Kumar: So how do you see the margins going forward as margins are slightly still on the weaker side. As we think, of course, has improved Q-o-Q. And it is better than I think last year? It is similar last year. So can you expect some improvement here given that it has some operating leverage?

Jayanta Basu: Yes. If you see, if you recall our last concalls, we expect that margin will improve from next year, that is quarter 1, quarter 2 of next year, and we expect to touch close to double digit or double-digit EBITDA.

- Mohit Kumar:** Sir, the legacy order book from Bangalore, is it over? Is there something still left?
- Jayanta Basu:** Bangalore is almost done. Physically, we'll be able to complete the job by another 2 months' time, which is by end of March or April, yes.
- Mohit Kumar:** Secondly, of course, if you can just throw some color on the order which you are chasing in Q4 or let's say next 6 to 9 months, some large orders. You said that metro is one of the opportunity. Which of the metros you're looking at. And anything else you can paint a colour on?
- Jayanta Basu:** Well, metro now, we are focusing mostly on the underground metro. We have one tender due for Kolkata Metro, which is the end of this month. And then there are around four or five, maybe six underground metro job at Chennai spreading over this month and next month to be submitted. So those are from metro and marine also, we have got two big jobs to be submitted by this quarter, I mean, by March.
- Mohit Kumar:** Anything else, sir, on the port side that you see?
- Jayanta Basu:** Yes. Marine, as I said, the port that is.
- Mohit Kumar:** And where are you L1, sir. L1, I think you spoke about the L1 in couple of orders. Can you please detail it out.
- Jayanta Basu:** One marine job, which is basically river-based job at Bangladesh, where we are L1, INR 2,000 crore-plus job. So we are expecting order by March or April.
- Moderator:** We take the next question from the line of Parikshit Kandpal from HDFC Securities.
- Parikshit Kandpal:** So we have seen the revenue ramp up, I mean shaping up quite well, but margins still remain under pressure. So will the gross margin reduce this quarter? So by Q1, do you think we will be back to a little high single-digit or early double-digit margin -- EBITDA margin?
- Jayanta Basu:** Yes. That's what I have told. I mean rightly said high single digit or double-digit margin you should get from Q1 onwards.
- Parikshit Kandpal:** Is there any other legacy in the order book, which could be of a pain point for us for the next year?
- Jayanta Basu:** Legacy orders, see, Bangalore Metro is physically almost over. So by March or maybe up to April this year. The physical work will be completed. Of course, thereafter final bill submission, persuasion of our claims, arbitration will go. So I don't think there are any other legacy orders which may affect our bottom line.
- Parikshit Kandpal:** But this Bengaluru elevated, we have provided for all the cost overruns right? So no negative surprise will come by the time we complete this project, right?

- Jayanta Basu:** No, I don't think anything will come. And in top of that, we are also pursuing some claims, which we feel genuine. So those will be in arbitration.
- Parikshit Kandpal:** Just a question to Prasad. Prasad, what would be the gross debt and cash on the books? And also as Jayanta said that the Mumbai underground project is now almost complete. So what could be the residual profits to be recognized from that?
- Prasad Patwardhan:** Parikshit, to answer the first part of your question, the gross debt on the books as of December is about INR 640 crores, and there's cash of roughly INR 175 crores from the book. So the net debt is about INR 460 crores, INR 470 crores. We expect the debt to go up a bit in this quarter because of the capex that we have incurred and the machines are likely to be delivered, some of them are likely to be delivered in this quarter. So there will be some increase, marginal increase in our debt levels by March. I could not get the second part of your question. Can you repeat that, please?
- Parikshit Kandpal:** So all the JVs which we consolidate, so what will be the residual profits to be recognized? Because the Mumbai underground is coming for closure now. It's substantially completed. So what could be the upside on LD reversals or profits?
- Prasad Patwardhan:** Parikshit, we have been recognizing the margins on a percentage of completion basis. So I don't have the exact numbers with me right now. But as the work progresses and it is nearing completion, we will see the residual margin getting recognized, but I won't be able to share with you the number of hand.
- Parikshit Kandpal:** And what is the consolidated net worth as of Q3?
- Prasad Patwardhan:** As of Q3, the consolidated net worth is about INR 1,100 plus crores.
- Parikshit Kandpal:** And just last thing on Jayanta. So Jayanta, what would be the total prospect pipeline segment wise if you can help us here.
- Jayanta Basu:** Total prospect, I can divide it in two categories. I mean otherwise there are lot of opportunities, but we are not pursuing all the jobs considering the work in hand. But we are definitely pursuing some jobs, which is underground. Underground job will be close to INR 6,000 crores to INR 7,000 crores from Kolkata and Chennai Metro. And for marine, it will be INR 5,000 crores plus. So these two definitely we are pursuing. We are actively under consideration for tendering, say around INR 12,000 crores.
- Parikshit Kandpal:** Just one last thing, you have I think the project to a particular group. So are you taking any challenges there in terms of going on project? And also if you can quantify what is the total exposure in terms of order book to the group?

Jayanta Basu: See. As we mentioned, two big jobs, I mean, under that group, which we have just started. One at UP and one at Colombo. So it is just our initial site mobilization has taken place. In fact, we have received the mobilization advance also. Last week also, we got paid. This week also, we got paid. So in terms of exposure, these two new jobs, we have practically nothing.

The old jobs, those are very small jobs and are material free. So I don't see have got much exposure on them, and we have not had anything from the group to either slow down or to stop the job. So it is going as usual.

Parikshit Kandpal: And what is the total order book of the group in our order book?

Jayanta Basu: Yes, total order book will be around INR 6,800 crores, But out of that, we might have executed hardly INR 1,200 crores, because bulk of the order is from the one road job.

Parikshit Kandpal: So out of INR 6,800 crores, INR 1,200 crores is executed. So net order book do you think is about INR 5,600 crores as of December end then?

Jayanta Basu: Yes, around something like that.

Moderator: We take the next question from the line of Bajrang Bafna from Sunidhi Securities.

Bajrang Bafna: Congratulations for a great set of numbers. Sir, my first question is pertaining again to that group only. If you could just say that both of the orders, which we just talked about UP and Colombo, they are financially closed. So could you sense that the amount which is going to come from the group level and what is tied up with the banks. So if you could just give us some clarity on that, it will be really helpful.

And as you pointed out that you have not heard anything to slow down because UP is a prestigious project which needs to be completed in a record time. So just enlighten us your current ongoing and sense on that will be really helpful?

Moderator: One moment, sir. Management, sir? Participant, the line for the management is disconnected. Ladies gentlemen, we have the line for the management connected.

Bajrang Bafna: Was my question audible to you, sir, or should I repeat it?

Prasad Patwardhan: I think it's better if you repeat the question.

Bajrang Bafna: Sir, the first question pertains to the group again. The financial closure of the UP project and the Colombo project has already happened as per my understanding. And can we share the breakup, the amount which is going to come from the banking channels and the amount, which needs to come from the group? If you could just guide us in that sense, it will be really helpful. And your sense in terms of project, since UP is a prestigious project and it needs to be completed in a record time. So just some your ballpark judgment on that.

- Prasad Patwardhan:** Bajrang, we don't have the details of the financial closure. While we are aware that the financial closure has more or less been completed, the details of the financial closure as far as the group is concerned, we are not aware of that.
- Bajrang Bafna:** And till date, I think since this is a nascent episodes which has happened. So there is no negative surprises as such as of now, right?
- Jayanta Basu:** No, no negative surprise. In fact, we have been paid also during last one week against Colombo and some other in marine sectors.
- Bajrang Bafna:** Even in the UP side, right? The UP , the Ganga Expressway project, which you have just started?
- Jayanta Basu:** Yes.
- Bajrang Bafna:** So can we expect the revenue booking of this Ganga Expressway project from this quarter onwards?
- Jayanta Basu:** We have a system of achieving a certain threshold limit of this thing. But definitely, we expect that there will be no disruption and progress will definitely happen.
- Bajrang Bafna:** So either this quarter or maybe next quarter, if the threshold is not achieved, right?
- Jayanta Basu:** Yes
- Bajrang Bafna:** Okay. And what about Chennai Metro projects. When can we expect the revenue recognition to happen beyond that threshold of, let's say 10%?
- Jayanta Basu:** Chennai Metro, this quarter, I think we'll be able to achieve the threshold limit that is Q4. So we should be able to recognize the margin from this quarter.
- Bajrang Bafna:** So sir, in some media appearance you guided that this year, probably the run rate will be closer to INR 1,400 crores, maybe in Q4. And we'll be growing 20%, 25% next year. So will that assessment holds true? Or you want to revise it slightly upwards because you anyway pointed INR 6,000 crores. So can you just pinpoint in terms of growth that you are going to experience in the FY'24? Some clear guidance on that will be really helpful.
- Jayanta Basu:** Well, INR 1,500 crores per quarter is what which should happen, and we may expect a little bit more than that. But I think whatever I have told last time, I will maintain the same.
- Bajrang Bafna:** So roughly that you are guiding that close to maybe INR 6,000 crores kind of number, which you just talked about in your first question and answer session?
- Jayanta Basu:** Yes



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- Bajrang Bafna:** And sir, because if I rightly pointed out, you are already at INR 21,000 crores. And the execution period is roughly around on the higher side, 3 years. And then we are also going into order intake of, let's say, last time you talked about the pipeline is around INR 17,000 crores. So can you sense that maybe in 2 or 3 years' time, can we expect the run rate to go to closer to INR 9,000 crores to INR 10,000 crores on a yearly basis, if you will talk about maybe, let's say, FY'26?
- Jayanta Basu:** I mean that is too far from now. We are discussing this quarter. But as I've told last time, we should grow for another 2, 3 years at the rate of 25% net on that.
- Bajrang Bafna:** And this pipeline, has it got revised to any number, this INR 17,000 crores which you talked about last quarter?
- Jayanta Basu:** Rightly, it will be around INR 12,000 crores now because some of the jobs which was there in our pipeline, we have decided not to bid for because we already have got substantial quantity of jobs now. So it is INR 12,000 crores to INR 13,000 crores which are tendered again.
- Bajrang Bafna:** Those are predominantly in the metro and the tunnelling side, that you just talked about marine side.
- Moderator:** Hello, Mr. Pujan
- Pujan:** So my first question would be how much order tender we have done for this quarter specific? And what are the winning ratio we have been accepting?
- Jayanta Basu:** Tender for this quarter?
- Pujan:** Yes.
- Jayanta Basu:** Our percentage of success is around 20%. That much I can tell you, YTD '22, '23.
- Pujan:** Yes. But I just want that number because the order book, the new order book -- in the total order book, if you see that is around INR 21,000 crores. It is hovering, I think, from like 2 quarters also. So I just wanted to know how much order book wins we have been expecting to on a yearly so that we can get a true judgment on the growth of the book?
- Jayanta Basu:** Well, as I said that around INR 12,000 crores to INR 13,000 crores of tenders we are pursuing now in addition to close to INR 3,000 crores order, which were L1.
- Pujan:** And sir, my second question would be on the Ganga Express project, which is the Adani project. So are we seeing any stress on the project for the specific Adani thing or the execution is on time we are seeing the recurring revenue from the Adani, exactly what we have been thought of?

- Jayanta Basu:** Ganga Expressway, I don't expect any problems. So for whatever interaction I have with the customers. And we have got payment also recently, and they have asked us to go in full swing. So there is no indication from the customer side otherwise.
- Moderator:** The next question is from the line of Kaushik Poddar from KB Capital Markets Private Limited.
- Kaushik Poddar:** Yes. See, I'm from Kolkata. So we read some problem with the Kolkata Metro and you people are one of the contractor. So can there be any liability on you with all the problems that are there?
- Jayanta Basu:** No liability. It is a matter of time. As you know, the metro line which we are supposed to go from Sealdah directly to Mahakaran, that has been rerouted through Esplanade. And so as you know you are from Kolkata, so you have faced some problem. It is a problem we have encountered and that was quite challenging, but I'm very happy that we could overcome them. It took some time because in a public area, we cannot do hara-kiri. And there are some delay in the project. So apart from that, I don't see any liability happen now.
- Kaushik Poddar:** And whatever rerouting you have done, that should take care of the problem you are facing you had faced so far?
- Jayanta Basu:** Well, rerouting was not in our hands. So we had to do the job in the new routing. So basically, between the two tunnel, that is one is up, one is down, there needs to be some passage for the ventilation and the safety purpose.
- Kaushik Poddar:** Evacuation in purpose.
- Jayanta Basu:** And those passages are done by normal tunneling method, not by any sealed method. So it is very difficult to do given the town condition. So that is the problem we have been facing now. So there are technical solutions we have found out, and hopefully, that will be resolved, either reducing those numbers and then whatever number left out within proper manner.
- Kaushik Poddar:** But there is no liability on the contract whatever happens. That's what I wanted to know.
- Jayanta Basu:** No, no, no, there is no liability. And so there is no issues that are...
- Kaushik Poddar:** See, a lot of the contracts you are getting mostly are in the metro as well as marine. So these, I guess, are your strong points. Other than metro and marine, are there any other things that are the strong points of the company?
- Jayanta Basu:** Airport. As you are from Kolkata, you have seen Kolkata airport.
- Kaushik Poddar:** Okay. Was it constructed by ITD?

- Jayanta Basu:** Yes, Very much. And then we are now doing at Trichy Airport, Pune Airport, Ahmedabad Airport, the airport is another strong point and special buildings like Sikkim University, Ropar IIT and Bose Institutions at Salt Lake, Sector 5, all are done by us. So that is also we are getting stronger in that sector.
- Kaushik Poddar:** And recently, you were saying that you have got a contract from Bangladesh, right?
- Jayanta Basu:** Bangladesh transmission line, yes, we have not got, we are L1. So we are expecting order any time by end of March or so.
- Kaushik Poddar:** Now, so your parent company is a Thai company. So are you restricted from getting into any other country? I mean, which are the countries that are in your remit?
- Jayanta Basu:** So there is no line like that. We are allowed to go anywhere if the business you see that is a business and prospect. But mostly, we are restricting out into the neighbouring countries, number one. Number two, mostly we are restricting ourselves where we find that funding is by Government of India like Project Export by Exim Bank.
- Kaushik Poddar:** And both Bangladesh and Sri Lanka projects, the fund is from Government of India. Is it?
- Jayanta Basu:** Yes. I mean, Bangladesh, of course, funded by Government of India and Colombo is a port job by Adani Group.
- Kaushik Poddar:** That is also by Adani group. Okay. Okay. So as of now, in your INR 21,000 crores order book, How much of the order book is connected with Adanis? And the other one, of course, is the UP highway.
- Jayanta Basu:** Well, if you see that UP highway, if you remove that, then our order book from Adani will be around INR 1,500 crores.
- Kaushik Poddar:** Sir, INR 1,500 crores plus INR 4,000 crores, right?
- Jayanta Basu:** INR 1,500 crores.
- Kaushik Poddar:** Plus the INR 4,000 crores of the UP project?
- Jayanta Basu:** INR 4,800 crores to be precise.
- Kaushik Poddar:** INR 4,800 crores plus INR 1,000 crores. So that is around INR 6,300 crores. So nearly 1/3 of the order book is from Adanis as of now.
- Jayanta Basu:** Yes.
- Moderator:** We take the next question from the line of Mr. Ramanan Venkateswaran from MK Ventures.

Ramanan Venkateswaran: Congratulations on a wonderful performance. I have just basically one question, two questions, but one main. Last quarter, we discussed that about approximately INR 200 crores worth of revenues projects did not reach margin recognition stage, okay. This quarter, what would that number be?

Prasad Patwardhan: It's a similar number, about INR 230 crores, INR 240 crores is the number.

Ramanan Venkateswaran: And what would -- which would be the major projects on which this number would be?

Prasad Patwardhan: These are the projects that were awarded to us in the last year or so. There is Chennai Metro, there is Ganga Expressway, there are a couple of other projects as well which could form part of this number.

Ramanan Venkateswaran: And the second question following from this is, in the coming quarter, would some of these reach the revenue recognition -- I mean the margin recognition stage?

Prasad Patwardhan: Yes. Some of them will reach that threshold in this quarter or there may be some slippage into the following quarter. But we are hopeful that we'll be able to reach that threshold in the March quarter.

Moderator: We take the next question from the line of Mr. Prem Khurana from Anand Rathi Shares and Stocks.

Prem Khurana: So sir, I think in your opening remarks, I mean, you detailed us about some of these key projects for us. I mean if you could also help us understand how the progress has been on the tunnelling jobs that we had managed from IRCON sometime back in West Bengal. Where are we in terms of construction? I mean, are these going good? Or are you facing any terrain related issues there.

Jayanta Basu: We faced some issue regarding the terrain or geological related issue, but those things are now mostly overcome. Because with time, we have improved our technology. We have adopted something new technologies, methods and client has also realized that they have to do some changes. So with those things, things are much better now. And one good thing is that tunnels are all concrete lines. So concrete lining has also started. It has progressed a lot. So the situations are much better in the three contracting works.

Prem Khurana: Possible to share how much will be the cumulative progress on these together, the three packages?

Jayanta Basu: Cumulative progress will be around 62.5% say, 62% remaining so far i.e. ~30% completed

Prem Khurana: And sir, when I look at our order backlog over the last couple of years, I mean, the way we've been able to have new orders come to us. Our Transportation segment has gone up substantially, and we seem to have done fairly good on building on industrial side as well. I mean we know we are one of the best as far as marine is concerned. We've been doing exceedingly well in

MRTS as well. But I mean, these are fairly used to be small for us till some time back and have become large now, at least in terms of order backlog. I am assuming contribution would rise only from these segments.

How is the margin profile based on the experience that you've had with these orders till this time? And then is working capital cycle different from, let's say, MRTS or marine with industrial or buildings or transportation?

Jayanta Basu: Transportation sector, we have two jobs: One is the Ganga Expressway, another is bridge over Ganga. So Bridge over Ganga, we are doing the foundation job together with Bridge and Roof being a superstructure work and that is progressing very well, and we have almost finished the job. At Ganga Expressway, we have just started. So hopefully, that will also go well.

Prem Khurana: Sure. And how about the Building segment, how is our experience there in terms of working capital cycles or margins?

Jayanta Basu: Building segments, you see, basically, we had a few jobs under metro where we had got the station buildings, which included Bangalore Metro and Nagpur Metro where we didn't do good. But now whatever building we have like Sikkim and CPWD at Delhi and Circuit House at Jalpaiguri, those are quite under control and doing well.

Prem Khurana: And just one last one from my side, if I may, please. In terms of order addition, it's been a very good year for us. I mean, we've already had INR 8,000-odd crores. So I mean, given the fact that we had seriously good additions for the single year, how does it change the way you approach the balance pipeline? Would that make you kind of raise your margin expectation because you have fairly good visibility with the order additions that we have had or you would continue to bid at this margin that you used to be at earlier even before we had these INR 8,000-odd crores come to us?

Jayanta Basu: First of all, we'll be quite selective now going for the submission of bid. And that is number one. Number two, we'll definitely not target small jobs anymore going forward. That is number two. And number three, we'll focus more on niche area of marine and underground metro and some overseas jobs where we've seen that margin will be better.

Moderator: We take the next question from the line of Dhananjay Kumar Mishra from Sunidhi Securities.

Dhananjay K. Mishra: Sir, my question is with respect to this Bengaluru Elevated. So what was the revenue contribution in this quarter? And what was the loss we would have booked in this quarter from the Bengaluru Elevated? And what is the remaining to be booked in Q4?

Prasad Patwardhan: The revenue in this quarter on Bengaluru Metro is about INR 50-odd crores. We have not recognized any loss on this project during the quarter.

- Dhananjay K. Mishra:** And what will be the remaining part to be booked, maybe once we will build the same because already is on completion stage. But you will billing and then booking the revenue in Q4 and Q1 always. So what will be the remaining part?
- Prasad Patwardhan:** It will be a negligible amount. It is not a very significant amount. It's not a very big number.
- Dhananjay K. Mishra:** This quarter, there was no negative impact on EBITDA you are saying?
- Prasad Patwardhan:** No. On Bengaluru Metro, we have not recognized any loss in this quarter. So there's no impact on the operating margins during the quarter.
- Dhananjay K. Mishra:** And Q4, we will be recognizing some losses?
- Prasad Patwardhan:** No, Q4, as of now, I think we have recognized all the losses that we expect on that project. So we are not expecting any further losses.
- Dhananjay K. Mishra:** And this Ganga Expressway project, what is the time line to complete the project? And what is your annual contribution target for next year from this project in terms of revenue booking?
- Jayanta Basu:** Total completion time is 27 months, starting from last December. And so this year, I think our revenue should be close to INR 2,000 crores from April to March 2024.
- Dhananjay K. Mishra:** Or anything you have not recognized anything in Q3, right on the project?
- Prasad Patwardhan:** Revenue is bigger. There is no margin recognition.
- Dhananjay K. Mishra:** Sorry. So Q4, you will be hitting your threshold limit?
- Prasad Patwardhan:** Yes. Maybe in the March quarter or in the subsequent quarter, we need to see how the work progresses in the remaining 2 months of this year. And that will decide on the margin recognition either in this quarter or in the next quarter.
- Dhananjay K. Mishra:** So in your INR 6,000 crores guidance, you are taking INR 2,000 crores contribution from this project for FY'24, right?
- Prasad Patwardhan:** Yes, that's correct.
- Moderator:** The next question is from the line of Mr. Deepak Poddar from Sapphire Capital.
- Deepak Poddar:** Sir, first up, I wanted to understand now you mentioned double-digit margins, right? So does that include the profit from JV or does it exclude that?
- Jayanta Basu:** That includes profit from JV as well.

- Deepak Poddar:** So I mean, currently, in this quarter, including the profit from JV, we are at about 8.8% of EBITDA margin, right?
- Jayanta Basu:** Yes.
- Deepak Poddar:** So that we are targeting to reach 10% by first quarter. So that's what we have mentioned, right?
- Jayanta Basu:** Yes.
- Deepak Poddar:** And in the second half, I mean, this fourth quarter, I think in one of the interviews, we did mention that we are looking at maybe INR 1,400 to INR 1,500 kind of a revenue run rate. This quarter was about INR 1,300 crores. Now with some of the projects that you mentioned is going into threshold. So one can expect that run rate to hold on as we look into fourth quarter, that INR 1,500 crores?
- Prasad Patwardhan:** Well, historically, we have seen that Q4, the performance tends to be better. We have seen that over the years. Since we have already done INR 1,300 crores in Q3, INR 1,400 crores or INR 1,500 crores in this quarter is certainly possible.
- Deepak Poddar:** It's certainly possible, right? And that would be an increasing margin trend, right? I mean we won't reach 8.8% to 10% instantly, right? So there will be increasing margin trend as we go into fourth quarter, right, on a quarter-on-quarter basis.
- Prasad Patwardhan:** Won't happen at one go. We have said this in the past, and you will see a gradual improvement in our margins as we enter '23, '24.
- Deepak Poddar:** And this last point, this INR 2,000 crores target from, I mean, this Ganga Expressway that we have built in next year out of that INR 6,000 crores, right? So do we see any kind of risk on that INR 2,000 crores or this number can reduce. So any kind of flavour that you can provide on that?
- Jayanta Basu:** No, so far, we haven't seen because of our experience during the last two months that the greenfield project and right of way are quite available and government also pushing very hard to complete the job. So there is no dearth of material. So we don't see that why there should not be this progress.
- Deepak Poddar:** So we don't see any negative impact and you mentioned that we got payment also, right? So I mean can you quantify the payment that we received? Or it's a privy information?
- Prasad Patwardhan:** No, it's not a question of privy information. Whatever bill we have raised on the client, they have certified and paid that amount. I mean I wouldn't have the exact amount with us right now, but we have received the advance also on that project and the running account bill also is being paid.
- Deepak Poddar:** And in the fourth quarter, any amount of revenue we can expect from this project?

- Prasad Patwardhan:** Yes, certainly. The execution is ongoing. We'll certainly -- we will be booking some revenue on this project during the quarter.
- Deepak Poddar:** And what would the quantum be? I mean...
- Prasad Patwardhan:** Difficult to comment.
- Deepak Poddar:** Difficult to quantify. No problem, sir.
- Moderator:** We take the next question from the line of Mr. Vipul Shah from Sumangal Investments.
- Vipul Shah:** So my question is what is the cumulative loss and cumulative revenue for Bengaluru Metro?
- Prasad Patwardhan:** Since we haven't recorded any loss on Bangalore Metro this quarter, I'm not in a position to share with you the total amount of loss. But the revenue on that project, when the projects were awarded to us, the value was in excess of INR 2,000 crores and probably more than 95% or 97% has already been accounted for so far.
- Vipul Shah:** No. But you must have any vague idea, I mean a rough idea now, what should be our cumulative loss because we have lost quite a bit of money on that?
- Prasad Patwardhan:** That's correct. Maybe we can share that number with you offline. It is not readily available with us right now.
- Vipul Shah:** Okay. So should I call you? Or should I write you?
- Prasad Patwardhan:** Either way, whatever suits you.
- Vipul Shah:** And second question relates to the INR 6,000 crores of orders, which we have from Adani Group. One is that Ganga Expressway and another. So for that, in these peculiar circumstances, may I ask what type of advance we are having for this INR 6,000 crores worth of projects?
- Jayanta Basu:** We already have advanced received from Ganga Expressway, part of the advance, not entire advance, to the extent we have submitted our bill. And for Columbus, we have received part of the advance.
- Vipul Shah:** So can you quantify it, sir?
- Prasad Patwardhan:** See, most of the projects have provision for payment of advice ranging from 5% to 10%. So in these projects, we have not taken the full advance so far. Depending on our requirements in a progressive manner, we'll be taking the advance. So first part of the advance that we get claimed for Colombo or for the Ganga Expressway has already been paid to us. For example, on Ganga Expressway, we had claimed 1% and we have received 1% of the advance. Same is the case with Colombo, we had claimed certain amount of advance, which has already been paid to us.

- Vipul Shah:** So don't you think, sir, that in this type of circumstances, you should be more prudent, more careful, I mean going ahead with a project of this size, with just 1% of advance? Doesn't it carry significant risk, and we have lost quite a bit of money on doubtful advances in past, if I remember correctly. So your thoughts, please?
- Prasad Patwardhan:** No, I'm sorry. We have not lost any money on any doubtful advances in the past. We have claimed 1% advance on the Ganga Expressway project and we have been paid. Had we claimed certain more advances, that amount would have been paid to us, but we have not claimed that amount so far. So there's no question of the client paying us that amount as of now. We will claim it as time goes by. And I'm sure the client will pay us the advance.
- Vipul Shah:** So as of today, you don't see that as a concern?
- Prasad Patwardhan:** No. As Mr. Basu mentioned on one of the earlier calls, we are getting our payment regularly from the client. Last week and even in this week, we have received the payments on some of the projects that are under execution.
- Moderator:** The next question is from the line of Santanu Chatterjee from Mount Intra Finance Private Limited.
- Santanu Chatterjee:** Sir, my first question is how much fresh external debt we have to raise to execute our large order book?
- Prasad Patwardhan:** Well, our requirement is largely on working capital debt, and we already have available lines with our consortium of banks to meet the requirement. There is an additional requirement in terms of term debt for construction plant and equipment that will require for execution of some of these projects. And we already have lines of credit available with our existing banks. And that is why you are seeing an increase in the level of debt in this quarter as compared to earlier, and we are expecting some more debt that will increase the debt in this Q4 as well.
- So I mean, it will be difficult for me to quantify the exact amount of debt because the assets that we are acquiring or the equipment that are acquiring is funded partly from our internal resources and partly from term debt. So we are well capitalized and we have the resources and the lines available to invest in the construction plant and equipment that will require for the execution of these orders.
- Santanu Chatterjee:** And my second question is on, sir, in our order book, how much belongs from central government and state government vis-à-vis apart from private segment?
- Prasad Patwardhan:** About 60% is central and state government and 40% would be private sector.
- Santanu Chatterjee:** And within that 60%, can you, sir differentiate how much belongs to central and how much from state itself?

- Jayanta Basu:** Very less from state, very less. Mostly centre.
- Santanu Chatterjee:** Okay. And last bookkeeping question, sir, what is our capex target for FY'24?
- Prasad Patwardhan:** Well, we are still working on the capex numbers for FY'24. So it will be a bit premature for me to share with you the capex requirements. For this year, we expect the capex to be in the range of INR 250 crores to INR 300 crores, but we still need to work out the numbers for next year. We can come back to you maybe in the subsequent calls on that number.
- Moderator:** The next question is from the line of Mr. Ramanan Venkateswaran from M K Ventures.
- Ramanan Venkateswaran:** Just a follow-up on my earlier one. So I was just doing the numbers. So if we have about close to INR 230 crores as revenues where margins have not been recognized, then our actual margin works out almost about 9.5%, right? And if you also subtract the INR 50-odd crores from Bangalore Metro, then we're almost there close to 10%, I mean 9.9% or so. And even if I assume that in normal situation, you would have always had some portion of revenues where margin recognition threshold has not happened, let's say about INR 50 crores to INR 70 crores. Then also, we are close to about 9.3%.
- So as we move forward and when we are saying that our revenue levels will start to go up quite significantly over the next couple of years, then I think they're almost there in terms of double-digit margins.
- Prasad Patwardhan:** Absolutely, Mr. Ramanan. You are spot on in your assessment.
- Moderator:** The next question is from the line of Mr. Vishal Periwal from IDBI Capital.
- Vishal Periwal:** I'm sorry, I'm harping on the same question again, that is on the group order that is there. But just from an industry perspective, since a lot has been written on the group side. Is it possible like probably in the middle of contract, we can change the terms asking for more advanced or looking for maybe a weekly payment or a 10-day payment in a contract. Can this happen?
- Jayanta Basu:** See that contract what we have from this group involves three major contractors. They have a special purpose vehicle in the government, state government like Colombo, Ganga Expressway and Vizhinjam. So definitely, they are guided by certain norms, which has been already agreed and bankers have agreed based on that for the financial closure. So I don't see there is much room now for us to change contract conditions. There are some small jobs also we are doing, few jetties and all. There probably, yes, we can do whatever you have said.
- Moderator:** The next question is from the line of Mr. Bajrang Bafna from Sunidhi Securities.
- Bajrang Bafna:** Sir, can you guide us the interest cost going into FY '24? Because we have, I think, three-layered structures where we pay some interest cost on the advances that we carry on our balance sheet and then the regular interest cost. And so if you could just guide us what could be that number

going into FY'24? And some colour on the debt that you just talked about INR 600 crores. Will our internal accrual be sufficient to fund this 25% additional growth? Or do we need additional working capital to go to that level. So any number will be really helpful.

Prasad Patwardhan: This quarter, our interest cost has been about INR 30 crores. Next year, we expect the interest cost to be a bit higher because our working capital debt as well as the term debt for acquisition of construction plant and equipment is likely to go up as would the customer advances. Only the good part is nearly 50% or thereabouts of our customer advances are interest free.

So they will not burden our P&L to that extent, but we expect our interest cost to move up in the next financial year. Now how much would be the actual impact remains to be seen. But the interest might go up by anywhere between 10% to 15% of where they are currently.

Bajrang Bafna: And in the similar way, the depreciation on this INR 300 crores additional will come up? The capex that we have done this year?

Prasad Patwardhan: That's correct.

Bajrang Bafna: And any colour on the tax rate going into next year?

Prasad Patwardhan: Well, there has been no tweaking of the tax rates in the budget this year. So we don't expect any change in the tax pay out in '23, '24.

Bajrang Bafna: So that will be close to 25%, 26%, right?

Prasad Patwardhan: That's correct.

Moderator: We take the next question from the line of Nirvana Laha, an Individual Investor.

Nirvana Laha: So I see that Q-o-Q revenues have increased by 28%, but cost of goods sold have increased by 41%. So this is a little counterintuitive to me because all the infra companies which have reported this quarter already, they are all talking about either an expanded margin or at least consistent margin? Because RM price decreases are flowing through. So why is it different for us and this is why quite a steep increase?

Jayanta Basu: Well, we executed two kind of jobs in some of the jobs, the materials are supplied free, client supply material. And some of those jobs are material is in our scope. So you have to see the proportion of the job we have executed in last quarter. And probably the job which was having especially in our scope has been executed more. So that could be another reason.

Prasad Patwardhan: Just to add further, it also depends on we are executing the project on our own or we are subcontracting any part of the work to any of the subcontractors. So a better way to look at the number would be to pull out the cost of material consumed and the subcontracting expenses. If

you add these two numbers, I think the percentage to revenue is more or less the same. There's not much difference.

Nirvana Laha: But I don't have the exact number, but I also did that. I think it's still significantly higher than the Q-on-Q revenue increase, but since I'm not sure I'll get back to you if the number differs. So on the next question. So for Ganga Expressway and the Sri Lanka Port Project, can you tell us the percentage physical completion till date?

Prasad Patwardhan: So these projects have just commenced either in the last quarter or early this quarter. So I mean, there's nothing. We have just mobilized and started executing these projects. So there's not much work that has been done on those projects. Maybe Ganga Expressway started a month or two earlier, so there is some progress on the work over there. But the Sri Lanka project is just commencing now.

Nirvana Laha: And what is the kind of payment schedule with the incumbent in these projects? Like what milestones are there? What percentage milestones there?

Jayanta Basu: These are all monthly running account bill payment. Whatever work we do, they measure it by quantity. And accordingly, there is the accepted agreed bill of quantities, and they pay within the time line, which is, say, 80% by 15 days, remaining by another 15 days. That is what is the normal time line we have.

Nirvana Laha: So it's on a work done basis and not on a milestone basis?

Jayanta Basu: It's based on the work done basis, yes.

Nirvana Laha: And one of the other players who has part of the Ganga Expressway project, another listed player. They said that there was some escrow system in place for payments regarding work done. Can you comment on that because that would presumably add some more security to these payments. Any comments from your side on that?

Prasad Patwardhan: No. We have a designated bank account for this project as we do for all the other projects that we have under execution. And the money is coming into that account, whatever the client is paying is getting deposited into that account. So as far as we are concerned, there's no escrow mechanism in place for receiving payments from the client.

Nirvana Laha: So just from a sentiment point of view, sir, I ask this question because you can see from the number of questions you're getting regarding this and also the market reaction after negative news started coming in about the particular group. So from last quarter to this quarter as management, how do you view your risk exposure to this group? Has your stance significantly changed? Or are you reassured and your stance remains same from last quarter to now with regards to this 30% order book?

- Jayanta Basu:** Well, I think this you have to phase out in two things. One is that existing jobs that we are doing with them and then about the future. So existing job what we are doing with them, the two major jobs as Prasad said, had just started. And we have got no signal from them to go slow or stop. In fact, they're encouraging us to go ahead. About the future jobs, we have to strategically have to think that how much we'll expose further with them.
- Prasad Patwardhan:** We will evaluate any future jobs that come up and then take a call. So we are right now focusing on the jobs on hand, not just with this group, but all the projects that we have on hand and we are continuing to execute the projects.
- Nirvana Laha:** And there, you are fairly comfortable as you've reiterated?
- Jayanta Basu:** Yes. If you truly see the exposure part, it is only 1 month job. And if you do one month and if you are paid good, you proceed.
- Nirvana Laha:** Right. Got it. And final question from my side. So you mentioned in the last con call that you were not very keen on pursuing NHAI road projects because of high competition, but all the road infra players are actually reporting less competition, especially in HAM projects. So what would your view be on pursuing NHAI HAM projects because all these road players seem to have stand-alone margins, which are double the current margins that we report around 14%, 15%. So any thoughts on going aggressively on road projects because budget allocation have also been very strong there.
- Jayanta Basu:** We haven't thought. We do not have any strategy to go out to the HAM projects. As you said, that double-digit margin, I agree. But there are many players, including L&T, those who used to be very bullish on HAM, they are not there in the market in this. So there are two kinds of story in this. So we are not there in HAM projects so far.
- Nirvana Laha:** And there is no intention on your part to evaluate this space afresh in the near term?
- Jayanta Basu:** No.
- Moderator:** Ladies and gentlemen, that was the last question for the day. I would now like to hand the conference over to the management for closing comments.
- Prasad Patwardhan:** Thank you, Seema. I would like to thank you all for your participation in this Q3 FY'23 earnings con call. We truly appreciate the questions that you have asked, and we are hopeful of your continued support going forward. Thank you so much.
- Moderator:** Thank you. On behalf of ICICI Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.