



*Commitment, Reliability & Quality*

**ITD Cementation India Limited**  
**Q3 FY24 Earnings Conference Call**

Event Date / Time : 09/02/2024, 12:00 Hrs.

**CORPORATE PARTICIPANTS:**

**Mr. Jayanta Basu**  
Managing Director

**Mr. Prasad Patwardhan**  
Chief Financial Officer

**Moderator**

Good afternoon, ladies, and gentlemen. I am Pelsia, moderator for the conference call. Welcome to ITD Cementation Q3 FY24 Results Conference Call. As a reminder, all participants 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 the operator by pressing \* and then 0 on your touchtone telephone. Please note this conference is recorded. I would now like to hand over the floor to Mr. Nikhil Abhyankar from ICICI Securities Limited. Thank you, and over to you, sir.

**Nikhil Abhyankar**

Thank you, Pelsia. Good afternoon to everyone. On behalf of ICICI Securities, I welcome you all to the Q3 FY24 earnings call of ITD Cementation India Limited. Today, we are pleased to host the management of the company, which is represented by Mr. Jayanta Basu, Managing Director, and Mr. Prasad Patwardhan, CFO of the company. Without much delay, I'll hand over the call to the management for their opening remarks, which will be followed by Q&A. Thank you, and over to you, sir.

**Prasad Patwardhan**

Thank you, Nikhil. Good mornin everyone and thank you for joining us on this Q3 FY24 results concall. This is Prasad Patwardhan, CFO of the company. Before I begin, I would like to remind everyone of our standard disclaimer that this call may contain certain forward-looking statements and business prospects of the company, which are subject to a number of risks and uncertainties and the actual results may differ materially from those made in such statements. I will start with the financial performance of the company during the quarter and subsequently our MD, Mr. Basu, will take you through the operational performance.

We are happy to report a very healthy financial performance in this quarter. Total operating income for the quarter was INR 2,017 crores as against INR 1,327 crores, which represents a growth of 52% YoY. EBITDA was INR 220 crores in the quarter as against INR 118 crores a year back resulting in a growth of 87%. EBITDA margin stood at 10.9% as against 8.9% a year ago. Profit after tax was INR 79 crores during the quarter as against INR 37 crores a year back, representing a growth of 113%. Our balance sheet and leverage on the balance sheet continues to be at subdued levels. Our net debt to equity is about 0.3x.

We have secured orders worth about INR 1,300 crores during this quarter. If you look at our 9M performance, our total operating income was INR 5,460 crores as against INR 3,460 crores a year back,

which represents a growth of about 58%. In the 9M period, we have exceeded our turnover that we achieved in the previous financial year. So, we have exceeded the entire previous year's performance in terms of top line. Our EBITDA for the 9M period was INR 567 crores as against INR 315 crores a year back, a growth of 80%. And PAT came in at INR 185 crores for the 9M period as against INR 87 crores, which again represents a growth of 112%.

That's all from my side at the moment. I'll now hand over to Mr. Basu for his initial comments and then we'll take your questions.

### **Jayanta Basu**

Yes, Prasad. Thank you and good afternoon to all. Thank you for joining this concall. As you have seen and noted that our Q3 performance was significantly better compared to what used to do few years back at INR 2,000 crores revenue we have achieved, at the same time, bottom line also is quite healthy, and we expect to maintain this sort of revenue and the growth coming forward. We are able to manage the cash flow also very well. Debt equity ratio is under control. We have almost secured INR 6,000 crores-plus job in this year. There are few more are in pipeline.

In terms of execution, I like to highlight one point here. We have got around 50-53 projects going on. Out of that, our working hand is around INR 20,000 crores-plus. But if you see 10 projects that itself contribute more than INR 15,000 crores of work in hand. So, that is the beauty of doing bigger work. If we monitor 10 projects very closely, 80% of the project control we can have. And these big projects are Chennai Metro underground, Bangalore Metro on verge of completion, and tunnel at Sikkim also doing well, Ganga expressway, a large contribution comes from Ganga expressway and Udangudi marine job.

I'm happy to say that two critical item that is ship unloader which was ordered to a Chinese company has reached site yesterday. With that, we have almost completed the job. We have started a navy job for Indian Navy at Project Varsha, that is near Vizag port. Seabird, another navy job is on the verge of completion, and rest of the job in marine going pretty well. In building sector also Thal Sena Bhawan, that is army headquarter took off very well. Customers are very happy. We are doing Sikkim University. Recently, we have completed Trichy airport. You must have noticed that PM has inaugurated it a month back and Pune airport also have been completed. The executions are quite under control, and there are good jobs in pipeline.

That's all from my side and we'll request you whatever question you have, we'll be happy to answer them. 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. Ladies and gentlemen, if we have any questions, please press \* and 1 on your telephone keypad. We will wait for a moment while the question queue assembles. First question comes from Deep Mehta from Bank of India Mutual Fund. Please go ahead.

### **Deep Mehta**

Thank you for the opportunity and congratulations for a very robust set of numbers. A couple of questions from my side. First is, what is the contribution of legacy low margin orders in this quarter in overall revenue?

### **Jayanta Basu**

The legacy orders are mostly more or less out of the system now. There are a few residual work that is pending on the projects but the larger contribution is coming through from the newer projects that were awarded to us maybe last year or last couple of years. So, the contribution of legacy orders now is significantly lower and probably it is out of the system now.

### **Deep Mehta**

Okay. And now with this legacy orders being more or less over, do we expect similar margin trajectory for this year as well as next year?

### **Jayanta Basu**

We have seen an improvement in our operating margins. The EBITDA margins have been improving during the year and our endeavor is to keep performing the way we have performed during the year, and hopefully, we'll see an improvement in the margins going forward.

**Deep Mehta**

Sure sir, that is very helpful. My second question is regarding bid pipeline. What is the bid pipeline currently and how should we look at it going ahead?

**Jayanta Basu**

I think we have mix of all the jobs. If you take around 10,000-plus job in bid pipeline, their tender submitted or tender to be submitted. So, a mix of some marine job and few of the jobs belongs to water, industrial structure, and building. There are around INR 13,000 crores jobs on the pipeline.

**Deep Mehta**

Sure sir, that is very helpful. And last question, what is the Capex target for us for this year as well as next year?

**Jayanta Basu**

Our Capex was little bit more last year because of a few jobs where we have to invest a big amount of plant and machinery. This year, Capex target will be around INR 200 crores-plus, say INR 200-250 crores.

**Deep Mehta**

And for next year?

**Jayanta Basu**

It will remain almost in the same range. Not much.

**Deep Mehta**

Okay sir, very helpful. That's all from me. Thank you and good luck.

**Moderator**

Thank you. Next question comes from Sunil Kothari from Unique PMS. Please go ahead.

**Sunil Kothari**

Thanks for opportunity sir. Congratulations for such a good performance. Sir, one question is on our execution capability during last three years has gone up from say 2021 December, 2022 December, then 2023 December. We are executing almost from INR 800 crores to now reach INR 2,000 crores. So, looking at the opportunity available, the way you choose your orders, you don't want to increase substantially your order book. And that's why you are remaining at same INR 20,000 crores order book December 2022 and now 2023 also. So, quality of orders and quality of our execution capability. If you can talk a little bit more on this aspect will be really helpful.

**Jayanta Basu**

Okay. See, work in hand depends upon not only how much work we have secured. It depends upon how much we are able to do per month. I have said that earlier we used to do INR 700 crore, now INR 2000 crores. That means, we are consuming the work-in-hand very fast. That is the reason why the work-in-hand looks like in flat. It is really not flat. In real terms, it is much more. If we have done INR 700 crores in a quarter, then work-in-hand today would be much more than INR 20,000 crores. That is one aspect. And second aspect is that, earlier we had got few legacy job, which is over now. So that was also contributing to work-in-hand. But as you have rightly said, we should really target for some more job. We are little selective now. There is no point going for everything. So, we are comfortable with the work in hand or whatever in pipeline considering our execution capability.

**Sunil Kothari**

So, sir, will you be choosing the work because our capability is more in marine, port related work, tunneling work underground, all these things and there are enough opportunity available for next two, three years?

**Jayanta Basu**

Yes, opportunities are there. But still we will be very choosy. Because marine job of course will go for all out. Tunnel job, it depends upon the terrain. If it is in Himalayan range, we'll have less appetite. If it is southern India, yes, we'll go for that. And of course, there are competition as well. So, airport, underground metro, marine and few overseas job, that will be our focus now going forward.

**Sunil Kothari**

All right. Last question is, with this INR 200 crores type of CapEx. Given an opportunity and size of orders, if we increase our execution substantially. If you want to increase the way you are targeting some whatever growth rate of 20%, 25%. The CapEx will be enough or we will require something to do, say, quarterly run rate of INR 3,000 crore, annual rate of INR 12,000, INR 13,000 crores, size of the business. This capability, manual manpower, technical capability and machines are enough for this INR 200 crores is good enough to support that?

**Jayanta Basu**

Yes. If you see one by one. First of all, manpower. Manpower, we have got enough knowledge. Number-wise is another thing, another thing is the quality. So, we have got quality team. That will be a problem for us to manage. Workforce is always challenge in Indian scenario. We are trying to migrate to the more sub-mechanism work, so that we rely less on the labor force. And third is the CapEx.

The Capex sometimes what happened, nowadays, because lot of modern technique has come. People are more educated, lot many good plant and machinery you get on rent, and there is no point buying a costly machine and use it for a year or less than year and wait for future business because those are available in market internationally. So, we have to make a balance. I hope that INR 200- 250 crores should be enough considering the rental plant.

**Sunil Kothari**

Great, sir. Wish you good luck. Thank you very much.

**Jayanta Basu**

Thank you.

**Moderator**

Thank you. Next question comes from Dhananjay Mishra from Sunidhi Securities and Finance Limited. Please go ahead.

**Dhananjay Mishra**

Thanks for the opportunity and congratulations on very excellent sets of numbers.

**Prasad Patwardhan**

Hello?

**Dhananjay Mishra**

Hello. Am I audible?

**Prasad Patwardhan**

Yes, now you're audible. Can you please repeat the question?

**Dhananjay Mishra**

Yes. So, we are talking about 25% growth next year which will be around, we will be reaching close to INR 9,500 crores kind of turnover. And we have a current bid pipeline is INR 12,000 crores. Being an election year, do you think we will be able to maintain INR 10,000 crores to INR 12,000 crores order inflow for this year just to maintain the momentum of growth? What is your take on that?

**Jayanta Basu**

Yes. I said we are doing day-in day-out such exercise, what are the opportunity. Mostly that we try to increase our geographical footprint in the segment, where we are strong, like marine and underground metro. The moment you increase your geographical footprint, your opportunities are also more. This is a routine work, I think. And I don't think that the growth of 20%, 25% in terms of bidding and getting job is a problem.

**Dhananjay Mishra**

Okay. So, you are maintaining this year's guidance of INR 9,000 crore, order inflow?

**Jayanta Basu**



This year means up to 2024-2025, yes, INR 9,000 crores .

**Dhananjay Mishra**

So, FY24 you are saying, we have done close to INR 6,100 crores till-date. So, FY24 will be around INR 8,000 crore?

**Jayanta Basu**

Yes. See hardly, not even two months, one and a half months. Some of the orders if it get mature it will be around INR 8,000 crores or little less than INR 8,000 crores or maybe a little more than INR 8,000 crores. It depends upon the order.

**Dhananjay Mishra**

Next year you are guiding for how much in terms of order inflow?

**Jayanta Basu**

Around INR 8,000 crores to INR 10,000 crores.

**Dhananjay Mishra**

Okay, sir. That is all from my side. All the best. Thank you.

**Jayanta Basu**

Thank you.

**Moderator**

Thank you. Next question comes from Nihar Shah from Crown Capital. Please go ahead.

**Nihar Shah**

Hello, sir. Just one small question on the revenue side. This year we are expecting to cross INR 7,000 crores, right, in revenue?

**Jayanta Basu**

Yes.

**Nihar Shah**

Okay. And that's all from my side. If I have any other questions because all my questions were answered. Thank you.

**Jayanta Basu**

Thank you.

**Moderator**

Thank you. Next question comes from Shrey Gandhi from Mangal Keshav Financial Services. Please go ahead.

**Shrey Gandhi**

Good afternoon, sir. So basically, my question would be regarding the Q4. Like Q4, what kind of revenue growth rate you are expecting? Because historically I've seen in Q4 like your revenue has grown by around 20-30%. Can we expect the same growth rate for Q4 also?

**Jayanta Basu**

Actually, we have already done quite good in Q3. So, what we used to do in Q4, we have achieved in Q3. So, Q4 will be almost same like Q3.

**Shrey Gandhi**

It will be same like Q3. And margins, you have told you'll be maintaining double-digit margin. Last time you had given the guidance. So, you have been maintaining 10% margin around, 10.3%. So, can we expect the same margin to go ahead or some improvement going ahead forward?

**Jayanta Basu**

I don't expect growth in margin. Margin will be almost whatever we have achieved in Q3 in that range.

**Shrey Gandhi**

Okay. So, same like 10% around?

**Jayanta Basu**

Yes.

**Shrey Gandhi**

And with regards to order inflow also almost. Okay, fine. Thank you, sir. That was nice.

**Moderator**

Thank you. Next question comes from Vignesh Iyer from Sequent Investments. Please go ahead.

**Vignesh Iyer**

Sir, congratulations on strong set of numbers, and thank you for the opportunity. Sir, my question is on the interest paid part of our line item. So, we have paid around INR 58 crores interest in this quarter as compared to INR 52 crores last quarter. So, just to have an understanding, what is our borrowings as on 31st December and what is the way forward? What would be the ramp-up in the interest payment as we keep on scaling the execution?

**Prasad Patwardhan**

Well, the gross debt on our balance sheet as of 31st December is about INR 860 crores. We do not expect any major variation in the debt number in this quarter. It should be around the same level, maybe a little bit 5% up or down.

**Vignesh Iyer**

And what is our cost of debt?

**Prasad Patwardhan**

Well, cost of debt is around 10% and 10.5% of the bank debt. This interest cost also includes the guarantees, the payments to the banks for the guarantees and letters of credit. And it also includes interest on the mobilization advances that we get from our customers.

**Vignesh Iyer**

Okay. So, if I read it right, as we keep on scaling this revenue more or less on the proportion to it, the interest will keep on scaling, right?

**Prasad Patwardhan**

Well, I would expect that to be, but it depends on the mix. One is the rate of interest with the banks charge for the borrowing or on the guarantees and LCs. The second aspect is the interest on the customer advances. So that also is more or less linked to market. So, these two factors impact the interest cost that we do.

**Vignesh Iyer**

Okay. But, sir, historically, if I see around 2013, 2014, 2015, so we have been to a point where interest outlay has been very high. I wanted to understand what is the step that this management is taking to ensure on that part the interest outlay is less. We are doing excellent EBITDA as of now, but that is not much transforming into the PAT levels, right?

**Prasad Patwardhan**

No. If you see our profitability has improved significantly in this year and I would not be able to comment right now on what happened in 2013 or 2014. But if you see our balance sheet, the debt on our balance sheet is significantly within manageable levels. We are not over leveraged. There is growth in our operations. So, I really don't understand your question. The debt is at a manageable level.

**Vignesh Iyer**

Okay, fine. It's okay. I'll get back in the queue, sir. All the best.

**Moderator**

Thank you. Next question comes from Mehul Mehta from Nuvama Wealth. Please go ahead.

**Mehul Mehta**

Good afternoon team. Thanks for the opportunity. Congratulations on great set of numbers. My first question is, sir, you have been guiding for focus on entry barriers businesses, like say underground metro, marine, as well as tunneling kind of. If I look at say December 2022 end, our order book was comprising about 67% from this businesses, which has increased to about like 73%. So, going forward, can we expect maybe this double-digit margins, which we have achieved, going forward exceeding even that?

**Jayanta Basu**

Okay, true that these businesses, we are good in this. You have to also understand that no business perpetually gives equal results. Now, underground metro also will be crowded soon. So, the competitions will be there. So whatever margin we have achieved last year, coming year margin would be less if you have to win the job. So that is one factor. That is why we are planning to go elsewhere, like abroad marine job, so that we are able to maintain the margin.

**Mehul Mehta**

All right. Got it, sir. Thank you. And in terms of, Mr. Patwardhan, regarding working capital cycle. Is there any change as compared to September 2023 to this December 2023, or it remains in the similar line?

**Prasad Patwardhan**

Actually, the net working capital in terms of number of days has improved in this quarter as compared to the previous quarter.

**Mehul Mehta**

Can you mention that in terms of numerical, how is that like?

**Prasad Patwardhan**

The exact numbers right now, but it's around 80, 85 days. And hopefully, our endeavor is to maintain it at the same level or improve it if possible.

**Mehul Mehta**

Okay. That should be maintained. All right. And debt is about INR 865 crores you mentioned, right, as December 2023?

**Prasad Patwardhan**

As the gross. Yes, so that's right.

**Mehul Mehta**

Okay, got it. Thank you so much.

**Prasad Patwardhan**

Thank you.

**Moderator**

Thank you. Next question comes from Rajesh Kumar Rathi from Right Shopping Private Limited. Please go ahead.

**Rajesh Kumar Rathi**

Hello. Congratulations for a good set of number.

**Prasad Patwardhan**

Thank you.

**Rajesh Kumar Rathi**

My worry is again regarding the order intake. Order intake of late has not been as great as a lot of other infra companies. So, can you elaborate a little more on that? Although, I understand that you guys are a little choosy. But still the order, total orders are not increasing as much. So, can you please explain?

**Jayanta Basu**

Yes. We are constantly working. Sometimes the silence should all you see. The moment if you get an order of INR 2,000 crores, INR 3,000 crores at a time, suddenly you'll find the number has changed. It is not that every month we are getting at the equal rate. It comes once in three months. A big number. It's like that. We are constantly working on that. Comparing that how much should be the order intake and what will be the revenue next year. So, we are quite aware about the situation.

**Rajesh Kumar Rathi**

So, you are still optimistic about the whole thing?

**Jayanta Basu**

Yes.

**Rajesh Kumar Rathi**

Okay. Thank you so much.

**Moderator**

Thank you. Ladies and gentlemen, if you have any questions please press \* and 1 on your telephone keypad. I repeat. Ladies and gentlemen, if you have any questions please press \* and 1 on your telephone keypad. Thank you. Next question comes from Nikhil Abhyankar from ICICI Securities. Please go ahead.

**Nikhil Abhyankar**

Thank you, sir. I wanted to get some clarity on what you mentioned that we might also look up at marine jobs overseas. So, which exact markets will we be looking at and what kind of opportunities are available there?

**Jayanta Basu**

There are three areas. One is Bangladesh, as because the election is over, and they had a long list of marine work in pipeline around Chittagong port. So that is one area we are focusing. There are two jobs in Middle East. We have submitted our offer. One job in West Africa. All are marine jobs.

**Nikhil Abhyankar**

All are marine jobs. On the domestic front, a lot of companies have increasing their CapEx on port development. So, any opportunities over there?

**Jayanta Basu**

You mean to say that new ports are coming by greenfield expansion?

**Nikhil Abhyankar**

Yes. Greenfield expansions.

**Jayanta Basu**

Yes. As it JSW, JSPL. Yes, we are there, always there.



**Nikhil Abhyankar**

Okay. And also, just a final word on recently a year back government had announced container terminal in the Nicobar Islands. So that might be a very big opportunity for us. So, do you think it might take off anytime soon within next one or two years?

**Jayanta Basu**

See work going on at government level, but I think it will take some time because feasibility study and it is almost 1,000 km away from Andaman mainland. So, it is not going to be very easy. But yes, the government is working behind that.

**Nikhil Abhyankar**

Okay, sir, understood. That's all from my side. Thank you.

**Jayanta Basu**

Thank you.

**Moderator**

Thank you. Next question comes from Abhishek Dixit from Hem Securities. Please go ahead.

**Abhishek Dixit**

Hi. Thank you, sir. Congratulations for the great set of numbers. My question is regarding around two months ago with our news channel, we had guided for INR 7,500 crores revenue guidance. So, are we sticking to that?

**Jayanta Basu**

Yes.

**Abhishek Dixit**

Okay, sir. And for 20-25% growth in the FY25 also?

**Jayanta Basu**

Yes. Around that, yes.

**Abhishek Dixit**

Okay. Thank you, sir. That's all from my side.

**Moderator**

Thank you. Next question comes from Vipulkumar Shah from Sumangal Investment. Please go ahead.

**Vipulkumar Shah**

Hi sir, thanks for the opportunity. Sir, one of our peer continuously reports 14-15% EBITDA margin. So, our margins are 10% and previously it was around 8%. So, what is preventing us to reach those type of margins, whereas they are also doing almost same type of work?

**Jayanta Basu**

Well, I cannot compare with other company. See, the business model is different. We had some legacy jobs, as you must be knowing. So that has daunted our margin till now. We really aspire to do margin of that kind. Let us hope for the best. Let us see.

**Vipulkumar Shah**

I think one of the previous participants had also asked about legacy projects. So, what is the quantum of the legacy orders which is left? If you can quantify in terms of number hundreds of crores, how much work is left for these legacy orders?

**Jayanta Basu**

No, today it is nothing. I mean, virtually zero. Almost.

**Vipulkumar Shah**

Today it is zero. So, still in this quarter also, if our peer is reporting a margin of 400, 500 basis points more than us. So, it's a little difficult to understand why we cannot report.

**Jayanta Basu**

No, I disagree with you. You may be comparing with some one or two company, but you have to see in general, in construction space, I think 10%, 11% is quite standard. So, I don't want to comment on others, but I don't think that you can expect 14%, 15% EBITDA consistently going forward. It is difficult, very difficult.

**Vipulkumar Shah**

Okay, sir. Thank you and all the best.

**Jayanta Basu**

Thank you.

**Moderator**

Thank you. Next question comes from Kaushik Poddar from KB Capital Markets Private Limited. Please go ahead.

**Kaushik Poddar**

See, you have an exposure to a leading group when they were in a problem because of some reports and all those things. Your stock price had come down very sharply. So, when will that orders get executed completely?

The one in Sri Lanka as well as the road project.

**Jayanta Basu**

Road project, almost by end of the year or beginning of next year should be completed.

**Kaushik Poddar**

Okay. And the Sri Lanka project?

**Jayanta Basu**

Sri Lanka project, mid of next year, 2025 June-July.

**Kaushik Poddar**

Okay. They're on schedule. I mean, in the sense that there's nothing delayed.

**Jayanta Basu**

Yes, all of them are scheduled. We are getting well paid. There is absolutely no problem.

**Kaushik Poddar**

And are you guiding for a 15%, 20% growth next year?

**Jayanta Basu**

Yes.

**Kaushik Poddar**

Okay. And see, the government's CapEx has come down, the growth of CapEx projected for the next financial year is down to 10% from 25%, 30% last year. Because of that, do you see any kind of order slowdown?

**Jayanta Basu**

No, as far as we are concerned, I don't think that will affect us.

**Kaushik Poddar**

Okay. Thank you.

**Moderator**

Thank you. Next question comes from Sunil Bhojwani, an individual investor. Please go ahead.

**Sunil Bhojwani**

Good afternoon, sir, and congratulations on the good set of numbers. Sir, I just want to know, in international work, do we have better margins or is it similar to domestic?

**Jayanta Basu**

International business should fetch you better margin than domestic. That is the idea for going outside.

**Sunil Bhojwani**

So going forward, if we secure more orders from international, there is scope of improvement in margin. And on a medium term, say one to two years basis, we see further scope of margin improvement from yours. Since legacy orders are now out of are mostly completed.

**Jayanta Basu**

There are three things here. One is that as I mentioned, legacy orders are no more there. So that is a good thing. And if we get international business, we can make better margin. That is a good thing. But at the same time, the bulk of the revenue which comes from Indian market, the competitions will grow. The more competent will be qualified. So, if you have to bid and get the job, your margin will be little lower than what it is to be.

**Sunil Bhojwani**

So, you mean to say, sir, a medium-term margins can go lower but not. Is that what you're trying to?

**Jayanta Basu**

Yes, I mean, see, if you have to maintain around double-digit, it won't be possible going forward with the Indian domestic business because competition will be more, that we have to compensate by some job in overseas. It's like that.

**Sunil Bhojwani**

So, on a consolidate basis, double-digit margins is not sustainable?

**Jayanta Basu**

It's sustainable. We have to continuously make strategy. But if you are remaining only one segment in one geographical area, then naturally margin has to come down. Because today if you see four years back, we are only three players in underground. Today at least there are 7, 8 players. Next year it will be 10, 12 players. The more number of players, the margin will come down. That is a business.

**Sunil Bhojwani**

But all players must be catering to different categories, right? I mean, some INR 1,000 crores projects or some INR 500 crores projects or above INR 2,000 crores projects. So, in that way, I think you would be having a few competitors.

**Jayanta Basu**

No. It is then today a job of INR 1,000 crores-plus around, so you will get around six, seven competitors.

**Sunil Bhojwani**

Okay.

**Jayanta Basu**

I mean that would decrease at this point, you have to discuss in detail how to go for it.

**Sunil Bhojwani**

So, you will try and maintain these double-digit margins as much as possible. But in case there is more competition, the margins might face a little pressure. Is that what I can deduce from what you see?

**Jayanta Basu**

Yes, you are right. Absolutely right.

**Sunil Bhojwani**

Okay. And secondly, sir, what is the kind of order pipeline, the bid pipeline as of date and what would be the success rate out of that as per your assumption?

**Jayanta Basu**

Order pipeline will be around INR 13,000 crores-plus. And ballpark, our success rate is 20% statistically.

**Sunil Bhojwani**

And the new orders will only start flowing in post elections and the government, right?

**Jayanta Basu**

Yes, you are right.

**Sunil Bhojwani**

Okay. But if I have to take your outlook for the next two or three years, what would you say in terms of the business and the scope of work coming in and the outlook?

**Jayanta Basu**

Well, whatever work we have, that will cater for next year or up to 2025, 2026, middle of that. So, we have to secure some jobs. But the opportunity, what we have and what is our capability, I can see that 20% growth we'll be able to maintain coming two, three years, top line.

**Sunil Bhojwani**

Okay. Great. That really helped, sir. Thank you so much for the answers. Thank you.

**Jayanta Basu**

Thank you.

**Moderator**

Thank you. Next question comes from Kunal Patodia, an Individual investor. Please go ahead.

**Kunal Patodia**

Good afternoon, sir, and fantastic results. The best ever performance. Congratulations for that. My question is regarding arbitration awards. Last quarter concall, you guided that we are expecting some inflow. So, have we received that award, the money is in, or do we expect any new awards inflow in this current quarter?

**Jayanta Basu**

Few arbitration award we have. Some of them have been challenged to the court and some of them will get sought out through new scheme called Vivad Se Vishwas. But during this quarter, we have not received any inflow. We hope that, yes, sometimes something will happen. But as you know that, this particular things goes very slow in our country. But we have got some positive side from three or four projects as well today.

**Kunal Patodia**

My second question is, as you are saying that new participants are now eligible to bid and the competition is increasing. Sir, aren't we also improving our eligibility for bigger and better orders, like INR 2,000 crore, INR 3000 crores-plus orders?

**Jayanta Basu**

Yes. If you see historically, we used two join venture with our partner, that is our promoter to get qualified. And now, we are able to do by ourselves, most of the job, including underground, metro and airport. Now going forward, there will be bigger jobs and in some of the jobs definitely we have two partner outside expat agencies and the work is in progress.

**Kunal Patodia**



So, whenever the shipping terminal in Andaman will come, do you think we'll be eligible to bid for those projects?

**Jayanta Basu**

Yes, we'll be eligible. I mean, they will make us eligible to participate in that.

**Kunal Patodia**

Perfectly fine. Sir, my last question is, in the overseas orders that you mentioned, the bids that we have submitted and you gave a guidance that the margins will be improved better. So, will it be 15%-plus margins in these orders or are we still expecting the same margins that we get in our marine jobs in India or Bangladesh?

**Jayanta Basu**

It is difficult for me to say for future job absolute number in terms of percentage. It will better, that much I can tell, Kunal.

**Kunal Patodia**

Okay, sir. Thank you, sir.

**Moderator**

Thank you. Next question comes from Nirvana Laha, an Individual investor. Please go ahead.

**Nirvana Laha**

Hi, thanks for the opportunity. Congratulations Mr. Basu and Mr. Patwardhan for delivering on what you've been promising. Congrats for that. My question is, how much can you tell me the CapEx that we have done for 9M? And based on the kind of CapEx you indicated for next year, I think you mentioned INR 200-250 crores. Mr. Patwardhan, can you help us with the depreciation number, expected depreciation for next year?

**Prasad Patwardhan**

Well, we have done CapEx of INR 200 crores-plus in this year. And regarding the next year, I think Mr. Basu answered one of those questions earlier. Our depreciation charge for the quarter is about INR 56 crores.

**Nirvana Laha**

Yes. And going forward, would it be possible to help us model that, how that will evolve?

**Prasad Patwardhan**

Well, it will be difficult for me to give any indication because in the last couple of years we have done a lot of CapEx. There will be some CapEx going forward as well. And the depreciation typically depends on the useful life of the asset. Like different assets have different life cycles. So, it will be difficult for me to give you an estimate of the depreciation. But historically, we have seen it is around 2%, 2.5% or 3% of our revenue. Maybe for your modeling purpose, you can take that number into account.

**Nirvana Laha**

2.5% to 3%. Okay. What is our net debt position today? And by end of FY25, where do you expect that to be?

**Prasad Patwardhan**

Our net debt as of December is INR 400 crores-plus. And as I mentioned earlier, we don't expect the debt to go up significantly going forward. So, I guess it should be at the same level. While I can't give you an exact number at this stage, we expect it to be at similar levels as of March 2024 as well.

**Nirvana Laha**

Okay. And one year forward, it's not possible for you to project that?

**Prasad Patwardhan**

Will not be possible to give you.

**Nirvana Laha**

Okay. And with the improved performance on margins and balance sheet being very strong, the good pipeline, are you expecting a credit rating upgrade anytime soon?

**Prasad Patwardhan**

Well, we are working with our credit rating agency. We are talking to them, and hopefully, we should have some good news on this front. Maybe once we conclude our discussions with the rating agencies.

**Nirvana Laha**

And at what time frame do you think that expected the news?

**Prasad Patwardhan**

Well, I won't be able to comment on that right now. We need to discuss that with the rating agencies. It will be premature for me to comment on that right now.

**Nirvana Laha**

Sure. So, Mr. Basu, we are very strong in marine. So, I wanted you to tell us a little bit more about the competitive dynamics in marine, both for jobs in India and also for the jobs that you're competing with outside. So, can you give us some picture of how it looks like in terms of competition?

**Jayanta Basu**

Competition in India, if you have two kind of jobs which are more than INR 500 crores and more than that INR 1500 crores, INR 2,000 crores. In that range, I think there are hardly three or maximum four competitor we are having. Below INR 500 crores, INR 400 crores, there will be another two, three more. Below INR 100 crores, there will be plenty. So that is the number of competition in marine in India.

Abroad, there are foreign players, mostly Japanese and Korean. They don't come for any job which is less than INR 5,000 crores to INR 6,000 crores. So, that is the opportunity you are looking for where two small jobs abroad, there are small players. In between that layer, there is nobody much. So, we are trying to get into that.

**Nirvana Laha**

Okay. And you said that margins are higher in these international projects. But obviously, there will be some risks like political risks will be there. And of course, price escalation risks, et cetera, will be there. So, is your parent experience in the geographies that you mentioned, Middle East, West Africa and how do you think about the risk adjusted margin into those geographies?

**Jayanta Basu**

So, when I say margin, that is of course after having considering the risk factor. So normally, we definitely take help of our parents whenever we go the places where they are working or they have worked before. Otherwise, we engage some good consultant out of speak for somebody to study in detail because you know work is 50%, another 50% is something else. So that needs to be understood properly before we submit our bid.

**Nirvana Laha**

Yes. I see, they have experience in Middle East or in West Africa.

**Jayanta Basu**

Yes, they have got experience in Middle East, East Africa and of course Southeast Asia.

**Nirvana Laha**

Okay. And one final question from my side, Mr. Basu. So, I will name one competitor. I didn't want to do it, but I don't know how else to frame the competition. So, you can understand my underlying question and answer accordingly. If I look at somebody like an Ahluwalia, they are doing similar kind of margins, but the balance sheet cash flow seems to be a little better. So, they are mostly into building construction online, whereas you guys are more experts in marine. So, can you help us compare these two segments in terms of marine? Is it like more onerous in terms of more interest to be paid, more DGs to be in cash? And is it more balance sheet heavy to work in marine compared to buildings? And how are you thinking about this mix of marine versus building?

**Jayanta Basu**

You see, the whole thing depends upon the culture of the company. For last 100 years, we have been mostly doing the foundation engineering, till 1990 or early after 1990. So, we have a culture of doing heavy civil work, mostly foundation oriented. Last 20-25 years we have started going to airport, metro, and now we have mastered them and now even also we are doing the building also. So, I'll not be able to comment on that particular aspect. The balance sheet also depends upon what are the job you had for last 20-25 years or 15 years.

So, we are coming out of some bad jobs. We have almost all the bad jobs are behind us. Hopefully, balance sheet also will improve. You cannot compare directly with building and marine because building work is done in a manner where you require more manpower, more labor, less plant-oriented job, where marine is different. So, it depends upon the company's culture, what was the history, how they have built up all these things.

**Nirvana Laha**

Got it, Mr. Basu. Thank you so much and wish you all the best.

**Jayanta Basu**

Thank you.

**Moderator**

Thank you. We have a follow-up question from Sunil Kothari from Unique PMS. Please go ahead.

**Sunil Kothari**

Thanks for the opportunity again, sir. Sir, one thing just wanted to understand is what is our core strength on a cost structure which make us competitive international market because we have to buy raw material, so many local contractors. So, cost structure for us and for Japanese or Korean will be similar. So, where we are stronger in terms of cost?

**Jayanta Basu**

Yes, you have rightly said the material cost is same for any company, either Indian or foreigner or whatever. It mostly depends upon the operation cost. Like temporary work, temporary structures, supporting structure where we can do with much cheaper price and there where we can be competitive as compared to international players.

**Sunil Kothari**

And sir, Engineering part of any project, we must be doing in India, where we must be competitive, that is also one of the factors?

**Jayanta Basu**

Yes, that's what I said. Engineering, there are two kinds. If you do EPC, you do engineering for permanent work. So, there we are quite good in marine, and we try to save some money there. And some job which is designed by the client, still there are opportunity to improve in the costing if you do temporary work, design properly. And we have got all the things available with us for many years. So, those kind of things have helped to cost things.

**Sunil Kothari**

Sir, last question to Mr. Prasad Patwardhan. Any one-time expense or income in this quarter which is not related to normal business of operation?

**Prasad Patwardhan**

No, no, there's nothing like that in the quarterly results.

**Sunil Kothari**

Thank you, sir. Wish you good luck. Thanks a lot.

**Jayanta Basu**

Thank you.

**Moderator**

Thank you. We have a follow-up question from Abhishek Dixit from Hem Securities. Please go ahead.

**Abhishek Dixit**

Hi, sir. In the recent budget session, the government has focused more on the expansion of the existing airport and development of new airports and metros and Nammo Bharat. So, on the ground level, are we seeing much opportunities in the aviation sector and despite the competition also in the sector?

**Jayanta Basu**

Yes, aviation, there are great opportunities and we are very much there. As you know, Pune Airport, Trichy, Pune have completed, another one airport we are doing. And there's a list of around 20 airports. The tender will be out after election one by one. So, there are opportunity, you're right.

**Abhishek Dixit**

Okay. But these will be after election?

**Jayanta Basu**

Yes. I think code of conduct and all sorts of things after election only they will take off.

**Abhishek Dixit**

Okay. Thank you, sir. Best of luck for your next quarter and year.

**Jayanta Basu**

Thank you.

**Moderator**

Thank you. We have a follow-up question from Mehul Mehta from Nuvama Wealth. Please go ahead.

**Mehul Mehta**

Thanks for the follow-up opportunity. Can you please share in terms of contribution to revenue for quarter as well as 9M from major projects like Ganga Express, Chennai Metro, Indian Navy kind of thing.

**Prasad Patwardhan**

We won't be able to share with you the project-wise numbers.

**Mehul Mehta**

But broadly, I think last quarter it was disclosed. So maybe if you can like, broad number kind of.

**Jayanta Basu**

Let me try. See 20% of the job, as I say, 10 projects, they have contributed 80% on the margin.

**Mehul Mehta**

Sorry, can you repeat? Sorry. I'm not getting, sorry.

**Jayanta Basu**

There are 10 projects out of 50 which has contributed 80% of our revenue. 10 projects are Ganga Expressway, Chennai Metro, Bangalore Metro, Project Sea Bird, Navy, Colombo and Udangudi and one or two more around 10 projects.

**Mehul Mehta**

So, this is like for the quarter as well as 9M like in should be similar kind of?

**Jayanta Basu**

Yes, almost same trend.

**Mehul Mehta**



Okay, thanks for that reply. In terms of other income, there is substantial increase. Is there any like nonrecurring income item for the quarterly?

**Prasad Patwardhan**

Starting from income on fixed deposits or some tax refunds that we are able to get. There is some interest that we got on the tax refunds as well.

**Mehul Mehta**

So, there is nothing nonrecurring, you are saying like fixed deposit income and sort of like. Okay. Sorry to bother Mr. Basu again, but there has been questions regarding peers. So, I was looking at one of the peer where our margins are quite comparable, like-to-like. But in terms of when I look at employee cost and other expenses as a percentage, which is on the higher level for us as a percentage of revenue, so is there that we are provisioning for future growth and to that extent there can be operating leverage which can help us going forward in terms of expanding margin?

**Jayanta Basu**

So, you are right, there are some expected credit loss sort of things are there. But you see the manpower cost, if you check our previous quarter or previous year, it is coming down, earlier it used to be around 11%. It has come down to 9.5% and going for a little further come down. So, it depends upon not only the delta cost, it depends upon what revenue you are getting out of that fixed manpower cost. So, we are improving, that is for sure.

**Mehul Mehta**

So, going forward we can expect even further reducing this percentage of revenue. Thank you so much. I'm done.

**Jayanta Basu**

Thank you.

**Moderator**

Thank you. That would be the last question for the day. Now, I hand over the floor to management for closing comments.

**Prasad Patwardhan**

Thank you everyone for a very intense and deep discussion on our results for this quarter. We appreciate the interest that you have shown in our company. We look forward to interacting with you again next quarter. Thank you very much.

**Moderator**

Thank you. 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 good day.

---