



PATEL ENGINEERING LTD.

CIN: L99999MH1949PLC007039

August 12, 2022

To,

BSE Limited

Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001

The National Stock Exchange of India Limited

Exchange Plaza,
Bandra - Kurla Complex,
Mumbai - 400 051

SCRIP CODE: 531120

Security: Equity

SYMBOL: PATELENG

Security: Equity Shares / Debentures

Dear Sir/Mam,

Subject: Submission of Investor/ Analysts Meet Transcripts

In continuation of the letter dated August 03, 2022 related to the Investor Conference Call to discuss the Financial Results for the Quarter ended June 30, 2022 and pursuant to Regulations 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended), please find enclosed the Transcripts of the Company's Investor Call.

The said Transcript is also available on the website of the Company at <https://tinyurl.com/2bukuwn6>.

It is further confirmed that no unpublished price sensitive information was shared/discussed in the meeting / call.

We request you to take the same on record.

Thanking you,

Yours truly,

For Patel Engineering Ltd.

Shobha Shetty

Company Secretary

Membership No. F10047

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“Patel Engineering Limited
Q1 FY 23 Earnings Conference Call”

August 08, 2022



MANAGEMENT:

**MS. KAVITA SHIRVAIKAR – WHOLE-TIME
DIRECTOR AND CFO, PATEL ENGINEERING
LIMITED**

**MR. RAHUL AGARWAL - STRATEGY AND FINANCE
HEAD, PATEL ENGINEERING LIMITED**

MODERATOR:

**MR. VASTUPAL SHAH - KIRIN ADVISORS PRIVATE
LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY '23 Results Conference Call of Patel Engineering Limited hosted by Kirin Advisors Private Limited. As a reminder all participants 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vastupal Shah from Kirin Advisors. Thank you and over to you sir.

Vastupal Shah: Thank you. Good evening everyone. I would like to welcome Ms. Kavita Shirvaikar – Whole-Time Director and CFO of Patel Engineering Limited; Mr. Rahul Agarwal - Strategy and Finance Head. Ms. Kavita will give you the brief about the quarter and development during the quarter and result. Ms. Kavita over to you ma'am.

Kavita Shirvaikar: Good evening everybody. I would like to thank and welcome you all to this forum where we have the opportunity to discuss about the performance of our company for Q1 FY '23. Although most of you may be aware, but for those who are here for the first time, I would like to give you all a brief background of our company. The company was established in the year 1949 and has a strong presence in the hydroelectric and tunnelling sector.

The company has a consistent track record in execution of projects in both domestic and internal arenas. Patel Engineering Limited has successfully completed over 85 dams, 40 hydroelectric projects and more than 300 kilometre of tunnelling with a current presence in 17 states in India and also in Nepal. Since inception of the company, has been involved with generation of over 12,000 megawatt of power capacity. The company has irrigated over 5.5 lakh acres of lands in India and constructed over 1,200 kilometres of road. In India, our clients are mostly central and state government, PSU namely NHPC, SJVNL, HPPCL, IRCON, CVPPL, NEEPCO, TANGEDCO etc.

Now, let me walk you through the key financial highlights of this quarter. I hope that you all had a chance to have a quick look at the numbers which we can see it in the line with our estimates. On a consolidated basis revenue from operation for Q1 FY '23 is INR 973.91 crore, which is up by 46.18% from INR 666.25 crore in the corresponding quarter in the previous year. On a standalone basis, revenue from operation for Q1 FY '23 is at INR 881.09 crore, which is up by 53.1% from INR 575.35 crore in Q1 FY '22. On a consolidated basis operating EBITDA for Q1 FY '23 is at INR 149.83 crore, a margin of 15.38% and that net profit it is INR 31.25 crore as compared to a profit of INR 1.74 crore in Q1 FY '22. On a standalone basis operating EBITDA for Q1 FY '23 is at INR 122.97 crore a margin of 14% and net profit at INR 33.04 crore as compared to a profit of INR 3.5 crore in Q1 FY '22.

The increase is attributed to overall growth of the company in terms of order book and execution of the existing projects. We continue to retain our focus on bidding for new projects which are self-sustaining, our order book now stands at INR 17,824 crore as on 30th June, 2022. During this quarter the company received three new orders, approximately INR 3,300 crore. The Kwar hydroelectric project in Jammu and Kashmir with a value of INR 2461 crore, PVPG tunnel in Mumbai of INR 420 crore, Kohima tunnel project in Manipur value of INR 823 crore, it is in joint venture and our share is 51%. That is INR 420 crore.

The company's focus continues to be on its core competency areas of hydropower projects, underground tunnelling apart from other segments like irrigation, urban infrastructure and roads.

Let me brief you about our order book composition. Around 64.6% of our order book comprises of hydropower projects. 14.3% irrigation projects and 13.4% from tunnelling sector and 5.2% from road projects and rest from urban infrastructure and others. The sector wise revenue break up on a standalone basis for Q1 FY '23 from hydro it is 49%, some tunnelling 22%, irrigation 15%, roads 8% and others 6%.

See I would like to highlight some of our key achievements at our project sites in this quarter. Our AMT-II project which is in Mumbai was featured in a documentary by India Science on

water, augmenting infrastructure improving distribution, a report on improvement of water distribution in the city of Mumbai, Maharashtra. This year we have completed a 3.6 kilometre long excavation for the first phase of the water. At our Luhri hydroelectric project, which is Himachal, we have successfully completed the work of diversion tunnel including the gates. At our Arun-III which is in Nepal, we achieved breakthrough at surge shaft, vertical shaft, pressure shaft one and vertical pressure shaft two. At our Kundah pump storage project which is in Tamil Nadu, we successfully achieved breakthrough of a unit draft tube tunnel in to powerhouse.

Now, speaking about the future prospectus of the company, we expect to continue to build our order books by selectively taking self-sustaining projects, with healthy margin. We expect our order book to increase beyond INR 20,000 crore at the end of this financial year. The company is also looking to further reduce the debt burden. We are planning to reduce around INR 600 crore to INR 700 crore over the next two to three years by monetizing our real estate and other non-core assets. The process of merging as subsidiaries with Patel Engineering has reached to an advanced stage and formalities should be concluded in this quarter. This will help reduce costs and ensure that the company gets synergies of operations throughout the group.

That was a small brief from my side. Now, I would like Vastupal to take over and our team here shall be happy to give replies to any questions which you all may have. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question and answer session. First question that's on the line of Rushabh from RS Capital. Please go ahead.

Rushabh Shah: So, actually, I just want to understand on strategic perspective there was a notification in that, you guys have a planning a QAP and also your preferential allotment has been made to an FTA. So, if you can please elaborate what is the capital, how are you going to allocate and where do you see growth coming and that requires so much capital. Could you please elaborate.

Rahul Agarwal: Yes, so, see we have a lot of order inflows coming in and so, to augment our working capital requirements, we are taking shareholders approval for raising funds up to INR 500 crore, out of which INR 40 crore one investor has already committed. So, we are going ahead with the preferential allotment for them.

Rushabh Shah: So but the balance by when can you -- when will we be done or at what price or something?

Rahul Agarwal: No nothing has been decided yet. It's just because we are going to AGM we are also taking this approval right now.

Rushabh Shah: And second thing, there has been a change in government in Maharashtra. So are you seeing more infrastructure projects getting, you know, the orderbook getting expanded or you're seeing faster execution. Is there any change in Maharashtra side.

Rahul Agarwal: No, I mean for us we have a couple of projects in Maharashtra and things are going the same way. I mean it is going at a good pace.

Kavita Shirvaikar: But Yes, we are positive. That going forward things also look positive.

Rushabh Shah: And on debt levels, you mentioned that INR 600 crore – INR 700 crore you will be reducing over two- three years. So that will be mainly, through you said from real estate and divestment of non-core assets. This is only from these two or little bit also from internal cash flow that you will be generating or is only from this real estate and non-core assets you will be reducing the debt.

Rahul Agarwal: It is all combined.

Rushabh Shah: Even internal cash accruals.

Kavita Shirvaikar: Yes, correct.

- Rushabh Shah:** And there has been increased focus on renewables by government. And most of our customers have central -- as state PSU units, are you seeing interest traction, are they getting more aggressive in giving orders or and also payments are coming on time.
- Rahul Agarwal:** So the payments are coming on time and the government is coming up with lots of projects under renewable segment and the large renewable segments like hydro, where we are focusing.
- Rushabh Shah:** So the interest cost, for the balance year, is sustained this interest cost for the FY'23. How much interest cost we will be paying? Because I believe there was -- last time we mentioned that some credit rating upgradation is supposed to be taken place where we're seeing some benefit to that credit rating is still not happened, right any update?
- Rahul Agarwal:** No. So we have got credit rating done from ICRA for part of our debt, we have got a BBB stable rating there, which is up then our BBB minus currently. Now for the full fledged rating that is also in process that should also happen in some time.
- Rushabh Shah:** Okay, so this current rate of interest costs that will sustain for a full year.
- Rahul Agarwal:** Yes, so basically, we don't expect if your question is about interest costs, we don't expect any increase in interest costs in terms of the increase in interest rates happening in RBI.
- Rushabh Shah:** Okay, so despite our sales may go up, when we tend 12% to 15% this year, interest costs will remain at the same level.
- Rahul Agarwal:** Yes, the portion of debt we reduce that interest will come down.
- Rushabh Shah:** So, I think you are expecting 14% to 15% increase on top line on console level? Is that -- because the orderbook is increasing proportionately, so?
- Rahul Agarwal:** Yes, so we expect 10% to 15% growth year on year.
- Kavita Shirvaikar:** Yes. On top line.
- Moderator:** Thank you. The next question, this is the line of Nilesh Karani from Magnum Equity Broking. Please go ahead.
- Nilesh Karani:** Yes, mam just to understand this thing. Basically, you're trail of non-core assets and how much like -- what is the timeframe like you're looking at? To get this credit to our company?
- Kavita Shirvaikar:** Within next two, three years, gradually it will reduce.
- Nilesh Karani:** Yes. I got that and your roughly order book is around INR 18,000 crore, correct?
- Kavita Shirvaikar:** INR 17,800 crore.
- Nilesh Karani:** So roughly around that ballpark figure, if you talk about, if you go it is down the line four years, five years. So see, that is for four years, five years down the line, correct? The 17,800 crore the whole order book is it will take around four to five years for exhibition.
- Kavita Shirvaikar:** Yes, four to five years correct.
- Nilesh Karani:** Right. So you're here, basically ma'am, if we understand. So, how are we -- actually how fast it is going moments. If I assume around INR 4,000 crore every year, so how will we grow some 20% or 30%.
- Kavita Shirvaikar:** And so as I mentioned, can we expect this year end order book to grow to beyond INR 20,000 crore. So, we are expecting another two - three large projects, then it will continuously, if it is 20,000, in 4 years and 5 years, so it will be sufficient for the next four to five years and every year we expect that kind of churning.

- Nilesh Karani:** Okay. So we will be comfortable achieving INR 4000 crore and then INR 5000 crore and then INR 6000 crore a year like for example, just for rough estimates.
- Kavita Shirvaikar:** See this growth estimate we are giving for next two years.
- Nilesh Karani:** okay, and ma'am our hydro basically, total how much is our market share this total -- means India I'm talking about, if you talk about India?
- Rahul Agarwal:** See market share in terms of, you're talking about current execution or past scenarios.
- Nilesh Karani:** If I talked about INR 20,000 crore over our current valuation, the whole together how much it would be like?
- Kavita Shirvaikar:** I think 60% - 70%, we expect our order book breakup is from hydro sector.
- Moderator:** Thank you. The next question is on the line of the Yashwanti Khedkar, an individual investor. Please go ahead.
- Yashwanti Khedkar:** I just wanted to understand like we were discussing about the order and order book going forward, and as the government focus on the infrastructure is highly on there are a lot of the chances of getting good orders in across the segments. So, just wanted to understand we have around 50% to 70% of the orders coming from the -- coming from the hydro and tunnel, and amongst all like how is the margin spread over across these segments.
- Rahul Agarwal:** So blended wise, we have a margin of 14% to 15%, hydro and tunnelling segment has margin little upper side, like 1% or 2% upper side. And the other segments are little lower side. So on an average, that is why we get around 14% to 15% margin.
- Yashwanti Khedkar:** 14% to 15% and that will continue.
- Rahul Agarwal:** We expect to continue.
- Yashwanti Khedkar:** On a yearly basis we expect on the net level, right?
- Rahul Agarwal:** Yes
- Yashwanti Khedkar:** So I wanted to understand like how in terms of the segregation across the years, generally our first two quarters are subdued or they start how -- are the things, like how the order into other business expense across our period of the year.
- Rahul Agarwal:** Yes, so generally first two quarters are subdued because of rains and all, the last two quarters are better. In fact, last quarter is considered for us to be the best and first two quarters because of rain, some revenue may be lower in that.
- Yashwanti Khedkar:** Yes. So then we're projected 40% plus growth in the top line in the first quarter, it means the outlook is very promising going forward for the coming quarter and for the year.
- Rahul Agarwal:** Hopefully.
- Yashwanti Khedkar:** Sir, and Ma'am, you gave me the order info details, like so for it is from the Jammu Kashmir and I missed on the second order. I also have the figure of around 840 of order of which 50% we are the partners. So that is INR 420 crore, can you just give me the third order from whom we have received?
- Rahul Agarwal:** That is from MCGM PVP tunnel.
- Kavita Shirvaikar:** Which is in Mumbai with a value of around INR 420 crore.
- Moderator:** Thank you. The next question is from the line of Sandeep Mane, an individual investor. Please go ahead.

- Sandeep Mane:** I want to just know, the hydroelectric project contribution, with order book is comparatively big. So how much impact does it hold on this EBITDA margin?
- Rahul Agarwal:** I'm sorry, we could not get your question. Can you please repeat?
- Sandeep Mane:** Yes, the hydro hydroelectric project contribution with order books is comparatively big. So how much impact does it hold on the EBITDA margin?
- Rahul Agarwal:** So see EBITDA margins, on average, 14% to 15% is there for last one a one year or more than one year so I don't see there is any major change in the EBITDA margins because of that
- Sandeep Mane:** Okay, one more question. Since this is the first quarter. How are they expecting margin to be played out? At this level are margin sustainable?
- Rahul Agarwal:** Yes, we expect this level of margin to be sustainable.
- Moderator:** Thank you. Next question that's on the line of Rushabh from RS Capital. Please go ahead.
- Rushabh Shah:** I just want to confirm you mentioned about the reduction in debt, so I just want to understand delisted, I believe we have an asset in Hyderabad. So, and just mentioned, what are the non core assets do we have which you intend to monetize? And why -- is it possible that we may monetize them faster than two to three years.
- Rahul Agarwal:** So Mr. Rushabh we are trying, but monetization will take time. So that's why we are given a period of two to three years. And in terms of non-core assets, we have real estate plus we have arbitration awards also, all combined, we expect to reduce debt by INR 600 crore to INR 700 crore over the next two to three years.
- Rushabh Shah:** And how has our gross debt moved from March to June, what's the gross debt figure now?
- Rahul Agarwal:** It's almost similar, not much difference.
- Rushabh Shah:** And has there been an execution delay due to monsoon or we are as per planned in 1Q, I mean something and spill over in Q2.
- Rahul Agarwal:** No, so Q1, Q2 generally for monsoon is little lower only, everything is as per expectation only.
- Kavita Shirvaikar:** So we already factor when we submit the plan
- Rushabh Shah:** Because this time monsoons are little bit harsh in some regions. So I'm just asking.
- Rahul Agarwal:** We have not been, luckily not been impacted that much because of all that.
- Rushabh Shah:** And that this QAP, can we expect something to get finalized by FY '23 or later on?
- Rahul Agarwal:** See it will all depend on the market situation also, we are just keeping in principle approval taken from shareholders, based on market situation we will go ahead.
- Moderator:** Thank you. The next question is on the line of Avinash Gupta, an investor. Please go ahead.
- Avinash Gupta:** The numbers are good, actually after a long time, right. My question is more in terms of a broader strategy, which are the areas we are looking at because, surely tunnelling and hydropower is something which is a core business where we have the potential, but are we looking at other segments as well, because I'm not too sure about the hydro, how the market looks going forward for next two, three years? What are the kind of capacities which are coming in? And surely we'll be technically -- we're much better qualified, but how's the market looking? What is the kind of capacities which are coming in these particular verticals, one is the hydro and second is tunnel, if you can throw some light on that.
- Kavita Shirvaikar:** No, we are looking to other segments like irrigation, road, we are looking for other segments also.

- Avinash Gupta:** But in terms of visibility, what is the kind of visibility on hydro and tunnelling in terms of the kinds of capacities which we expect to come probably?
- Rahul Agarwal:** There is a huge pipeline of work coming up in this segment, the government is focusing on renewable energy and power is a requirement which India is short in power and to achieve that through renewable energy, large renewable energy sources is hydropower. So, government is focusing and a lot of projects are coming up because India has a lot of water, running water, river everything. So, a lot of projects are expected to come up.
- Kavita Shirvaikar:** See, I'll tell you, even Arunachal, I have shared in one of the meeting where Power minister, gave the speech, he said Arunachal itself potential of 50,000 MegaWatt, 25,000 at least target that's a huge. Even this central PSU like SJVNL, NHPC they are coming up with large value projects
- Avinash Gupta:** No, my thing is because hydro ultimately is a very long gestation project right from the start till even the commissioning of construction it will take at least minimum three to four years, kind of time, right. So the potential which we are looking in next two - three years probably will be stage one or two right in terms of expression of Interest have already been called for them and that kind of stuff or because my thinking is the visibility has to be, I guess for hydro and for only tunnelling to a lesser extent, but for hydro to a larger extent the visibility has to be very clear, right.
- Rahul Agarwal:** The visibility is very clear. So, we expect orders whatever we have got that will take four to five years to execute, plus we expect to add more orders. And yes, the power project construction period is four to five years, but that is fine, the order book we have enough order book to get revenues, whatever we need.
- Avinash Gupta:** I was more obviously, this is one particular area, which is actually better and better for us, right, which is a base where we have a substantial amount of credential. But in terms of the growth areas, I'm saying, more something like, even because something I guess in the bullet train projects as well or even the Metro one site, lot of tunnelling happens in that as well. So, are we kind of looking at that kind of area as well? Because tunnelling is our expertise.
- Rahul Agarwal:** Yes, so, we may look into it in future. Right now, because we were getting so many orders from our core segment of hydro, so, that is why we are not required to look into other areas as of now, but yes, going forward when more projects will come up in other areas also we look into it, provided we get margins and self-sustainability everything comes from the project.
- Moderator:** Thank you. The next question is from the line of Yashwanti Khedkar, an individual investor. Please go ahead.
- Yashwanti Khedkar:** Yes, thank you once again for the opportunity. So, as we are the leading player in hydropower segment, how much the market share does Patel have in India after the total hydropower capacity?
- Rahul Agarwal:** See we are an EPC contractor. So, that way we don't have a particular market share as such in terms of capacity, but around 20% - 25% of the hydropower projects in India, we have been associated some way or the other.
- Yashwanti Khedkar:** Also just wanted to understand about the scheme of arrangement which were recently announced, like what is the timeframe you expect it to complete an expected amount by the company will get by selling this?
- Rahul Agarwal:** No there is no scheme of arrangement. Okay, see merger scheme that is NCLT has already approved it. So that, next quarter the merger shall be in place in the books also and it is a merger of wholly owned subsidiaries. So, there is no money or any kind of exchange happening there. It is just to reduce costs overall of statutory costs and other costs associated with the subsidiary will get reduced.
- Yashwanti Khedkar:** Just wanted to check whether any of the asset you are planning to monetize from this company.

- Rahul Agarwal:** So that is on, that is where we are saying, all non-core assets when we are talking we are talking about the group.
- Moderator:** Thank you. There are no further questions. I now have the conference over to Mr. Vastupal Shah for his closing comments.
- Vastupal Shah:** Thank you, everyone for joining the conference call of Patel Engineering Limited, if you have any queries you can write vastupal@Kirinadvisors.com. Once again, many thanks to management team, and all the participants for joining the conference. Thank you.
- Kavita Shirvaikar:** Thank you.
- Rahul Agarwal:** Thank you all.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Kirin Advisors Private Limited, that concludes this conference call. We thank you for joining us and you may now disconnect your lines. Thank you.