



PATEL ENGINEERING LTD.

CIN: L99999MH1949PLC007039

May 19, 2023

To,

BSE Limited

Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001

SCRIP CODE: 531120

Security: Equity

The National Stock Exchange of India Limited

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

SYMBOL: PATELENG

Security: Equity Shares / Debentures

Dear Sir/Mam,

Subject: Submission of Investor/ Analysts Meet Transcripts

In continuation of the letter dated May 11, 2023 related to the Investor Conference Call to discuss the Financial Results for the Quarter and Year ended March 31, 2023 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/mpkprd6y>

It is further confirmed that no unpublished price sensitive information was shared/discussed in the meeting / call.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 Q4 FY23 Earnings Conference Call”

May 15, 2023



MANAGEMENT: **MS. KAVITA SHIRVAIKAR – WHOLE-TIME DIRECTOR
& CFO, PATEL ENGINEERING LIMITED
MR. RAHUL AGARWAL – HEAD (STRATEGY &
FINANCE), PATEL ENGINEERING LIMITED
MR. ADITYA BAJAJ – INVESTOR RELATIONS &
MARKETING, PATEL ENGINEERING LIMITED**

MODERATOR: **MS. SUPRIYA MADYE – KIRIN ADVISORS PVT. LTD.**

Moderator: Ladies and gentlemen, good day, and welcome to the Q4 FY23 Results Conference Call of Patel Engineering Limited hosted by Kirin Advisors Private Limited.

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 “*,” then “0” on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Supriya from Kirin Advisors Private Limited. Thank you and over to you, ma'am.

Supriya Madye: Thank you, Kiran. Good evening everyone. Today, on behalf of Kirin Advisors Private Limited, I welcome you all to the conference call of Patel Engineering to this Q4 FY '23 and FY '23 numbers.

From the management side, today we have Ms. Kavita Shirvaikar – Whole-Time Director and CFO, Mr. Rahul Agarwal – Head (Strategy & Finance), and Mr. Aditya Bajaj – Investor Relations & Marketing. Now I hand over the call to Ms. Kavita Shirvaikar ma'am to give you the opening remarks. Over to you, ma'am.

Kavita Shirvaikar: Thank you, Supriya. Good evening, ladies and gentlemen. A very warm welcome to all of you and thank you for attending this Earning Call for Q4 and FY '23 of Patel Engineering Limited.

We have uploaded the “Earnings Presentation and the Press Release” along with the results on the stock exchange, and I hope you all have had a chance to look at the numbers.

We shall be giving a short brief of “Key Highlights of the Performance” of the Company in this Q4 and year ended FY '23. And then we will be happy to answer any questions which you all may have.

Let me start with the environment:

The last quarter shows some significant challenges in the global environment with signs of some developed economies heading towards the recession. However, despite this fact, India's growth continues to be resilient and is seen as one of the fastest growing economies in the world.

The government of India's strong infrastructure push under the Prime Minister Gati Shakti initiative, logistic development and industrial corridor development will contribute significantly to raising industrial competitiveness and boosting future growth of the Indian economy.

In the recent budget, capital investment outlay for infrastructure has been increased by 33% to Rs. 10 lakh crores, which would be approximately 3.3% of GDP, which is going to provide tremendous impetus to the infrastructure companies going forward.

Speaking about the hydropower sector in India where Patel Engineering has a dominating presence, India has classified hydropower as renewable energy and sees it has a key in its transition away from coal. India having the advantage of abundant natural water resources with number of rivers flowing through have huge potential to tap in terms of hydropower, which is yet to be explored.

Recently, the Indian government has approved its largest ever hydropower project the Dibang multi-purpose project in the mountains Northeastern region. It is a 2,880-megawatt project located in Arunachal Pradesh. It is to be developed by NHPC Limited. We have recently been declared L1 for a part of this project which shall be rolled out in stages. There is a huge potential in hydropower and tunneling sectors with more than 80,000 crore of works coming up in next few years in this segment.

Further, we have also forayed into micro irrigation and have write multiple orders in Q4 FY '23 in this sector. This is the last leg of irrigation and water projects where water is carried to the fields to end consumers in villages through pipeline and canals. There is a huge potential in this segment as there is a very essential element for the development of villages, which are far away from the rivers.

Under the Pradhan Mantri Krishi Sinchayee Yojana for 2021 to '26, there has been an outlay allocation of Rs. 93,000 crore, which would benefit about 22 lakh farmers. Hence, there is a huge potential of works expected in this segment also.

Although most of you may be aware, let me give you a brief background of our Company. The Company was established in the year 1949 and has a strong presence in the hydroelectric and tunneling and irrigation sector.

The Company has a consistent track record in execution of projects in both domestic and international arena. The Company has successfully completed over 85 dams, 40 hydroelectric projects, and more than 300 kilometer of tunneling involved with generation of over 12,000 megawatt of power capacity. The Company has irrigated over 5.5 lakh acre of land in India and constructed over 1200 kilometer of road.

In India, our clients are central and state government PSUs, NHPC, SJVNL, HPPCL, IRCON, CVPPL, NEEPCO, TANGEDCO etc. I am happy to share that the Company has received some prestigious award in Q4 2023. One is ET Ascent Award for best infrastructure Company of the year railway development. This award was received for our T2 project, which is located in Jammu and Kashmir.

Number two, Best Infrastructure Company of the Year, Water Management. This award was received for AMT – II project located in Mumbai, Maharashtra.

Number three, Construction Times Awards 2023 for Best Tunnel Project of the Year. The award was received for Sela Pass Tunnel Project.

We are also extremely pleased to inform that National Geography has taken keen interest in some of the prestigious projects which are being executed by our Company, and they have featured them on their channel where you get a better idea on the scale and magnitude of the projects undertaken by the Company, and also a glimpse of the difficult terrain and condition we operate in.

I am happy to inform you that the right issue of Rs. 325 crore has been fully subscribed and would like to thank all the stakeholders who have shown their trust in the Company.

As regards monetization of non-core assets, we have managed to sell a few of our land parcels located in Telangana and have generated cash flow of around Rs. 67 crores. The Company has also realized 157 crore during Q4 FY '23 some arbitration awards against BG.

During the year, as was committed, the Company on a consolidated basis has reduced its debt by Rs. 500 crores in FY '23 through monetization of non-core assets, surplus from projects and partly from right issue process. The consolidated debt to equity ratio has improved from 0.92 to 0.59. The inflow of these funds has helped the Company in reducing its debt and appointing working capital requirement for the growth. In future also, we will continue to work for monetizing non-core assets and reduce debt further.

I would like to bring to your notice that out of the total consolidated debt of Rs. 1,752 crore as on March 31st, 2023, working capital debt is around 1,100 crores and term debt is around 600 crores, which will be repaid in next over two to three years.

The finance cost for FY '23 is around 418 crore. Let me give you a breakup of interest cost. Interest to bank is around 226 crore. Interest on advances from client is around 114 crore, and around 78 crore towards BGLC commission charges and other borrowing costs.

Now coming to the order book:

As you all are aware, the Company mainly focuses on the hydropower, irrigation, and tunnel segment amongst others. And let me tell you, the last year has been very good for the Company. We received new orders of around Rs. 4,560 crore and declared L1 for new projects of around 3,200 crores, thus taking our order book to an all-time high of around Rs. 20,000 crore including L1 as on March 31st, 2023, which has surpassed our expectation at the start of the year and gives us a book bill ratio of around four or five times.

Projects received during the year are mainly in the micro irrigation and hydropower segment. It is located in Maharashtra, Madhya Pradesh, Karnataka and Arunachal Pradesh. Some of these projects are being executed along with JV partners, and our share in these nine projects

cumulatively is around 4,172 crores. The major project among this is 3,637 crore Dibang Multipurpose Project, which we would be executing along with our JV partner, and our share in this project is around 1,800 crores.

The composition and breakup of the order book of Rs. 20,000 crore is as follows. 60% of our order book comprises of hydro sector, and around 21% from irrigation sector. 12% from tunneling sector and rest from road and others. Out of that, 54% is from central government PSU, which are double A, triple A rated, and balance 41% from state government and other authorities.

With the recent influx of orders, revenues and profitability are expected to improve in the coming period. The Company has also considerably scaled up its operations. Currently, we have an employee base of more than 4,400, and our equipment base has also increased to around 1,100 crores as on March 31st, 2023.

Another major achievement that the Company has implemented SAP across all project sites which will help better monitoring of progress and cost of execution of the project.

Now let me brief you the key financial numbers for this quarter and full year period ended March 31st, 2023. On a consolidated basis, revenue from operation for Q4 FY '23 is Rs. 1,298 crore, which is up by 16.77% from Rs. 1,111 crores in the corresponding quarter in the previous year.

Revenue from operation for FY '23 is at 4,201 crore, which is up by 24% from Rs. 3,380 crore in FY '22. We are happy to say that we have crossed more than 4,200 crore revenue this year which is all-time high, surpassed the guidance of 15%. This is on account of strong order book and efficient execution of work across all project sites.

On a standalone basis, revenue from operation for Q4 FY '23 is at Rs. 1,192 crore, which is up by 14.3% from Rs. 1,042 crore in Q4 FY '22. Revenue from operation for FY '23 is at Rs. 3,817 crore, which is up by 26% from Rs. 3,029 crore in FY '22.

Operating EBITDA on a consolidated basis for Q4 FY '23 is at 180 crore, a margin of 14% and net profit at Rs. 84 crores, which is up by 298% from Rs. 21 crore in the corresponding period in previous year.

Our full year operating EBITDA is at Rs. 625 crores, a margin of 15%, and net profit is at around 154 crores, which is up by 181% from Rs. 55 crore in the corresponding period in previous year.

On a standalone basis, operating EBITDA for Q4 FY '23 is at Rs. 176 crore, a margin of 14.8%, and net profit at Rs. 84 crore, up by 128% as compared to profit of Rs. 36 crore in Q4 FY '22, and full year profit is up by 176% at Rs. 155.8 crore from Rs. 56.3 crore in corresponding period in previous year.

As regards the sector-wise revenue break up, on a standalone basis, from hydro it is 57%. From tunnel, 15%, in irrigation 16%, and 12% from road and other segments.

Based on the improvements in the financial performance in the last few quarters along with the promising executional outlook of the Company, the rating of the Company has improved to triple B with positive outlook. Going forward we expect it to improve further which will help bring down our interest costs thus adding to our bottom line in improving profit.

On a consolidated basis, our EPS is improved from 1.51 to 3.19 and debt to EBITDA has improved from 4.29 to 2.280. As you can see, there is an overall improvement in the financial position of the Company.

This was a small brief from our side. Now I would like Supriya to take over, and our team here shall be happy to answer any further questions which you all may have. Thank you.

Supriya Madye: Thank you, ma'am, for in-depth analysis. Now I request the operator to open the floor for the Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sagar Gandhi from Future Generali Life Insurance Company Limited. Please go ahead, sir.

Sagar Gandhi: So, sir, my first question is on the arbitration award. So, in the PPT, I could see a large number to the tune of 4,000 crores. So, my first question is, sir, how much of it is likely to go through over the next four quarters? I mean, how much money we are likely to receive from that overall pool? Then I will ask my second question.

Rahul Agarwal: So, see the 4,000 number which you see in the PPT, that includes Arbitration Awards and claims at various stages, and we expect as mentioned on the call earlier that we expect around 200 crores from the total non-core asset realization in next year.

Sagar Gandhi: So, receivables plus land assets both put together.

Rahul Agarwal: Correct.

Sagar Gandhi: Out of that total pool you are expecting 200 crores in the next two quarters.

Rahul Agarwal: Next full year.

Sagar Gandhi: Next full year.

Rahul Agarwal: Yes.

- Sagar Gandhi:** And sir, what would be your execution in FY '24 and approximate margin guidance, if you can give any for FY '24?
- Rahul Agarwal:** Yes. So, see, FY '24, we would like to continue our execution. We have an order book of around 20,000 crores with a book to build ratio of four to five times, but we expect around, you know, 15% revenue growth on a CAGR basis.
- Sagar Gandhi:** And margin trajectory will be better than FY '23 or will it be lower?
- Rahul Agarwal:** Similar lines on this line only. 14%, 15%.
- Sagar Gandhi:** Okay. Around 14%, 15%.
- Moderator:** Thank you. The next question is from the line of Arushi Shah from Sushil Finance. Please go ahead.
- Arushi Shah:** So, one thing I wanted to know is we are primarily focused on micro irrigation, tunneling, and hydropower, right? So, would that be like how much in segments or is it that these are the drivers rather than our primary segment going onwards now? Could you just give us a brief color on is this if this is a premium cash cow kind of a thing and does it need....
- Rahul Agarwal:** So, we could hear you little bit only in between, but we will just take the question that yes, our main focus and our core sectors also hydropower, irrigation, and underground tunneling. And these are because of our niche in this business, we have tentatively getting margins a little higher margin of 14% to 15%.
- Arushi Shah:** So, one more thing. So, I saw the entire video for the National Geography how they have covered. It's very beautifully done. So, keeping in mind such terrains what we work for and such difficult situations, I am sure the cost might take, it might be a little more topsy-turvy than what we expect. So, usually we have all the pass-on clauses for the cost or how is it?
- Rahul Agarwal:** Yes. So, we have escalation clauses in the contracts because our contracts are mostly item rated, and we have a pass-through for escalation more than 90%.
- Kavita Shirvaikar:** And like our other difficulties we have already projected. While bidding, we take into consideration these are the difficult terrain and other cost factor in our infrastructure.
- Arushi Shah:** So, they are already taken into consideration most of their times.
- Kavita Shirvaikar:** Yes.
- Moderator:** Thank you. The next question is from the line of Manan Poladia from MKP Securities. Please go ahead.

- Manan Poladia:** So, my question is on the order inflow for next year. Is there an internal target that you are envisioning for the next year or the next two years or so?
- Rahul Agarwal:** So, we had our initial target, you know, up to achieving 20,000 crores, which we surpassed now. Next target is 25,000, but next year maybe around 12% to 15% growth in the order book we expect.
- Manan Poladia:** Also, sir, you just mentioned that you are expecting 15% CAGR on the execution side. So, that 15% CAGR would you say is guidance just for FY '23-'24 or is that guidance for two or three years?
- Rahul Agarwal:** Yes. Two years at least.
- Manan Poladia:** And same for the margin as well, the EBITDA guidance?
- Rahul Agarwal:** Correct, same.
- Moderator:** Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead, sir.
- Deepak Poddar:** Sir, I wanted to understand on the debt side. I mean, you mentioned the influence that you are looking for from arbitration or non-core assets. So, what sort of repayment target we have for FY '24? I mean, from currently 1,750 crores of gross debt, what sort of debt outlook we would have by FY '24 end?
- Rahul Agarwal:** Yes. So, we expect debt reduction by 200 crores approximately.
- Deepak Poddar:** Around 1,550 crores, right?
- Rahul Agarwal:** Yes.
- Deepak Poddar:** And you also gave a breakup of interest cost, right? So, it's also driven by bank interest plus there are customer advance interest as well. So, what sort of interest payment we are looking at for FY because of this repayment that we have seen 500 to this year, and so any sort of Interest cost reduction that we can expect on a quarterly basis?
- Rahul Agarwal:** Yes. So, see the most of this reduction of this 500 crores in this year has happened in Q4, and that saving in interest would reflect in next financial year.
- Deepak Poddar:** So, what sort of saving we can build in, if you can give us some indication?

- Rahul Agarwal:** See, I mean, I can just broadly give you that our average interest rate is around 11%. 11%, 11.5%. So, accordingly, I mean, next year, that saving should be there. Maybe some new advances coming in for new projects which we have taken.
- Deepak Poddar:** So, this 500 crores 11% is around 50, 55 crores, right?
- Rahul Agarwal:** Correct. Yes. So, I mean, plus some new advances coming in. So, maybe net interest around 25, 30 crores.
- Deepak Poddar:** 25, net reduction, okay.
- Moderator:** Thank you. The next question is from the line of Prashant Kshirsagar from Unived Corporate Research Private Limited. Please go ahead.
- Prashant Kshirsagar:** I just wanted to ask you few macro questions. One is about your Subansiri Lower Hydroelectric Project. Now what is the status of that project? When you should be executing say the first unit or the second unit? So, can you give us the status on the Subansiri Lower Hydroelectric Project?
- Kavita Shirvaikar:** See, there are two parts. One is the dam which SOMA is executing, and one is the power house and HRT which we are executing. From our side, we have a plan, our work to complete first two unit we should be able to hand over by September.
- Prashant Kshirsagar:** September, but is it possible that the first unit may be commissioned by June?
- Kavita Shirvaikar:** We are trying actually, because there are other elements. Apart from our work, there are other element also there, which NHPC is working with other contractors.
- Prashant Kshirsagar:** So, that's why I was asking you whether is it possible to? What do you feel the likelihood, the probability of?
- Kavita Shirvaikar:** We are trying. We are trying. They are also trying.
- Prashant Kshirsagar:** Because the reason I am asking is the power minister in his interview has said that the one unit will be commissioned by June. So, I was just wondering.
- Rahul Agarwal:** That is our target.
- Kavita Shirvaikar:** Yes. Already told us and that is the target. We all are working towards it.
- Prashant Kshirsagar:** And second question is about the Dibang Hydroelectric Project. You said you are in the joint venture with the -- who is your joint venture partner in this? And can you share some details about the project?

- Kavita Shirvaikar:** GR Infra is our joint venture partner.
- Prashant Kshirsagar:** Can you repeat it? I just missed it. GR?
- Kavita Shirvaikar:** GR Infra.
- Prashant Kshirsagar:** GR Infra. Okay. And what is the, this thing, payment schedules and the terms for the project? Or is it too early to say that?
- Kavita Shirvaikar:** Yes. It is too early to say that because we are just L1. Once we get the LOI, we will get more details about it.
- Prashant Kshirsagar:** And for Subansiri, what is the, this thing, the payment schedules or have you received most of your advances or how is it working?
- Kavita Shirvaikar:** Subansiri is item raised contract. So, we get monthly payment based on our work.
- Prashant Kshirsagar:** And what is the retention money? Because your press release in 2020, you have said it's 1,584 crore project. So, has there been any cost overrun because of the COVID and the recent flooding which you had in Subansiri also?
- Rahul Agarwal:** So, cost escalation is always there, and it is linked, you know, to WPA index.
- Kavita Shirvaikar:** Index, and which we will get paid as in monthly executed work.
- Prashant Kshirsagar:** And last question is you talked about your execution profile for the FY '24 which is very optimistic and rightly so, but there are various elections coming through in this year. So, will it affect your execution profile by any chance?
- Kavita Shirvaikar:** No, fair question. I will tell you. See, right now, as you see, our order book is 20,000 crores, which is including L1. And so we already have sufficient order to achieve next two year execution, our guidance, our target.
- Prashant Kshirsagar:** No, what I am asking is whether you will be able to execute in the sense of because of the political scenarios? If the political scenario changes, sorry.
- Kavita Shirvaikar:** No, execution per se once we get LoA, we don't see any challenge.
- Rahul Agarwal:** Yes. And most of these projects are from central PSUs, which are, you know, NHPC, CVPPL, SJVNL. So, we don't see any challenge in our project's execution.
- Prashant Kshirsagar:** So, you don't see any challenge in that process. So, your guidance of that 15% increases remains constant types for next two years.

- Kavita Shirvaikar:** Yes. More or less, yes.
- Rahul Agarwal:** Yes, more or less.
- Prashant Kshirsagar:** And the last part is on the outstanding part of it, which you have to receive from the projects, so what percentage do you think can go into say bad debts or provisions have to be made for that?
- Rahul Agarwal:** No, these are all government receivables. We don't expect any bad debts as such in it.
- Prashant Kshirsagar:** No, the penalty clause or any of that sort coming through by any chance?
- Kavita Shirvaikar:** See, till now no LD has been imposed on any of our project. Our all executions are on time. On time means within as per contract if there is delay, we get extension of time from the client actually. There is no, we are not envisaging any such LD or other things.
- Prashant Kshirsagar:** Last question is about the National Geographic videos which were excellent actually, and congratulations to the Company for, but was it a sponsor thing which where the Company paid the things or National Geographic on its own did the videos for you?
- Kavita Shirvaikar:** So, they have identified this landmark project, and they approached us for the details actually.
- Prashant Kshirsagar:** But did the Company pay them anything or is it just a spree sort of?
- Rahul Agarwal:** We have to arrange for all the video arrangement and all.
- Prashant Kshirsagar:** No, no, but the fees you didn't have to pay them or anything of that sort? It's not a sponsored this thing. That's what I am...
- Kavita Shirvaikar:** So, we have to reimburse them the cost, which they incurred to for arrangement.
- Prashant Kshirsagar:** They incurred for arrangement. Okay.
- Moderator:** Thank you. The next question is from the line of Rikesh Parikh from Rockstud Capital LLP. Please go ahead.
- Rikesh Parikh:** Can you guide me means on the rundown of the debt breakup for the '23 means how the rundown has happened as such? I understand there was a right issue of 325 crores. So, what will be the other portion as such?
- Rahul Agarwal:** No, so we have run down around 157 plus around 67, almost 200, 225 crores from non-core assets which is Arbitration Awards and real estate and rest some portion will have gone from right issue funds, and the rest is all from surplus operations because we had NCD dues plus other installments of loans. So, all that we have paid from operations.

- Rikesh Parikh:** And what will be the repayment schedule on our debt for the next one year from the cash flow basis?
- Rahul Agarwal:** So, next year we estimate around 200 crores net reduction.
- Rikesh Parikh:** No, means the contracted means that is the next one year which is for repayment.
- Rahul Agarwal:** So, next one year, our scheduled repayments are around 100 crores approximately.
- Rikesh Parikh:** Second thing is on monetization. I look at the presentation with almost a 1,000 crores of order from a land bank available, while last year we have looked at the 67 odd crores of monetization. So, can we see any improvement?
- Kavita Shirvaikar:** Sorry. Can you repeat your question?
- Rikesh Parikh:** Last year we have realized 67 crores on land bank monetization. So, can we improvement?
- Kavita Shirvaikar:** FY '24 also we expect around 80 to 100 crores out of sale of land parcels.
- Rikesh Parikh:** And my last question is on the promoter stake. Last year there was a certain stake had reduced from 43% to 37, 38%. So, any further skate sale possible or we are done with whatever restructuring we have to do?
- Rahul Agarwal:** No, no, we don't expect any further sales.
- Kavita Shirvaikar:** Yes.
- Moderator:** Thank you. The next question is from the line of Samir Palod from AUM Fund Advisors LLP. Please go ahead.
- Samir Palod:** Just one question on your overall guidance. Given that you have grown revenues from operations 25%, the order book is very, very handsome and gives you visibility for over four years or four to five years. Why is the guidance at only 15% for the next two years on a compounded basis? Is there, I mean, are you seeing challenges in how the order book execution pans out or is it, you know, you just want to be conservative?
- Kavita Shirvaikar:** See, overall if you see our order book breakup, 60% is coming from hydro, and 21% coming from irrigation. So, hydro normally the cycle is four to five years, and irrigation is two to three, three to four years. So, considering the overall factor calculating, we envisage, we are fairly confident to achieve 15% growth. We can exceed, but we are confident considering overall 15% is achievable.

- Samir Palod:** And my second question is that what are, you know, are there any other sort of sectors in the order book that you are focusing on, which you have bid for and which you could potentially win, which could be shorter duration execution that will help you achieve higher than 50% sales growth over the next two years which is not idle or not irrigation, but roads, urban infra or other types of orders? Is that, are you building that pipeline of orders as well?
- Kavita Shirvaikar:** See, based on the opportunity available and considering our margin requirement, if we see that opportunity, we would consider that option, but right now our focus is in our core, which is hydro, irrigation and water sector also we are exploring.
- Moderator:** Thank you. The next question is from the line of Vignesh Iyer from Sequent Investments. Please go ahead.
- Vignesh Iyer:** My question is more on the accounting side of it. I just wanted to understand we have seen some tax reversal happening in quarter four. So, just want to understand are we shifting to any new tax rates from FY '24?
- Rahul Agarwal:** No, no, it is on account of completion of assessments and reversal of excess provisions on that.
- Vignesh Iyer:** Oh, okay. So, what would be our steady state tax rate cut for the, I mean, tax slab for our FY '24?
- Rahul Agarwal:** Around 30% only.
- Moderator:** Thank you. The next question is from the line of Shikhar Mundra from Vivog Commercial Limited. Please go ahead.
- Shikhar Mundra:** I want to understand how the interest cost 418 crores, when we say our interest cost is 11%, how is the interest expense 418 crores?
- Rahul Agarwal:** So, we explained that 418 crores, there are three components. One is interest on lenders bank debt, interest on debt, which is around 220 crores. Then a BC commission and other borrowing costs is around 80 crores, and the balance is interest on client advances.
- Shikhar Mundra:** And what's the interest rate on client's advances?
- Rahul Agarwal:** That is around similar around 9%, 10%.
- Shikhar Mundra:** And what are the total client advances standing as of now?
- Rahul Agarwal:** On a consolidated basis, we have around 1,200 crores.

- Shikhar Mundra:** 1,200 crores. And one thing I want to understand why is that a guidance of only 15%, why is the guidance so conservative of only 15% when our order inflows are so high?
- Rahul Agarwal:** So, we are conservative in that we may achieve more, but right now we are confident at least 15% will happen.
- Shikhar Mundra:** And what is the typical like 20,000 crore is the order book we say. What is the typical time to execute an order? How many months? How many years?
- Rahul Agarwal:** So, four to five years is the book to build ratio.
- Moderator:** Thank you.
- Rikesh Parikh:** Four to five years.
- Moderator:** Thank you. The next question is from the line of Deependra Jain from Jain Doshi and Company. Please go ahead.
- Deependra Jain:** My question has already been answered.
- Moderator:** Thank you. We shall take the next question. The next question is from the line of Nikhil Chandak from JM Family Office. Please go ahead.
- Nikhil Chandak:** So, a couple of questions. One is, you know, there is a slide in the PPT which gives the land bank book value at approx. 1,000 crores. So, what I wanted to understand is what is the plan exactly as in do you intend to monetize this entire 2,150 acres of land? And you know, the cost is 1,000 crores. What would be the approximate market value of this?
- Rahul Agarwal:** So, market value is also around 1,000 crore only. And what we expect is, I mean, slowly, we will be able to monetize these land parcels. If you see that there are huge land parcels and you just can't find buyers immediately for everything, but we have been trying and, you know, we will slowly monetize everything.
- Nikhil Chandak:** But the intent is to monetize and I mean, all these 2,000 acres?
- Rahul Agarwal:** Right.
- Kavita Shirvaikar:** Yes. Intent is to monetize all these.
- Nikhil Chandak:** And sorry, how come, I mean, you are saying the market value today is the same as what the cost of this land bank is. So, there has been no appreciation or depreciation.
- Rahul Agarwal:** No, it's not about the cost.

- Kavita Shirvaikar:** No, no, it is cost is not 1,000 crore. The market value is 1,000 crore which we are saying.
- Nikhil Chandak:** No, the way the PPT read is approx. value in books. So, I thought the accounting the cost...
- Rahul Agarwal:** No, no, it's not like that. Approx value in books means it is not actually accounted book. It is the total value of the land.
- Nikhil Chandak:** The value of the land is, and these are all free of encumbrances, no litigation. I mean, are these clear titles which is easily monetizable or how should one understand or?
- Rahul Agarwal:** The title is clear. It is mortgage to lenders.
- Nikhil Chandak:** Understood. And the other question was, you know, so obviously the EBITDA margins are healthy at 14%, 15%, but by the time you come to the net profit margin, you know, there is so much of, you know, interest, depreciation, exceptional items that you are left with a PAT margin of 3.68% for fiscal '23. So, how should one understand the flow through from EBITDA to PAT, you know, finally, will you still be having this element of interest, depreciation so that 15% becomes say roughly 4% over the next two, three years? Or should this PAT margin show some improving trend?
- Rahul Agarwal:** We expect our interest cost to go down, and then accordingly, the PAT margin should go up. That is what the expectation.
- Kavita Shirvaikar:** So, you can see around 4,000 crore claim, which is in pipeline, which we can monetize eventually over the period of three to four years plus we have land bank of around 1,000 crore which we can, we are trying. We are in the process of monetizing. So, eventually, if you see, our debt is going to come down in three, four years. As I have mentioned the breakup of the debt, so around 600 crore, which is a repayable debt and which will get paid over three to four years. So, eventually our interest costs will come down, and our profit, correspondingly, our profitability will increase.
- Nikhil Chandak:** But you think it will take that long as in three, four years more for the land to, these land parcels to be sold and for the Arbitration Awards to come? Arbitration, I can imagine, it takes longer, but even for the land parcel, it will take four years, for example?
- Kavita Shirvaikar:** Because some of the land parcel, like it is the large land parcel. Tamil Nadu at one place we have a 1,400-acre land parcel, you know, which would be in today's scenario finding buyer and everything we are not sure how much time it is going to take, but other land parcels we will be able to monetize early. As we mentioned like around 200 crore next year itself.
- Nikhil Chandak:** In fact, ma'am, the scenario today for real estate land parcels is I am seeing at the margin, you know, positive. I mean, if you see the way real estate companies are buying land parcels till the time the land parcel makes sense, is closer to the city and so on so forth. So, there are enough

buyers in the real estate market is fairly buoyant which is why I was surprised when you said three to four years.

Rahul Agarwal: No, it is not that everything will take four years. It has happened slowly over three to four years. And, you know, we are looking at buyers who can give us upfront cash. So, we are not looking at a development agreement where we get slowly. There are many people who are ready to do that, but we want upfront money.

Nikhil Chandak: Sorry, just to be sure, these land parcels are closer to the city area or, you know, is it more into it? How should one understand like in terms of is it more industrial land, residential, it could be suitable for residential?

Rahul Agarwal: So, the land parcel which is in Tamil Nadu around 1,400, 1,500 acres, that is industrial land, and the rest land parcels are closer to the city.

Moderator: Thank you. The next question is from the line of Sagar Gandhi from Future Generali Life Insurance Company Limited. Please go ahead.

Sagar Gandhi: Sir, this is my follow-up question in addition to my first question. So, sir, this receivables or arbitration claims of 4,300 crores, of which what is already earmarked as Arbitration Awards in your favor is 1,200 crores. So, when we say this entire thing is going to get realized over the next three to four years, I mean, is it really not very conservative in nature?

Rahul Agarwal: So, see, Arbitration Awards runs in our favor. It is there in courts at various levels. So, it will take its time plus the other Arbitration Awards which will get into arbitration or within arbitration that much time will be required.

Sagar Gandhi: And sir, of this 4,300 crores, how much will be from the central government side or pending with the central government side?

Rahul Agarwal: The mix would be similar to what our order book is there, but right now exactly we don't have that split.

Moderator: Thank you. The next question is from the line of Arushi Shah from Sushil Finance. Please go ahead.

Arushi Shah: So, thank you for the follow-up question. Just one thing. Do you have any maintenance CapEx which we incur, you know, recurringly? And if at all, what percentage of the sales does it form?

Rahul Agarwal: No, we don't have it because we have to hand over the project after completion. So, there will be one-year DLP period. I mean, we don't have any operation maintenance we have to do, what we have to do.

- Arushi Shah:** So, we do not incur any CapEx from our side.
- Rahul Agarwal:** No, no.
- Kavita Shirvaikar:** No.
- Rahul Agarwal:** That, if at all this is there, it is a separate contract.
- Arushi Shah:** So, I mean, do we have any plans anytime soon in the coming years where, you know, we would be incurring substantial amount of CAPEX?
- Rahul Agarwal:** So, CAPEX will come for new projects which we are getting, but that is mostly funded from client advances around Rs. 100 crore CAPEX is there year-on-year.
- Arushi Shah:** And most of it funded by the contractor advances only.
- Rahul Agarwal:** Correct.
- Arushi Shah:** And I mean, anything which we have to put in apart from that, like any maintenance or any machinery or something like that, we don't take that into consideration, do we?
- Rahul Agarwal:** Not really, because we have a lot of machinery from our existing project which get over. So, we shift it to the new project. So, that...
- Moderator:** Thank you. The next question is from the line of Faisal Hawa from H. G. Hawa and Company. Please go ahead.
- Faisal Hawa:** So, the last four or five years have been very difficult years for us in terms of various freelancing problems and project delays. So, we have fortunately been able to revive the Company to a very large extent. So, where do you think, you know, we went wrong in the past? And can you just tell us three things which we will now not repeat and which will correct the mistakes of the past?
- Rahul Agarwal:** Sure. So, see, we went into diversification. We went into asset ownership. We went into real estate development, and now we are focusing on our core business only, which is EPC and construction business. So, that is one major thing because if you just see, we have forayed into power ownership assets, real estate development and all, which took a toll on the Company which we have stopped.
- The second thing is projects, government side also, allocation of projects now handover of land is happening before the project is being awarded. So, there is less number of delays for projects during the execution time. So, that is helping. And then, again, we are also focusing on taking projects which are self-sustainable. So, we have to, we can fund it from client advances, and we don't need to borrow more funds and get into the debt cycle again.

- Faisal Hawa:** And sir, why are we not discounting these disputed receivables, which we have already won in Arbitrage by agencies who gives like, you know, 20%, 25% less, but then they fight the rest of the cases in High Court and Supreme Court, so, you know, that would give us immediate funds? And one more thing is that what is the kind of order inflow that we are targeting for FY '24 and FY '25?
- Rahul Agarwal:** So, see, as far as discounting and is concerned, we are very confident that the money will be recovered, and if such agencies come up, we are happy for discussion. We are not close to that. That is...
- Faisal Hawa:** Because many, many infrastructure companies are doing this. Funds are very much available. If you have won at any of the lower courts, people are ready to give you the funds after discounting the some profit that they want.
- Kavita Shirvaikar:** No, no, fair point. Fair point. So, we are also in the process of discussing. NHAI, as I understand, NHAI is doing largely these kind of settlement. Like we are in the hydro segment. Our client is NHPC, NTPC, NEEPCO.
- Faisal Hawa:** No, ma'am, these are private institutions which are doing it. Private NBFCs, private foreign institutions who are...
- Kavita Shirvaikar:** Correct. Yes, you rightly said, but then our client is, these are the central PSUs. Mainly central PSUs. So, these are NHPC, SJVNL, NEEPCO, NTPC, HPPCL. So, right now, they are not very aggressive in these kind of settlements.
- Rahul Agarwal:** No, he is talking about any settlement done by any third-party funder. I don't think there is any available....
- Kavita Shirvaikar:** NBFC. No, no, they are, right now we have not seen such interest, but we are open with this kind of settlement.
- Faisal Hawa:** And about the order book if you could say what are the kind of orders that we are targeting for FY '24 and '25?
- Rahul Agarwal:** So, '24-'25, we expect our order book also to grow around 14%, 15% after execution.
- Faisal Hawa:** And do we now, does our balance sheet now, they have to even take on HAM projects from NHAI etc.?
- Rahul Agarwal:** No, we are not looking at taking HAM projects.
- Faisal Hawa:** Okay, but we will be taking on a lot of these subcontracting projects, like how we have done with the GR Infra etc.

- Rahul Agarwal:** So, it is not a subcontract from GR Infra. We both are jointly bid with NHPC contract, and we don't work on subcontract model. So, we take projects directly from the government.
- Faisal Hawa:** And sir, one more question is that, you know, what is the scope of our EBITDA margins getting better with the larger revenues being executed and so that our fixed cost will now be divided over a much bigger revenue?
- Rahul Agarwal:** So, I will explain this. When we are taking more projects, we have to increase our employee base also, so setups also. So, tentatively, our EBITDA margins would remain in similar lines of, you know, 14%, 15 %.
- Faisal Hawa:** So, not much scope in improvement over there.
- Rahul Agarwal:** In terms of margin, not much. But, you know, the overall value in terms of if the revenue goes up, the quantum of EBITDA will increase.
- Faisal Hawa:** And any chances of the promoters, you know, their shares are mostly pledged? So, any chances of the promoters really getting these shares unpledged or paying off the debt that they have incurred on these shares?
- Rahul Agarwal:** That will happen over a period of time. Not immediately.
- Moderator:** Thank you. The next question is from the line of Riken Ramesh Gopani from Capri Global. Please go ahead.
- Riken Ramesh Gopani:** Sir, I have a few questions on the order book. So, firstly, in terms of inflows, you said that you would probably grow similar to what your top line growth will be, but if you could sort of outline that within key segments and hydro and irrigation, would the mix be very similar to the current order mix? Or based on what you have currently bid or the bid visibility that you have for FY '24, what would be the inflow mix be like for FY '24?
- Rahul Agarwal:** Very difficult to exactly estimate that, but we expect, you know, our Hydro segment will remain above 50%, between 50% to 60 %.
- Kavita Shirvaikar:** And around 20%, 25% from irrigation, and rest from other sectors.
- Riken Ramesh Gopani:** So, broadly, very similar to the current color that you have on the order book itself, not very different than that. Got it. And in terms of, you know, execution, I see you have given details in terms of completion stage of your order book as well. So, if you could outline that is like you did mention that it's a four-to-five-year execution period for the hydro projects, but is it a typically linear for execution cycle or based on how you have your current profile in terms of completion stage, if you could outline as to at what stage that there been any acceleration for the overall execution?

- Rahul Agarwal:** So, see, for hydro projects, initial 10%, 20%, the execution is little on a lower side, and then once if the concreting stage and all those stage starts, then the execution will be higher.
- Kavita Shirvaikar:** So, from second, third, fourth year, it is maximum. That time you can say linear. First year, it is little bit on a slower side, because first year six months goes for mobilization.
- Riken Ramesh Gopani:** So, if you could outline that in this 20,000 crores of order book, today you have outlined it about 50% is in the below 10% bucket. Over the last two three years, what percentage was there in the less than 10% bucket? How has it actually progressed?
- Rahul Agarwal:** So, see, we have recently received a lot of projects. That's why that below 10 right now is higher, but over the last two three years it was around maybe 4,000, 5,000 range.
- Riken Ramesh Gopani:** So, this below 10% is slightly higher this year because of the new order wins and maybe in '25 is when you could see a higher execution from these orders the slow phase going away.
- Rahul Agarwal:** Correct.
- Riken Ramesh Gopani:** And lastly, in terms of the segment where you have actually pushed a lot of new order wins this year in the irrigation segment, is it, you know, because of the terrain and the complex nature of the hydro projects, you do a higher margin in those projects. In irrigation, if you could outline that what are the difficult margins there, and do they sort of have any inbuilt, you know, impact from commodities or any such things in the irrigation segment?
- Rahul Agarwal:** So, see, Hydro segment if you say our average margin whatever is there, Hydro segment will give us a 200 basis points may be higher, and the irrigation segment may give 200 basis points lower.
- Riken Ramesh Gopani:** So, compared to the Company average, that would be the color on that.
- Moderator:** Thank you. The next question is from the line of Aman from Kawad Investments. Please go ahead.
- Aman:** Sir, I have just one question. What is your vision down the line three years for Patel Engineering in terms of hydro energy and the EPC segment? What is your vision to become in terms of turnover as well as also in terms of taking more advanced projects? And how do you feel Jammu Kashmir has turned down to be? Is it a successful venture? Or are we facing any, what do you say, struggles or any challenges? And how are we going to overcome those challenges?
- Kavita Shirvaikar:** So, as regard to vision, see, as we have mentioned, our vision is to be a best execution Company in the sector, like we have strong manpower, we have strong equipments. If you see we have consistent track record of execution of the project. Now as regard to turnover over next two to

three years, we, our vision is to, you know, turn over to take it to around 5,000 crore plus Company.

Aman: And in terms of EBITDA, ma'am, that will be ranging from 14 to 15? Or are we expecting as turnover the volume gets spreads?

Kavita Shirvaikar: Considering current order book portfolio which we have, we are fairly confident to maintain the EBITDA level at current level. It's around 14% to 15%.

Aman: Towards Jammu Kashmir side, how are you doing?

Kavita Shirvaikar: Jammu Kashmir, we are comfortable. If you see, I think five, six projects we are working with Jammu and Kashmir. So, we don't see any issues sector per se. Execution is going on full swing.

Moderator: Thank you. The next question is from the line of Viraj Mahadevia, an individual investor. Please go ahead, sir.

Viraj Mahadevia: I had a question. Out of your total debt of about 750 odd crores, the critical is the term loans, which is 650 crores. Can you give us a sense of how soon you think the term loans, you have obviously said you want to auction all this land etc. But how soon do you think the term loans can be repaid in the next two years completely?

Kavita Shirvaikar: Next two to three years.

Viraj Mahadevia: Two to three years completely repaid on the term loans.

Kavita Shirvaikar: Yes.

Viraj Mahadevia: And for the land parcels, have you considered auctioning it on portals such as the MSTC portal where you may have luck for particularly the larger industrial land parcels to accelerate the monetization of some of this land, which seems to be otherwise indicative it will take three to four years? You may be able to accelerate some of that sale.

Moderator: Mr. Viraj, you can continue with your question now.

Viraj Mahadevia: Have you considered using the MSTC portal for auctioning your land, particularly the industrial large land parcel in Tamil Nadu? You may be able to accelerate your land sales in that manner.

Kavita Shirvaikar: Fair point. We have noted we can, we will try to approach them for that also.

Viraj Mahadevia: Great. They have a great portal for e-commerce auctions. A lot of the government PSUs including are also selling their land and buildings through that portal. And my last question is

your Arbitration Awards in your favor of about 1,200 crores, given that they have already come in your favor, how soon do you think that converts to cash in the next one year or longer?

Kavita Shirvaikar: See, considering our past experience, we conservatively feel it will take around two to three years.

Viraj Mahadevia: So, technically, if arbitration takes two years, which is 1,200 crores, and you can sell incremental land up to 200 crores minimum in the next two years, you should be close to debt free actually.

Kavita Shirvaikar: See, our intention is the same. But let's see how the other factor works because it is a government plays a major role.

Moderator: Thank you. The next question is from the line of Teja Shah, an individual investor. Please go ahead.

Teja Shah: On the arbitration, now what we are saying is 1,200 crore is already awarded and balance I think you have got producing to the 4,000, how many thousand crores are depending on the arbitration?

Rahul Agarwal: Yes. So, under arbitration is around 1,400. The rest is yet to go into arbitration.

Teja Shah: So, it means we have on different lines in terms of getting it in our favor or we are going to submit for the arbitration?

Rahul Agarwal: No, no, 1,400 is under arbitration and rest we are going to go submit to arbitration,

Teja Shah: And normally, what is the time period for once you place it for arbitration, how much time does it take to get approved or rejected? And once approved, how much time it takes to realize on an average?

Kavita Shirvaikar: Normally, it is 18 months to 24 months.

Teja Shah: That is only for that approval or receipt of cash?

Kavita Shirvaikar: From arbitration process, process takes 18 to 24 months.

Teja Shah: And once the award is given, then how much time does it take for that money to come to you?

Kavita Shirvaikar: See, if client challenges, then it goes to District Court, then District Court to High Court and High Court to Supreme Court. This is the normal legal recourse available with the party.

Rahul Agarwal: But in few cases we have seen that client under NITI Aayog against bank guarantee they are giving money as we realized around 160 crores in this year.

- Kavita Shirvaikar:** Like if you see Central PSU, they normally adhere to the guideline, and they are open for release of around 75% of the arbitration process against submission of bank guarantee. So, current year also we have realized around 150 crore through this process.
- Teja Shah:** Agreed. Then what is the cost of a bank guarantee over there ?
- Kavita Shirvaikar:** ARound 1%.
- Rahul Agarwal:** Per annum.
- Kavita Shirvaikar:** per annum.
- Teja Shah:** Per annum. Great. And about the land parcels, couldn't it be realized much faster?
- Kavita Shirvaikar:** Yes. We are trying. Our endeavor is to realize it much faster.
- Moderator:** Thank you. The next question is from the line of Shikhar Mundra from Vivog Commercial Limited. Please go ahead.
- Shikhar Mundra:** The land what you are having in Tamil Nadu, how far is it from the city level? Because I can't understand 1,400 acre land, why it should take four years to encash it, because you can go for industrial development, like plotting of the plots or just because there is a big demand for a land in Tamil Nadu for industrial purpose. Are you debarred from doing that or you have to sell it as it is?
- Rahul Agarwal:** It's not about debarment. We don't want to invest money in that. We are focusing our core business, and that is why as and when, you know, we get a good buyer who can take it...
- Shikhar Mundra:** No, but since how long you have been holding that land, sir?
- Rahul Agarwal:** So, we must be holding for last three, four to five years, maybe more than that.
- Shikhar Mundra:** How many years?
- Rahul Agarwal:** Maybe seven, eight years. It may be more than nine years.
- Shikhar Mundra:** So, why do you say for nine years you could not dispose it off, how do you so sure that in next three years you will be able to dispose it off as it is?
- Kavita Shirvaikar:** Sir, our focus right now is core business. Core business is our EPC business, executing the projects.
- Shikhar Mundra:** Where is the land located, madam?

- Kavita Shirvaikar:** It is in Nagapattinam.
- Shikhar Mundra:** How far from which side of Madras, Chennai?
- Rahul Agarwal:** So, Nagapattinam is actually near a port. So, maybe around 200 kilometers from Chennai.
- Kavita Shirvaikar:** Yes.
- Shikhar Mundra:** So, it's far off from Chennai. So, who will buy that land? Eventually, who will buy that land?
- Rahul Agarwal:** See, this land was purchased to develop a thermal power plant there, which we shelved out later. So, now eventually when, you know, other industries which will be coming up there, they will buy the land.
- Kavita Shirvaikar:** As you rightly mentioned, this can be used for industrial development. So, there...
- Shikhar Mundra:** No, but 200 kilometers from Chennai, then you cannot get a, you cannot go for that plotting of the land. So, you have to look for a buyer only if somebody is wanting to put up a plant.
- Kavita Shirvaikar:** Right.
- Shikhar Mundra:** Because otherwise, you cannot make a one-acre plot each and sell it off. If it is near Chennai, there will be many medium-sized scale industries, they could, there is a big demand for the land. So, this land, I don't think you will be able to sell it. You have not been able to sell it for the last nine years. You can't sell it in the next three years because there is no concrete plans you have in place.
- Rahul Agarwal:** Correct. I will explain you. We had, initially, when we had purchased and kept it for development of a thermal power plant on our own that that period after we went into this mode where we have to conserve and reduce our debt, we shelved that plan. So, last three, four years, we have been working on a debt reduction plan. As and when this land parcel, you know, we get a good buyer, we will sell it.
- Shikhar Mundra:** Sir, just tell me, anybody who, what is your cost of your land, each acre? Or how much you are expecting from that land?
- Rahul Agarwal:** Of 1,500 acres?
- Shikhar Mundra:** Yes.
- Kavita Shirvaikar:** No, it all depends on the market conditions.

- Shikhar Mundra:** Yes. You know, the condition is right in front of us no, madam? What do you think market condition means? We know what is the market condition today in that area. Agricultural lands are available at these prices. So, why do you say market condition? You have to be more specific no?
- Kavita Shirvaikar:** Right, sir. That we can have a separate discussion, sir.
- Shikhar Mundra:** No, you should come prepared in Con Call, because this is a major investments you have made in land, and your Company's EBITDA margin is so low. Unless you structure your balance sheet well, you cannot make money. And as it is you are saying that your growth plan is only 15%. Your 20,000 crore is your order book. Is it you are finding it difficult to execute the job? Or you are like I don't understand because I have seen road projects, they do much faster. Okay. Hydro projects may take longer time, but they cannot be so long. 15% growth when the it's a peak time in the infra projects, at this time if you cannot show growth, maybe your lack of capital or something is wrong. It cannot be 15%. You have order book, and you have to mobilize it faster. You have a team. You have infrastructure. You have technology. This Company is very old. So, your problems of banking is all over, madam. Now your problem is something different.
- Kavita Shirvaikar:** No, there is no problem as such. If you see last year also, current year also we achieved 25% growth, and we can achieve more growth. As a conservative, we are giving this 15% guidance.
- Shikhar Mundra:** And number two, I just want to understand when you do this turnover booking, when you show this sales turnover in your balance sheet, there will be so many orders which are of the old orders, which you are doing exactly right now. So, when you do the billing to your client, do you do it at your tender rate or you do it at the escalation rate?
- Rahul Agarwal:** Escalated rates.
- Shikhar Mundra:** Escalated rates. So, when you say that your arbitration money which is due, is it a part of that money is because of the escalation rate or that is something because the delay from the client side? Is it only that the arbitration amount is only pertaining to delay because of the unfortunate circumstances or is it because of the rate difference also they are holding your money?
- Rahul Agarwal:** See, normally, rate difference they can't hold because that is clearly covered in the contract. The escalation is a pass through. Only when there is a variation thing or any delay from the client side, that is covered.
- Shikhar Mundra:** So, we are trying to understand, now when you are having 1,200 crores arbitration is already awarded, so now what is the stage? Are they challenged it in a District Court or in a higher court? How many pending applications are pending in various courts?
- Rahul Agarwal:** Yes. So, it is all challenged in the various forums.

- Shikhar Mundra:** So, now out of 1,200 crores, where is it challenged? Where is it lying? Can you just give a breakup, this is lying in High Court, this is lying in Supreme Court or in a District Court so we know in how much time you are going to get that money?
- Rahul Agarwal:** Yes. So, 1,200 crores, see, we are saying 1,200 crores is in various courts, District Court, High Court. It is not in the Supreme Court. Obviously, the Supreme Court would have been there, then the money realization would be much faster. So, that's how we have given a guidance in this year that we will be able to...
- Shikhar Mundra:** So, out of 1,200 crores, how many awards are there? Total awards consisting of 1,200 crores, how many awards are there, sir?
- Rahul Agarwal:** There are multiple awards. Around 15 to 20.
- Shikhar Mundra:** May be 10, 20, 50, like any number? You have that with you. You must be having list no, 1,200 crores, this is the award pending in District Court, these are pending in High Court, and this is not pending in any court. So, can you give a breakup of that level so we know when you will get that money?
- Rahul Agarwal:** We don't have that detail, but we can send you an email. Right now...
- Shikhar Mundra:** Yes. Because see, in your balance sheet, what I have looked at is unless the arbitration comes through, otherwise, we will show a bigger profit of 150, 50, 100 crore by doing a turnover of 4,000 crore, and the risk reward ratio is unfavorable, because you do such so much of a take a rate, and your EBITDA margin is so low, and on the top of it your PAT margin becomes even lower. It is almost like 2%, 3%. So, anything goes here and there, the whole project become unviable no? Such complicated projects should be working on a higher level of margins. I don't know why is it so low? We will have to understand why your Company has 2%, 3% PAT margin?
- Kavita Shirvaikar:** Sir, if you consider like EBITDA margins compared to our sector, it is fairly good margin, 14%, 15% if you compared to other competitors and others. 14%, 15% is considered to be a fairly good margin.
- Shikhar Mundra:** Capital. 15% EBITDA margin is good when you have a turnover, faster turnover business. So, much risk is involved no because of your delay in projects, and they are all huge projects. So, your margin becomes very small. For a turnover of 4,000 crore, you can imagine, you just make 100 crore profit. Don't you think it is too low and such a big risk involved in the business?
- Kavita Shirvaikar:** Sir, once you complete, I would like to answer the thing. If you see we could achieve turnover of 4,000 crore this year. Going forward our target is in the next two years to reach 5,000 crore. If you see our execution rate is not slower. It is fast. EBITDA margin is also maybe at least two to three years, we have been consistently maintaining this margin, and we have consistently

reduced the debt over last five years of 1,200 crore we have reduced. This year, last year also we reduced around 500 crores. Eventually, next year we have given the guidance of 200 crores, and over the period we said in next two to three years, we are planning to reduce 600 crores, 700 crores. So, eventually, you have seen our margin is consistently improving.

- Rahul Agarwal:** And sir, we have reduced the debt from 5,000 crore levels...
- Moderator:** Mr. Shikhar Mundra, we request that you return to the question queue for follow-up questions. The next question is from the line of Priyam Kataria from IDBI Capital. Please go ahead.
- Priyam Kataria:** I have one question on that Dibang which we have won with JV with GR. So, how is the work divided between you and GR? What is their role and what is our role?
- Kavita Shirvaikar:** It is 50-50%.
- Priyam Kataria:** That is the share. But in terms of operational how the work is divided.
- Kavita Shirvaikar:** So, actual work division can happen once it is LoA. Right now, the partnership is agreed 50-50%. Hope I have answered your question.
- Moderator:** We shall move to the next question. The next question is from the line of Maruti Nandan Sarda, an individual investor. Please go ahead.
- Maruti Nandan Sarda:** My question is around the land parcel which we are not able to sell. So, as one of the questions which was asked before a couple of questions so can we appoint some agency or, you know, some, some institution who can do it for us at a quicker pace? Because right now if we sell that 1,000 crores land, that can change the fortune of the Company at a pretty fast pace. That should be like, you know, at the forefront of the management, and that should be our aim to get it done like maybe in a couple of quarters rather than three, four years.
- Kavita Shirvaikar:** No, you are rightly said, sir. We are in a process of continuously monetizing our land and our claims. Last, if you see the last five, seven years before, our debt was 5,500 crores, which we could bring it down to today's 1,700 crores. And further also, conservatively we are saying in three to four years, we should be able to bring down to another 600, 700 crore. And you rightly said we are already in discussion with two, three other large agencies, which can help us in monetizing this land parcels.
- Maruti Nandan Sarda:** In addition to that, are we in talks with the Tamil Nadu State government, you know, if they can help us out in this? Because it's a very big parcel, and it will need some kind of help from maybe the government also to get it monetized.
- Kavita Shirvaikar:** Fair point. We will evaluate that option also. We will explore that option also.

- Maruti Nandan Sarda:** And I have one more request, if it is doable. Maybe in three, four weeks or in a month's time, if we can have a separate call for the investors in respect of our preparation on how we are trying to monetize this land parcel because I think that is the biggest question which every alternate investor is asking the management. So, can we do that maybe in a month's time?
- Kavita Shirvaikar:** Okay.
- Maruti Nandan Sarda:** I think that will be great.
- Kavita Shirvaikar:** Okay.
- Moderator:** Thank you. The next question is from the line of Aksa Trivedi, an individual investor. Please go ahead.
- Aksha Trivedi:** So, my question is on the sustainability of the current revenue which we have posted in this quarter, like if we see the quarterly numbers of March '22, we again had a good set of numbers. In this quarter, again, we have a good set of numbers. So, it is only typically for the March or we forecast like we can see these numbers continuing in the next quarters?
- Rahul Agarwal:** So, see Monsoon period, the revenue is little on the lower side. That's how you see, you know, little fluctuation in terms of the revenues quarter-on-quarter. It is not exactly comparable like that.
- Aksha Trivedi:** So, can we regard this like March quarter is usually like this?
- Rahul Agarwal:** Yes. Generally, the fourth quarter is always the best.
- Aksha Trivedi:** So, we will not be able to surpass what we have posted in the next two or three quarters, right? Like this is a benchmark quarter.
- Rahul Agarwal:** See, it depends upon how work will get executed on the new projects also what we received this year.
- Kavita Shirvaikar:** And how will be the rainfall and everything? We cannot estimate right now..
- Moderator:** Thank you. The next question is from the line of Prashant Kshirsagar from Unived Corporate Research Private Limited. Please go ahead.
- Prashant Kshirsagar:** Thanks for the opportunity for the follow-up question. I just wanted to ask you about the Dibang project which you have got in joint venture. So, what is the sharing ratio in the venture, joint venture?
- Kavita Shirvaikar:** It is 50-50.

- Prashant Kshirsagar:** It's 50-50. Okay.
- Kavita Shirvaikar:** Yes.
- Prashant Kshirsagar:** And in Subansiri, just a specific question I wanted to ask you. At the time of the press release, you had said that the order was for 1,564.42 crores. So, ultimately when you are executing today, what should be the order size?
- Kavita Shirvaikar:** So, because it is an item raised contract and quantity-based contract, so it is, normally, it will be more or less on the similar line. So, around 1,500 plus escalation.
- Prashant Kshirsagar:** Plus the escalation, but what should be the escalation around as such 30%, 20%, 40% or what? Just a...
- Kavita Shirvaikar:** It's normally in the range of 15% to 20% we can consider.
- Prashant Kshirsagar:** Okay. 15% to 20%.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to Ms. Supriya for closing comments.
- Supriya Madye:** I thank you on behalf of Kirin Advisors for joining the call. I thank you management for their explanation and detailed analysis for the results. Now I request you to conclude the call. Thank you.
- Kavita Shirvaikar:** Thank you everyone.
- Moderator:** Thank you. On behalf of Kirin Advisors Private Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.