GRIL®

G R INFRAPROJECTS LIMITED

(Formerly known as G.R. Agarwal Builders and Developers Limited)

CIN : U45201GJ1995PLC098652

18th November 2021

To
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Fort
Mumbai – 400001

Scrip Code: 543317

National Stock Exchange of India Limited
Exchange Plaza, Plot No. C-1
G Block, Bandra-Kurla Complex, Bandra(E)
Mumbai -400051

Symbol: GRINFRA

Sub: Transcript of an earnings conference call on results for the quarter and half year ended September 2021.

Dear Sir,

In terms of the Regulation 30 of the Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015, we are enclosing herewith the transcript of an earnings conference call on results for the quarter and half year ended September 2021 held on Tuesday, 16th November 2021.

You are requested to take this information on your record.

Thanking you,

Yours sincerely,

For G R Infraprojects Limited

Sudhir Mutha

G R INFRAPROJECTS LIMITED

Sudhir Mutha
Company Secretary
ICSI Membership No. ACS18857

Enclosed: As above.

"G R Infraprojects Limited Q2 FY-22 Results Conference Call"

November 16, 2021

MANAGEMENT:	**MR. AJENDRA KUMAR AGARWAL – MANAGING DIRECTOR, G R INFRAPROJECTS LIMITED** **MR. ANAND RATHI -GROUP CFO, G R INFRAPROJECTS LIMITED**
MODERATORS:	**MR. PARIKSHIT KANDPAL - HDFC SECURITIES**

Moderator: Ladies and gentlemen good day and welcome to the Q2 FY22 Earnings Conference Call of G R Infraprojects Limited hosted by HDFC Securities Limited. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involves risks and uncertainties that are difficult to predict. 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 '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Parikshit Kandpal from HDFC Securities Limited. Thank you and over to you sir.

Parikshit Kandpal: Thank you Jacob. On behalf of HDFC Securities, I would like to thank the G R Infraprojects for giving us the opportunity to host this Q2 FY22 Results call. Today we have with us on the call Mr. Ajendra Kumar Agarwal – Managing Director of the company and Mr. Anand Rathi, the group CFO. Without taking further time, I would like to hand over the floor to Mr. Ajendra Kumar. Sir for his opening remarks. Thank you and over to you sir.

Ajendra Kumar Agarwal: Good morning, everyone. I welcome you all for the quarterly and half yearly call discussion for the financial results for the quarter ended on 30th September '21. I have with me the company CFO - Mr. Anand Rathi. After 19th November 2021, when the company was listed this is the second earning call. Investors had shown their confidence in the company during the IPO and after that also the way in which they have been supporting the company, I would like to say thanks to all of them. And I am feeling very delighted to host the second earnings call of the company.

Firstly, I would like to give some industry updates and after that we will discuss on the quarterly and half yearly company's performance for the quarter ended in September '21. Government has paid good attention to the investment lead economic growth strategy and have brought in pace in the CAPEX for infrastructure segment, in last year the CAPEX has increased around 30-35% in the National Highway and keeping in mind the good awards in the next financial we hope that this growth remains stable. In FY26 the National Highway CAPEX investment is expected to increase to around Rs. 5 lakh crore. And in conjunction with this, we are also expecting that the Bharatmala Pariyojana to start in 2024, the total length of which is nearly 30,200 kilometers. The Honorable Minister, Shri Nitin Gadkari's aim is to achieve 100 kilometer per day, apart from that many tenders have been called in Metro sector also, like Bangalore Metro, Nagpur Metro, Chennai Metro, Bhopal Metro, Patna Metro, Noida Metro, Indore Metro, Ahmedabad Metro, Delhi Metro; the tenders are coming in all these cities. Apart from this, our Prime Minister has launched a National Master Plan for PM Gati Shakti multi model connectivity, which will provide Railways - Roads to 17 Ministries connectivity to bring them all together, a digital platform has been launched for the same. A group has been formed for the

President of the Cabinet, EGOS Group, which will completely overview the development of master plan for this Prime Minister's Gati Shakti multi model connectivity. To apply quality cum cost based in government's work, the government has also quality based bidders, which is only based on L1 bidders now, apart from that there is a scheme to integrate this along with a quality, which will do the quality-based project selection in the coming future. The Finance Minster has announced a national monetization of Rs. 6 lakh crore, in which electricity, roads, railways, all are included. In this scheme, the Highway's portion is nearly 26%, means it is Rs.1.6 lakh crore. NHAI has recently launched an InvIT for five schemes, whose combined enterprise value is Rs. 8000 crore, many UNESCO from pension fund has shown their interest in this InvIT, even EPFO and LIC have also bid for it. According to the government rules, now the contractors have got the permission for the amount to be released even against the bank guarantees, which challenges the arbitration award, this will help in resolving the liquidity issues in running the construction sector. National Bank for Financing Infrastructure and Development (NBFID) has also been established, which is shaping up now, Mr. K V Kamath is the Chairman of this and this has been established to meet the long-term financing requirement, in this there will be a development in infrastructure financing, bond and derivatives markets. Generally, in all States, now due to the release of lockdown, the traffic growth has increased on the National Highway, now the toll collection has also reached equivalent to the pre-covid levels approximately with the fast tag toll collection. And we can view the economical revival and keep expectation that the coming times will be much better.

Now we will talk about the company's financial updates. In the quarter 2 of financial year '22 we have done a growth of 45.47% in the revenues as compared to quarter 2 of financial year '21. And for H1 half yearly, we have done a revenue growth of 59.69% in FY22 as compared to FY 21. Due to lifts in lockdown and the continued focus from the government, we have done good growth in the last year and we now feel that COVID is to come to an end, however we have ensured that all employees working onsite are being followed with COVID protocols and we have arranged for highest level safety for them and we have also made medical facilities available everywhere. Due to this, employee confidence has been boosted and there is work in progress without any hindrance. In the second quarter of FY22 the major challenges that were there, one of them was the extended rainy season and the rains were very heavy and apart from that the raw material costs have been very steep in cement, steel. these are the major challenges currently in front of us. In Q2 FY21, we have bid for around 21 road projects, whose cost is approximately Rs. 20,000 crore and apart from this we have bid for nearly 47 in this financial year. The total bid now including road and metro are, 41 in highway and 6 in high-speed rail and metro whose value is around Rs. 44,000 crore, however in this we do not have results yet for 13 projects worth Rs. 13,000 crore. We are continuously bidding in road and metro projects and we have a firm expectation to build a strong order book, the order book till September '21 is worth Rs. 15,782 crore in which 30 projects are included and apart from this, one metro project worth Rs. 592 crore, we are L1 in it, but LOA is still awaited for this. In our orderbook, there are total

63.35% comprises of HAM and 31.21% EPC projects. Around 87.29% of our orderbook is from NHAI and our road orderbook is spread across in 12 states. Currently we have 23 running projects in our orderbook, whose total value is Rs. 7800 crore and 7 projects have been excluded from this, since their appointed date is not yet announced, and they are expected to be announced soon. We also are confident that we will complete all the projects within time.

Apart from this, we have completed 5 projects in this year, out of which 3 are EPC and 2 are HAM. Now in our portfolio, we have total 16 projects of HAM, from which 7 projects are under operational, which are completed, 2 are under construction and the 7 projects that were awarded, we are yet to get their appointed dates. We have also started to operate in a new Power segment and we have created a separate vertical for it and for bidding we have formulated a team, for which the process is underway and we will begin bidding in Power transmission also in the coming times. Thank you. Mr. Anand over to you for further updates.

Anand Rathi: Thank you sir. Very good morning to all and a very warm welcome to all to the second earning conference call of G R Infraprojects Ltd., myself Anand Rathi – CFO for the G R Infraprojects. Let me take you through the financial highlights for the half year ended September 2021. In terms of our standalone revenue from operations that has increased by Rs. 1432 crore approximately, a growth of 59% year on year from Rs. 2400 crore in last half year of the fiscal 2021, to Rs. 3832 crore. This increase was primarily because of the higher execution as this year COVID impact has already gone, it is a minimal COVID impact which we have witnessed this year and our consolidated revenue from the operation also increased by Rs. 1500 crore approximately, from Rs. 2634 crore to Rs. 4146 crore in this current fiscal. Our standalone EBITDA margin has decreased to 16%, largely due to this figure bonus which was recorded last year but there was no bonus which we have received in current year and of course again because of the material prices as Ajendra sir was telling and margin at group level also decreased to 20.76% in first half of 2022 from 23.78% from first half of 2021 and this reaction is primarily on account of that bonus and again that commodity prices and one more factor was there which was GST rebate clarification that was announced by the government in 2nd quarter of this fiscal. On standalone basis, our PAT grew by 73% to Rs. 366 crore in current H1 as compared to Rs. 212 crore in previous H1. On consolidated basis, our PAT has grew by 48% approximately and which is Rs. 410 crore in current half year as compared to Rs. 277 crore in last half year. Our standalone net worth has also increased by Rs. 365 crore reached the level of Rs. 3969 crore at the end of September 2021. Our consolidated net worth has also increased by Rs. 408 crore, reached to the level of Rs. 4389 crore at the end of September 2021. Our standalone borrowing outstanding at the end of this half year is Rs. 1204 crore, that includes the short-term borrowing of Rs. 145 crore, this has witnessed reduction of Rs. 147 crore approximately at the end of the previous fiscal as of 31st March 2021, while our consolidated borrowing at the end of this current half year is Rs. 4783 crore that also includes the short-term borrowing of Rs. 145 crore, so it is increased by Rs. 288 crore. Our consolidated debt equity ratio has also come down to 1.09 at the end of the current half year from the level of 1.13 as of March 2021. If we talk about the mobilization advance from the, or the customer advances which we have been receiving from NHAI has also gone down to Rs. 144 crore as compared to Rs. 256 crore from March 2020. In the first half, the company has made addition into the fixed asset to the tune of Rs. 134 crore, our net block of property, plant equipment and all that, these assets is now Rs. 1366 crore at the end of first half. This was almost same even at the end of March 2021 it was around Rs. 1373 crore, so it is almost same. Investment in our HAM projects is, in form of loans and as well as equity is now Rs. 1181 crore at the end of this half year, it was Rs. 1194 crore at the end of March 2021. Balance promoter contribution, balance contribution which is required from the company is around Rs. 1370 crore, which is to be invested in those SPVs in the next two to two and half years. Working capital days remain at the same almost at 77 days, which was **63** days at the end of fiscal 2021. Our trade receivables at the standalone basis is Rs. 671 crore compared to Rs. 897 crore as of March 2021 and trade receivables at group level is Rs. 282 crore at the end of first half as compared to Rs. 491 crore as of March 2021. Our unbuilt revenue at the standalone basis is Rs. 651 crore compared to Rs. 266 crore at the end of March 2021 and on consolidated level, our unbuilt revenue is Rs. 444 crore as compared to Rs. 197 crore as of March 2021. Inventories are almost at the same level, it has reduced, it is Rs. 967 crore which was Rs. 1058 crore as of March 2021. Our cash and cash equivalent on standalone basis is Rs. 449 crore at the end of first half as compared to Rs. 541 crore, which was at March 2021, at consolidated level cash and cash equivalent is around Rs. 731 crore which was Rs. 830 crore at the end of March 2021. This is all about the financial highlights, further we believe that Infra is a long term play and use of opportunities exists in the country, the sector and a healthy balance sheet with good corporate governance and introduces implementation of the strategies are keeping us, our company in advantageous position and we will try to do our best to encash all those opportunities and fulfill the expectations of all the stakeholders. Again, I would like to take this opportunity to thank you all the stakeholders for their support and faith in the company, we look forward to your continued support in this company. Thank you very much, thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Mohit Kumar from DAM Capital, please go ahead.

Mohit Kumar: Good afternoon, sir and congratulations on decent set of numbers. My first question is, order inflow has been very muted for us in the H1, how is the tendering activity and how much orders expected in H2 FY22 and some color on the segment wise or tendering activity?

Ajendra Kumar Agarwal: Generally, the tender activity that is there, you will see that it is in the second half by the government. And in the first half, during the first and second quarters, the activity has been less due to the rainy season and the regular Covid issues as well but it is very good in the coming times and the government has improved the award process in H1, they have awarded nearly 2000 kilometers' projects and this will be nearly 4000 kilometers in H2. In Metro also, the tenders have increased so in the coming times, we expect that this will help us in keeping a healthy order book.

Mohit Kumar: Sir do you have any number in your mind, that you are targeting at?

Ajendra Kumar Agarwal: I cannot give you a fix number but the way the revenue is targeted, it is two times of it. Means, anytime we should have the order book for the coming two to two and a half years. We will see for each project, so in today's date there is a construction period of two to two and a half years and we take additional six months for mobilization and the appointed date. So generally, we should have a three years' order book with us, this is the way we target.

Mohit Kumar: My second question was that you said that you will participate for power transmission, so will you participate in the transmission bids or will you only do the EPC work for those who will be winning the bid.

Ajendra Kumar Agarwal: No sir, we are going to bid in the power transmission.

Mohit Kumar: So you are going to compete with Adanis and the Power grid of the world, is it right?

Ajendra Kumar Agarwal: Absolutely.

Mohit Kumar: Sir is there any particular reason, why we have targeted this segment where I believe the competition is already quite high, is that not sir?

Ajendra Kumar Agarwal: Yes, this is the reason to target it, these projects are parallel to our Highway and Railway activities and the capability that we have to deal these projects, we deal in the Highway and the Metro, there is a quite a lot of similarity in that. Apart from that we have the galvanization plant and that kind of manufacturing facility as well. Looking at all these, we expect that we will be able to compete in this market.

Mohit Kumar: Sir lastly, what is your margin guidance for the full year, for FY22?

Anand Rathi: So guidance we have also informed earlier Mr. Mohit, what we are trying is, because the projects have not yet started so generally because of that also, I mean our Rs. 16,000 crore order book that is there, from that the Rs. 8000 crore order book is pending, waiting for appointed date. So the margins go up and down due to that also but then idea is to have this kind of margin continued for next one, one and a half year, whatever is our existing order book what we have witnessed in last year is around 17% kind of EBITDA margin so that we expect to continue with the same kind of margin going forward also.

Moderator: Thank you. The next question is from the line of Mayur Patel from IIFL AMC, please go ahead.

Mayur Patel: Yes, thank you for the opportunity. Just on the margin, given the inflationary pressure, if you can just explain how are you dealing with the commodity rally which has happened and how confident are you to maintain 17% margins?

Anand Rathi: So let me take this question, I mean because generally we have got escalations clause. So in short term of course, there is challenge. Some probably in quarter or two quarters, we may find it difficult and there maybe some here and there as some sort of hit that we may witness but then over a period of long term, what we believe that, while we will be executing the project, whole project this inflationary pressure will not be that significant in terms of while completing the whole project because we have got escalation clauses also, so it is not a big challenge.

Mayur Patel: Okay and anything you want to share in terms of monetization plan of your assets?

Anand Rathi: Yes, monetization actually we have been working in this particular this side also and because of disruption which was created or which inducted I would say rather, I do not know created or inducted but then disruption was there because of interest and while we have been holding most of the projects under HAM where interest rate is playing a key role and in earlier, I would say, in last one, one and a half year what we have witnessed is, interest rate from NHAI side, I mean from our earning side has brought down drastically while interest cost was not brought down, could not be brought down by the banks to that extent. Now what we have been experiencing is that interest rate is also going down for our HAM projects and probably would be, you know get better value if we would be able to monetize these assets in the next six months and this is the time right what we believe, this is the right time to act in this particular space of monetizing and we are working on it, maybe through InvIT or maybe direct selling, is not sure but yes, we are looking for but at the same time we are not even under pressure. So, we are eventually getting our equity released also with the passing of time, right so it is not a that penetration which we have been pulling but then yes, we are working on this.

Mayur Patel: Sure, so next six months we should see some, at least some deals happening in terms of monetization, that is the …

Anand Rathi: Yes, but we are not desperate, so unless and until we get the good opportunity, so we are not desperate, there is no pressure but yes, we are exploring.

Mayur Patel: Just lastly, in terms of competition intensity, like you sounded really positive on the outlook for tendering, so can you just share some insights on the competitive landscape, how, what kind of intensity are you seeing in the new tendering, has there been any consolidation in the sector from the weaker players they have wound up or you think the competition is as live as it was in the past?

Ajendra Kumar Agarwal: Sir, see in this industry the competition has always been there. Not only this industry but any industry also, the competition will anyways be there but what the government had released during the Covid times, due to the bank guarantees and all, the competition has increased a little but maybe post December, this government's release will not go forward because the covid effect is over now and we feel that this opportunity will come back in the market at better levels and the way the opportunities are also increasing, means apart from the competition, the opportunities are also increasing, due to which we feel that we will be able to maintain our strong order book.

Moderator: Thank you. The next question is from the line of Vibhor Singhal from Phillip Capital, please go ahead.

Vibhor Singhal: Hello sir, thanks for taking my question. Sir my question was basically on again, the order inflow and the growth potential for the company. I think, we have discussed this many a times but I think as we have discussed that, you know the first half the order inflow has been quite weak, in the second half we are expecting much better order inflow but given our current order book, if we have to basically let us say, grow even by 10% to 15%, we need more than Rs. 10,000 crore of order inflow every year. Now maybe this year as NHAI is looking to award around 6000 kilometers and as you mentioned the orders may come in the second half but going forward, do you think the opportunity is there for us to grow in that segment, given that generally, when we approach towards to the election period, the order awarding tends to go down. So apart from power transmission and all, are there any other revenues where do you think like State Highway projects or any other places where you think we can have large chunk of orders coming through?

Ajendra Kumar Agarwal: As we said earlier, that in 2024 the second Bharatmala Pariyojana scheme is also getting launched and in this there is a scope of nearly 30,000 kilometers. And apart from that, like we are seeing in power transmission, the second opportunity we see, comes in the construction sector but we generally avoid with the States because in the States the contractual obligations that are there, the payment disciplines that are there financially are less. We ensure that we bid in those projects in the States in which financial discipline scheme is there, proper financially closure is there. If you see today only, the inauguration of Purvanchal Express that is taking place, the UP government has completed this. This is total of 340 kilometers, in which we have completed 88 kilometers, nearly 25% portion is ours, whose inauguration will be done by the Honorable Prime Minister. This way, we only go into those projects only in the States, we keep a view on those projects in which financially proper discipline is there and we definitely bid over there. So, in the coming times, the way the Central government's and the State government's involvement has increased in the Railways and the Highway, we feel that we will be maintaining the growth in the coming times. And this is for sure that along with this the competition will also increase and we will have to see new sectors and new things, we are always active on those lines and we keep a watch on it.

Vibhor Singhal: Yes sir, great to hear that, my second question is on the power transmission that you mentioned. So, sir in which way are we trying to enter in this segment? I think in the last question's reply you said that we are not only going to do EPC, we will bid for the projects, in which we will compete with Adani and all such companies. So, I mean, this segment is a little new for us and what kind of capabilities are there in this segment and what will be the project size and in which pockets are we doing, how much capital are we ready to invest in these projects, if you can give some color on it?

Ajendra Kumar Agarwal: These TBCB projects that are there, tariff based competitive bidding takes place in this and the way these projects are executed. The capabilities that we have is the experience that we have in Highways and Metros, that experience adds on with this and apart from that the Ahmedabad facility that we have, the galvanization plant is there and different manufacturing facilities that are there, will help in this all the more. And in the coming times, the projects that are there for sure, initially we will try to bid only for projects which are under Rs. 1000 crore, then we will move forward step by step for even bigger projects.

Vibhor Singhal: Right, sir just my last question. Given that we already have such a big HAM portfolio and apart from that, we are also going into proper asset ownership in the power projects, transmission projects also, so is it not that gradually from an EPC company we are becoming a company in which more assets are there and EPC is also there but the asset share is growing gradually in our business profile? So is the management comfortable with this, means are we okay with this path that we are taking this company on?

Ajendra Kumar Agarwal: If you will look at the financial strength in your company, so wherever we are holding an asset, none of those assets individually is giving any stress to us. That means the model that we have made in the asset holding, is self-sustainable. If you do not consider these projects in the company, then also it will not make any difference to me. Our Individual project is of AAA rating, we will work in the same way going forward also, that there should not be any liability on the company due to the assets. Asset is in the form of asset; it is not in the form of a liability. The problem generally arises when we give the name of asset to that project but it is our liability. In our company, any project is in the form of asset form only and apart from that, additionally we see this opportunity as Mr. Anand mentioned we see its opportunity in monetization also in the coming times but we do not have any stress due to that, we are looking at this opportunity but there is no kind of hurry in this. We can move forward in these kinds of projects but going forward also, we will keep this thing in mind that any project which is an asset, should not create any kind of liability on the company.

Anand Rathi: To add on this, in this what is there, because see generally we like to be EPC company only but then what problem happens is that in today's date you will find that there is a big competition in the EPC segment. So basically, to keep that ball rolling, what happens with us is that we have to shift from let us say, EPC to asset only for a period of one or two years. We have made assets earlier, we have sold assets earlier, we have monetized assets also but then point is, it is very much clear in our mind that the asset that we are holding, we should get returns on it, it should not be a kind of dump asset, returns should keep coming from it so that we would be able to encash it as and when we want, we wish, right? So today we cannot go and bid in EPC because the kind of competition which we have been witnessing, means you will not be able to make profit from it, probably you may have to book a loss immediately, that kind of bidding is happening and for whatever reason. So, you cannot stick to only to one policy that no, I want to do EPC only because I have to adjust myself. And what we believe is, that today if we want to dilute anything in the company, over the period of next three years we have to dilute, we have to dilute the promoter stake up to 75%. The capital that will come and if we find the opportunity that capital can be deployed at kind of 20%, 20% higher up, we would always like to you know grab those kinds of opportunities, this is what we feel.

Moderator: Thank you. The next question is from the line of Jiten Rushi from Axis Capital, please go ahead.

Jiten Rushi: Yes, good morning, sir, thank you for taking my question. Sir two questions from my side is on the revenue guidance, so first half we have seen our revenues are Rs. 1300 crore, so what could be the revenue in the next half because the executable order is low? So, what kind of execution we are expecting in H2, whether we are expecting a growth over FY21 or it can be a flat one?

Anand Rathi: Yes sir, so as in terms of numbers, the topline number your question is in the next half, it is because that our orderbook, most of the orders as of now, so you can say 50% of the order book the execution has not yet started that is why even in our first call I have clearly mentioned that probably this year we may not be achieving that kind of growth maybe in the range of 10% only, so depends on and what we are expecting is that the appointed date awaited for the Rs. 8000 crore order book, probably we will be getting the appointed date in the next 1-1.5 month, by January end all those projects would be started and hence in terms of growth for the current year probably it would be in the range of 5% - 10% only.

Jiten Rushi: What will be the target for next year then? If the projects come under execution, then what will be the run rate?

Anand Rathi: See we are even equipped, we are very much comfortable even achieving growth of 20% - 25% year on year basis, so that kind of infrastructure we are already built in within our company.

Jiten Rushi: And from the EBITDA margin as you said, so now going forward you are expecting no bonus clause from NHAI even with the extension of time, so what could be your steady state margin going forward, so are we expected to come down to15% - 16% or we can go back to the original working levels?

Anand Rathi: That actually depends on, generally if we are particularly if we talk about road sector, if we are bidding for let us say HAM projects where I have to arrange the equity as well probably my EBITDA margin would be higher and if we are only talking about EPC, which we believe that probably in next 6 months we will not be getting much EPC but then in EPC we can be even comfortable with less than 14% - 15%, that kind of margin for EBITDA but in HAM probably what we are expecting is 20% kind of EBITDA margin. So, it depends on what kind of projects or what kind of projects we are having in our portfolio or orderbook.

Jiten Rushi: Sir CAPEX which you said of Rs. 134 crore, full year would be around Rs. 200 crore CAPEX?

Anand Rathi: Yes, maybe around Rs. 300 crore, not more than that.

Jiten Rushi: And sir as you said that, can you give me the retention money outstanding and what addition mobilization advance we are expecting in H2 and also on the unbilled part, your unbilled revenue seems to be high Rs. 651 crore as against March which is shared, so why it is so high what is the reason for that?

Anand Rathi: See unbilled revenue is the work which we have executed in the last month and for which the bill would be raised in the next month, generally this is the unbilled revenue which we are accounting, right. So, if we compare September with March, generally in March, because year-end strategy, the government NHAI releasing the fund even before completion of March, so what NHAI is asking is that you just raise the bill up to 20th of March and they would be releasing that money up to 28th of March, right. So, for March the unbilled revenue remains only for 10 days and in September there is no such kind of __39:40 which is being applied or adopted by the government, so it is a whole month bill.

Jiten Rushi: But we are doing most probably HAM projects, so probably that will be upstream from your SPV right?

Anand Rathi: Yes, so that is also because on 30th of September I cannot bill, right? On 30th September 12 midnight, it is a E-way billing, it is a GST billing, so you have to calculate, it will take time at least 2-3 days to evaluate what work has been done in last one month and I mean I have to close if I have to bill it, I will have to bill it before 12 midnight.

Jiten Rushi: And sir on the power team where we are marching on it sir, so are we going to bid in JV and again in terms of competition, so we see the Power grid which is one of the largest players in the country, like very competitive now because they now can borrow at a very lower rate of less than 7%, last year also we saw Power Grid winning most of the projects and then about likes of Adani Transmission, Sterlite Power so are we bidding with some backup of some kind of a private investor like back to back subcontracting wherein we will bid in the project and after COD we will transfer the asset to that investor, we will flip that asset to the investor? Or we will be operating the asset forward like 25-30-35 years, what is your strategy in this? Because this seems to be very challenging for you.

Anand Rathi: See, first of all actually we never thought of or we will never think of that we will be holding the asset for the whole period, this is not our DNA, be it road or power, right? We always try to flip it because we do not want to be in this kind of, see particularly in power when we say the asset is already completed, then there is nothing that can be accrued to us, right? Even let us say if we are holding road project, probably we will be earning that O&M income and all that, which is a substantial part I would say that is not the case with power, so generally if we are bidding for power then we would be targeting to sell it off after two years or one year, whatever the case maybe but that would be our target, even the same target we are keeping in the road sector as well. But then see what has happened in last 3-4 years is because of GST disruption in particularly in the road sector we were not into then into power sector, so most of the projects in road sector we have been awarded before GST which is right now operational, so there are differences in GST claim, when we are selling it of to any investor, probably we may have to lose on that particular ground, we have to probably would be losing certain amount on that particular GST differential.

Jiten Rushi: My question is more on Power T&D, not on road.

Anand Rathi: Exactly, what I am saying is what we believe is that even we are not willing to hold those road assets, certainly there is no attraction for us to hold those power assets for 30-35years and one more thing which you highlighted is that is our strength where we are raising the money, we are even able to borrow the money from the market at 6-6.5% from the road sector, right? So, that kind of goodwill which we are enjoying in the lending market, in the financial market, so that is going to certainly, what we believe is going to help us in making ourself competitive while we will be competing against The Power Grid or Adani, whatever that is the extent we believe.

Jiten Rushi: We are a qualified independent to bid for these projects?

Anand Rathi: Yes, we are qualifying on independently. And any equity or any investment which we are putting into any asset what we are ensuring is that it should, at least earn 16-20% kind of IRR.

Jiten Rushi: Sir our equity commitment which is remaining, can you give the breakup around as you said in the opening remarks that there is balance in equity commitment, so can you give us the breakup for that commitment for H2 FY22 and FY23 for the HAM projects?

Anand Rathi: HAM projects H2 is around Rs. 350-400 crore depending on the start of the project and then year on year Rs. 400 crore equity investment.

Jiten Rushi: Okay and sir last question from my side what kind of __44:24 if you are not able to monetize any of the HAM projects, so what kind of additional equity we are ready to commit in HAM if you win additional Rs. 4000-5000 crore of orders in H2 and probably will come in next year Q3 and then again you are going into this power thing, so what kind of equity capital you are ready to commit if you are not able to monetize your HAM?

Anand Rathi: See for the HAM actually what the model so far we have made to, need not to put any equity investment, we need not to borrow any equity to put equity into HAM projects so far, we have been able to maintain our PAT margin more than 10% in the range of 10%, we will be able to deploy whatever equity is required for HAM projects, yes of course if we talk about transmission probably we are thinking through it and whatever surplus, I mean we are evaluating on that as Ajendra Sir also told you that we will not be very bullish on day 1, we will be just evaluating, one or two projects we will be bidding and depending on the progress as well as the financials.

Jiten Rushi: No, point is that how much maximum equity can you invest, apart from the equity that we have committed, how much more can you invest, if you are not able to sell any of the asset?

Anand Rathi: So, HAM project I can get more and more projects there is no pressure on me to sell existing HAM portfolio.

Moderator: Thank you. The next question is from the line of Faisal Hawa from H.G. Hawa and Company. Please go ahead.

Faisal Hawa: The Bharatmala 2 project and the Gati Shakti with which it is being built what will be the biggest impact of them on roads? And how fast can it come.

Ajendra Kumar Agarwal: I did not understand the question?

Faisal Hawa: Bharatmala 2 project that is there what can be its effect on roads in terms of value of orders and GatiShakti in itself is an overall infrastructure project, so how will the roads actually benefit from this, and in value terms how much can the benefit be?

Ajendra Kumar Agarwal: See this Bharatmala 2 is scheme for roads only it is a 13000 km scheme.

Faisal Hawa: Value wise how much it will be in crore?

Ajendra Kumar Agarwal: Value wise.

Anand Rathi: Total value of Bharatmala is Rs. 535000 crore and in them around 15000-16000 km is already awarded and executed and balance 17000-18000 km are pending which will be awarded next up to ‘24 this is the plan and in this what is there otherwise also the plan that is there, NIP that the government has declared for 110 lakh crore, till 2025 the investment in road sector particularly only on road around Rs. 18-20 lakh crore investment is there on a yearly basis is envisaged. 20-25% from Rs. 110 lakh crore. So, in every year there is investment of Rs. 3-4 lakh crore investment, so the sector it includes both NHAI and State government and the Gati Shakti that you are referring to, Gati Shakti is basically a coordinated affair of the government, now what is there, roads are there for railways there is no coordination, sometimes because of roads railways are stopped and sometimes because of railways roads are stopped. Sometimes roads are affected due to power and because of road power is affected, so what they are trying is that every agency whosoever is executing the infra project in the industry they should come on board on a single platform, so that it would be better in execution, there will be benefit because of this and execution will be faster that is the target of the government.

Faisal Hawa: So, you are saying almost Rs. 3-4 lakh crore orders could come through because of this infrastructure pipeline, plus Bharatmala?

Anand Rathi: Exactly.

Faisal Hawa: Which is quite big, currently we don't think so there is such a company which could absorb this fully?

Anand Rathi: Right, so at present is that in the last 1.5 years what has happened is the state finances have been disturbed, so not much projects are awarded by state, whatever backlog is there that will also come through and government is also pressurizing, Honorable Finance Minister Ms. Nirmala said yesterday only that they will do upfronting to states in terms of their devolution of GST stake, right? So, for next half year GST that should be given, they will give it upfront now just to help the state to spend on this infra or to take their plan, so in the coming times __50:13 overall the projects that would come in this sector, it would be in the range of 4 lakh crore, year on year basis.

Faisal Hawa: So, do you feel that the ticket size could also increase, like right now it is Rs. 1000-1200 crore projects, so they may become Rs. 2500 crore or Rs. 5000 crore project and in the Rs. 5000 crore project the company's that are eligible to work will become less?

Anand Rathi: No, sir the project size will increase because the execution cannot be dependent on SMEs, if small projects worth Rs. 500 crore are getting awarded that is generally, in them a lot of small companies have come now and probably would not be able cope up and if the governments' plan is there, there are so many projects and when a lot of stakeholders come into picture, projects get stuck only because of a problem happening in one link of the entire chain and that stalls the entire project, so what we believe is that if the government has to work in an organized way then going forward, now the SME focus that has come into picture it is only because of pandemic, which is going on for the last 1-1.5 years because government's pressure was that if the projects could be awarded to these small companies, then the industry will be maintained well and that is how the government thought but the size of infra development that the government has targeted, for that they will have to increase the size.

Faisal Hawa: Sir in this Rs. 3-4 lakh crore if they issue orders worth Rs. 500-700 crore then we will not be even able to…..

Anand Rathi: Exactly.

Moderator: Thank you. The next question is from the line of Ashish Agarwal from Principal India. Please go ahead.

Ashish Agarwal: Sir thanks, I have two questions. First is that, at present our orderbook comprises 95% of the roads. So, given that we are going into Metro and T&D, so what will be the target after three years? Is there any target that it will be 20%, 30% should come from the new segments and secondly, I wanted to ask Sir that our margin at the moment, if I add other income also, then according to the presentation shown by you, was 17.5% in the first half, so wanted to understand when we will enter Metro and T&D, then will our margins come down, right? Because when I look at the other companies, every company's margin is less in this segment. So, will our consolidated margins come down after that?

Ajendra Kumar Agarwal: The way we think about this, that we will try to take 15% to 20% from Metro and Power transmission in the coming three to five years, up to 80% will be from Highway as it will remain our main focus. And as far as margins are concerned, it depends on many things, it also depends on the commodity prices also, though in every thing there is a provision of escalation. Indian something or the other, sometimes we get advantage, sometimes we get disadvantage, due to which plus or minus here and there takes place. Plus, apart from this, the way in the market, sometimes the competition is little less, sometimes it is little high, so due to that also, the margins go plus or minus 1% or 2%. We cannot say exactly about the market but we can say this much that in the coming times in three years, we will focus on Highway sector up to 80%.

Ashish Agarwal: And Sir there was a question for Anand sir, it is a clarification. Anand sir when you said that we will target 17% margin in FY22, this includes other income, right?

Anand Rathi: The other income; if we are including other income probably then it can be even, it can go even beyond 17%, so it maybe in the range of 18%.

Ashish Agarwal: So, you are saying, it is 17% excluding other income.

Anand Rathi: Right, that would be our target.

Moderator: Thank you. The next question is from the line of Manish Goyal from Enam Holdings. Please go ahead.

Manish Goyal: Yes, thank you so much. I have two questions; one on price escalation sir, how much price escalation we manage to get in EPC as well as HAM projects, in situation where price rise are quite steep like what we have seen in the last six, eight months?

Ajendra Kumar Agarwal: Sir, the mechanism of price escalation that is there, it is directly on index basis. So now when the price rises suddenly, in any particular month when the escalation rises but if you see its index, it will not rise in the same way in that month, a little hit comes there. Same way, if it goes downwards, then we get an advantage in it but if we see in the long term, if we see on year-to-year basis, then neither there is an advantage nor a disadvantage due to price escalation, it gets neutralized but in short term we get its advantages and disadvantages.

Manish Goyal: So, sir now in the last six months or nine months what we have seen, so is it possible that we will not be able to get say 100% of price escalation for our projects due to the lag effect?

Ajendra Kumar Agarwal: No, 100% means how much its effect comes in actual; if the regular price is upside, then the amount of price that affects us, we are not able to get the same in escalation but whenever it becomes stable or goes downwards, then we get its advantage back. If we compare from year to year, then it gets neutralized but in short term its effect does come.

Manish Goyal: And sir how does it work out in the HAM projects, because when there is a steep increase, there if the price increases a lot, cost of cement, steel and this Bitumen?

Ajendra Kumar Agarwal: There also the escalation mechanism has been given and it is proper.

Manish Goyal: So, in that, do we get the complete escalation at the time of doing EPC or does it gets added in the project cost?

Ajendra Kumar Agarwal: It gets added in the project cost, it will be in the same way, so you will get 40% upfront as you get it and the remaining 60% gets added in the project cost. That is the reason you will see that the project cost that we bid and the final project cost is different, it is due to this only.

Manish Goyal: And sir last question, when we are expecting that we will get the appointed date 22nd January for our 7 HAM projects but meanwhile we are anyways would have started the preparation at the site. So, once we get the appointed date, definitely there is a possibility that we will be able to book some revenues from these 7 projects in quarter 4, sir?

Ajendra Kumar Agarwal: Sir initially if you see, in any project revenue is a little less, expectation is definitely there, we try our best, but generally in the first quarter, like if you see in any project, the beginning is only with the earth work and soil work is maximum, in that a little less revenue is generated.

Manish Goyal: Right, so basically in Q4, we may not see significant revenue booking from these 7 HAM projects.

Ajendra Kumar Agarwal: Yes.

Moderator: Thank you. We will take the last question which is from the line of Rajiv Mehra from Sanctum Wealth. Please go ahead.

Rajiv Mehra: Good afternoon, sir. Sir just wanted to again come back to your strategy of investing or going into the T&D space, just wanted to understand that what kind of equity have you guys decided to put in into this segment and how would your working capital and the debt levels move once this segment becomes of a decent size in the next couple of years?

Anand Rathi: So yes Rajiv, if we talk about the equity investment, I mean because initially probably we will not be targeting more than let us say, we will be bidding for two or three projects with the size of around Rs. 500 crore to Rs. 700 crore and depending on the outcome of that particular project, our experience in terms of what margins would be making and all that, then only we will be able to increase. So, for next two years, I would say, my equity investment in this particular sector would be in the range of only Rs. 300 crore to Rs. 400 crore.

Rajiv Mehra: Okay and sir how would your working capital cycle move, if we get into this space because what we have seen that, this obviously has a higher requirement as per the industry and as per what you are currently into the road space. So currently we are at 77 days, 80 days kind of working capital, would that be significantly up?

Anand Rathi: I do not think so, I mean there is no point why these working days cycle should move up because when we are into you know, because that funding tie-up is already there and then working capital, I do not think that the contractor would be getting the payment on time. I do not think there is any challenge in terms of working capital, I think we will be able to maintain our working capital at same pace.

Rajiv Mehra: Right and sir what is the kind of bid opportunities are you seeing in this segment, maybe into the second half or moving into FY23, so what kind of opportunities are you seeing or have you already put a bid for any project?

Anand Rathi: No, so far, we have been evaluating, we have set up the vertical, we have set up some team of three, four persons, who is just evaluating and probably what we believe is that we will be able to bid for at least four, five projects in the current fiscal, maybe in the range of Rs. 2000 crore to Rs.3000 crore kind of project that we will be able to bid in the current fiscal itself, depending on the government thrust and while as the government plan, you know everyone particularly government is planning for, have that kind of this power capabilities to have this 500 GW, 600 GW by 2030. So, what is that, going forward we will be having opportunities subject to always that we got the comfort in terms of financials of that sector.

Rajiv Mehra: Right sir and one last question, just wanted to reconfirm, so what kind of order inflows are we looking at targeting in FY23?

Anand Rathi: See all the revenues is told know because what we are trying is to have the, you know on our book to be bill ratio of around 2.5 to 3, so let us say, if we achieve the top line of Rs. 8000 crore, then probably our target o have that closing order book of Rs.20, 000 crore, Rs.24, 000 crore kind of orders, so that is how, I mean depending on, what kind of turnover which we are achieving, the current year almost 2.5, 2, 3 times of the turnover, will be tried to have in our order book.

Moderator: Thank you. The next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal: Who will do the EPC part of the T&D orders, PVCV orders which we will bid for?

Anand Rathi: We on our own will be doing that EPC part.

Parikshit Kandpal: Okay and eventually, these assets once they gets completed and if we have InvIT in place, that is the movement to the InvIT.

Anand Rathi: That is how we target because we never hold to intend the asset for long because certainly for power sector because they grow revenue going forward after once the project is completed.

Parikshit Kandpal: So basically, the bids entering into the T&D more on a larger strategy of enviable these assets into that InvIT and even the InvIT becomes more of a mix kind of road assets, you have T&D. So beyond and we can also show the site to investors who will come into that InvIT, so beyond T&D, is there any other segment like are you looking and of using a toll assets or airports or railways for that matter opportunities in segments beyond the T&D?

Anand Rathi: No, so toll asset also we are looking for, I mean we but then point is, unless and until we ensure that kind of return on the equity investment which you are putting into right, kind of 20%, kind of IRR, 18% to 20% kind of IRR. So if we find the opportunity, we will be able to certainly we will be investing because see then sometimes we find that EPC is quite competitive, getting EPC order is very difficult, so it is a kind of that for one or two years probably we would be switching to this and would be able to sell it off as in because the asset which we will be building would be having enough revenue, enough margin in terms of what the strategic investor come, when probably they can hold easily but the kind of return they would be getting by holding those assets. So, my asset, whatever asset I will be holding would be able to, you know we will be able to easily split. So that is the target actually, I mean how we are, while in the current scenario we will not be able to get more EPC, would be bidding into that sector and then probably one year down the line there would be, you know if this competition faded away, probably we would be again, will back to that EPC segment, that is our strategy.

Parikshit Kandpal: Just the last thing, so we have standalone InvIT which are available in the market and in our sales team mix InvIT is available, also from the large sovereign funds have their own private InvIT. So just wanted to check with you whether there are opportunities for tie-ups and strategic investors, in a way use kind of an InvIT and whether you will get a project valuation given that there could be a mixed use InvIT and more diversified side risks and returns can be played down rather than this year while calculated by a **(Inaudible) 1:05:51** segment kind of an InvIT. Your thoughts here.

Anand Rathi: No, so I did not get your question, your question is that, are we looking for startegic investor or?

Parikshit Kandpal: No, I am saying for most of sovereign bond funds have their own private InvIT, so this funding may not look at partnering with the individual or standalone companies because they already have a vehicle, a CV vehicle for investing, so do you see there are enough opportunities for other investors or new investors to come in partner with companies like G R or any other infra company? And since most of the InvITs are private, sector specific InvIT so you have not mixed use, so do you think you can extract a better valuation, given you have multiple assets at play here in this InvIT and those may help you in getting better valuation because this may get little diversified?

Anand Rathi: So, I mean, probably we may not to depend only on the investors for the InvIT, we can go, I mean we can get the InvIT listed, we can have this InvIT, you know the publicly placed InvIT. So what we believe is, so far there is that, there is enough return which is available on that investment or equities, whosoever the investor putting into you know InvIT, if we are getting decent return probably in the range of 10% and there would be the investor who is willing to invest more and more because there are so many pension fund even domestically they are interested to put more money into these kind of InvIT where you know, but here if we talk about HAM projects, where the cash flows are fixed unlike toll right? So, when we are having toll projects also in that same portfolio probably then we would be having a mixed kind of return because toll would be risky, HAM would be certain cash flow. Then point is, it maybe worth to have that both kind of product in the same InvIT may result into higher returns depending on the investor ask, I mean which investor is putting in money, what kind of return they are expecting.

There are certain investors who were looking for fixed kind of cash flow, so they do not want to take any risk, probably they would be even happy to have that 9% kind of return also, expectation probably will do the investment and there are certain investors who would be, you know expecting 12% kind of return but then it has to be seen through. We are evaluating all those but yes, of course if we talk about power sector, we would be having a separate InvIT and if we talk about the road sector, it would be separate, it will not be much, reason being that the holding period is different for these two assets, that is how as of now our opinion is but yes, I mean there are so many means available to go for InvIT and all that.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Parikshit Kandpal from HSFC Securities for closing comments.

Parikshit Kandpal: For closing comments, that will be Mr. Ajendra our Mr. Rathiji to close the call.

Ajendra Kumar Agarwal: Thanks to everyone for your continued trust in the company and the way the government's focus is in the Highway sector, we will keep trying with our full energy that we move our order book and execution capability even further, this will only be our focus and we will also be looking into different areas. Thank you.

Moderator: Thank you. On behalf of HDFC Securities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.