Sub: - Transcript of Conference call for Financial Results for 2nd quarter and half year ended on 30th September, 2021 / 30 सितंबर, 2021 को समाप्त 2nd तिमाहि और छमाहि के लिए अलेखापरिक्षित वित्तीय परिणामों के लिए समेटन काल की प्रतिलिपि

Ref.: Regulation 46 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015/ सेबी (सूचिबद्ध दायित्व एवं प्रकटीकरण अपेक्षाएँ) विनियम, 2015 के विनियम 46

Dear Sir/Madam, महोदय / महोदया,

This is reference to our communication dated 11th November, 2021. Please find enclosed the transcript of the Conference call held on 16th November, 2021 for financial results for 2nd quarter and half year ended 30th September, 2021 as Annexure-I.

Pursuant to Regulation 46 of the SEBI (LODR) Regulations, 2015, Transcript of the Investor Call is available on the Company’s website (www.ircon.org) under tab Investor Relations.

Please take note of above information on record.

यह हमारे दिनांक 11 नवम्बर, 2021 के संचार के संदर्भ में है। 30 सितंबर, 2021 को समाप्त 2nd तिमाहि और छमाहि के लिए अलेखापरिक्षित वित्तीय परिणामों के लिए समेटन काल की प्रतिलेख अनुबंध-1 के रूप में संलग्न है।

सेबी (LODR) विनियम, 2015 के विनियम 46 के अनुसार, निवेशक काल की प्रतिलेख कंपनी की वेबसाइट (www.ircon.org) पर टेबल निवेशक संबंध के अंतर्गत उपलब्ध है।

कृपया उपरोक्त जानकारी को रिकॉर्ड पर ले।

ध्यानदायिक.

भव्वीया,
क्रृति इरकॉन इंटरनेशनल लिमिटेड

(रिट ऑर्डर)
कंपनी सचिव एवं अनुपालन अधिकारी
सदस्यता क्र.: FCS 5270
Management

1. Shri. Yogesh Kumar Misra – Chairman and Managing Director

2. Shri. Surajit Dutta – Chief Financial Officer and Executive Director
   Finance
Moderator: Good evening, ladies and gentlemen. I am Steven the moderator for this conference. Welcome to the conference call of Ircon International Limited arranged by Concept Investor Relations to discuss its Q2 and H1 FY22 results. We have at this today, Shri. Yogesh Kumar Misra – Chairman and Managing Director and Shri. Surajit Dutta – Chief Financial Officer and Executive Director - Finance. At this moment, all participants are in listen only mode. Later we will conduct a question-and-answer session. At that time, if you have a question, please press ‘*’ and ‘1’ on your touchtone telephone. Please note that this conference is being recorded. I would now like to handover the floor to Shri. Yogesh Kumar Misra for his opening remarks. Thank you and over to you sir.

Yogesh Kumar Misra: Thank you. Ladies and gentlemen, good afternoon to all of you. I welcome all of you to this conference which is happening to discuss the financial performance of the second quarter and the first half ended September 30th, 2021.

With the unlocking of the economy, we have seen green shoots of progress in the economy as well as in the infrastructure sector where we operate. However, we still need to be cautious and careful to see that the recurrence of COVID without taking very soon. We are still going in a cautious way.

Without taking much time I would like to present to you the highlights of Q2 and H1 FY22 and then open the floor for question answers. I think the investors’ presentation has already been uploaded on our website as well as the stock exchanges. I guess, you have had a chance to have a look at it. I will go into the details of the performance later. I’m happy to inform that your company has entered into solar power segment with securing an order of 500 MW solar power plant costing approximately Rs. 2579 crores. This was obtained through e-reverse auction with the viability gap funding. This takes the order book value of Ircon to Rs.34,900 crores as of September 30th, 2021. During the first two quarters we have completed 100 kilometers of track linking on our important DFCC project of Vaitarna-Sachin out of the total 372 kilometers. We have also emerged L1 bidder in one project of signaling Sri Lanka and which is costing about US$15.47 million. In the domestic market we have emerged as L1 bidders in two high speed rail projects. The total value of these two projects is Rs.8,571 crores which includes a project of Rs.3,429 crores which is awarded to a joint venture of Ircon with another partner. We have also been appointed as independent engineer for operation management and development of Guwahati International Airport Project for Rs. 11.74 crores. Now as on 30th, September 72% of
our orders is on nomination and 28% on competitive bidding. The domestic order book now stands at 96% of the total and the foreign projects is 4%.

The highlights of Q2 FY22 standalone; our total income stands at Rs. 1503 crores as against Rs. 1015 crores in Q2 FY21. Revenue from operations stood at Rs. 1421 crores as against Rs. 968 crores in Q2 FY21. The core EBITDA reported was at Rs. 98 crores as compared to Rs. 68 crores in Q2 FY21. Profit before packs stands at Rs. 173 crores as against Rs. 104 crores in Q2 FY21 and profit after tax reported is Rs. 133 crores as against Rs. 76 crores in Q2 FY21. The earning per share of the company stands at Rs. 1.41 per equity share of face value of Rs. 2 per share.

The board of directors of Ircon is pleased to declare an interim dividend of Rs. 0.70 paisa per equity share on a face value of Rs. 2 per share for the second quarter. The interim dividend is in addition to the 45 paisa dividend that we had given in Quarter 1 FY22. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Vishal Periwal from IDBI Capital.

Vishal Periwal: On this solar project seeking a clarity that we will be the asset owner of this project and in EPC will be done in house, is that right understanding?

Yogesh Kumar Misra: We will be both the asset owner and we will do EPC in house. We have a joint venture with another company for this project which has an expertise in setting up such solar projects and we also plan to operate it. We plan to sign the power purchase agreements and operate it also after the commissioning of the project. We also have an option to exit from the project, offloading our equity to our partner at a pre-agreed rate of return which is around 14%.

Vishal Periwal: So, in this the JV, what is our share in this what is the JV partner share?

Yogesh Kumar Misra: Ircon share is 76% and 24% is our partner share.

Vishal Periwal: And what will be the funding structure of this asset?

Yogesh Kumar Misra: We hope the funding with about an 80:20 debt equity which is what has been achieved by our partner for some other projects, for us it's a new project. We hope that we'll be able to get that funding easily because this is a very attractive project and it will not be difficult to set it up and to sign the PPAs. Once we sign the PPAs our offloading is assured. I think we will not find any difficulty in arranging the finances.

Vishal Periwal: Is there any timeline for this off-loading of our stake. I think the rate of interest you mentioned 14%.

Yogesh Kumar Misra: This will be the equity IRR that we expect, we will get out only at that rate or whatever is the market rate available at that time. We will go for some kind of a market discovery of the price. If it's higher than 14% we get back. Otherwise, we get 14% from our partner. He has assured
to buy it back from us. This is the mechanism. You also asked that what is the time period? So, this project has to be set up in 3 years’ time, 36 months.

**Vishal Periwal:** And the 14% you are saying that will happen from the day one of investment plus COD plus some period of performance then only this will conclude?

**Yogesh Kumar Misra:** Yes. It will happen from the day the investment goes from our side.

**Vishal Periwal:** And second is on balance sheet, what is the amount of own cash that we have in the balance sheet?

**Yogesh Kumar Misra:** Our own cash in the balance sheet is Rs.590 crores. Our total cash if you see is around Rs.3899 crores, out of that Rs.590 crores is our own funds.

**Vishal Periwal:** And in balance sheet, I could notice so there has been a reduction in non-current assets from Rs.1385 crores to around Rs.762 odd crores. Can you clarify, the reason I’m asking because own cash, and there has not been a major change vis-à-vis what we have reported earlier. So exactly is the reason of reduction in the non-current assets?

**Yogesh Kumar Misra:** I think this is basically because of the return of the loan of Indian Railway Finance Corporation which is actually a pass-through entity in our books. It is not a loan taken by Ircon. This was a loan taken by us for the Bandra plot and this is pass through entity. The repayment obligation is of the Indian Railways. So, they are repaying that loan, so that’s why you can see this reduction.

**Vishal Periwal:** But I think in the liability side there is not a sharp reduction of any line item that I could see. That was the reason I was asking.

**Yogesh Kumar Misra:** The second thing is that we are actually now we had given some money to our SPV road assets and now we are replacing the funds given by us with loans taken from the banks. I think from one of the SPVs of Ircon Vadodara Kim Expressway, we have taken back some loan and we have replaced it with the, it’s Rs.589 crores and it has been replaced with a bank loan.

**Vishal Periwal:** But then to that extent, our own cash should have increased, is that right understanding?

**Yogesh Kumar Misra:** I think it has increased.

**Surajit Dutta:** We have given dividend also out of that and we have invested also, you can see that it has increased, if you compare with our previous quarter it has increased.

**Vishal Periwal:** And last thing from my side is on execution target. So, the first half has been in terms of execution the momentum has been there with us. What exactly that we are internally targeting to close this year at in terms of revenue and margin that if you can give some clarity?
Yogesh Kumar Misra: I think our third and fourth quarters are the best, normally for any construction company any infrastructure company. We are also hoping because all our projects, the resources are fully mobilized and we have no issues on any of the project where we are working. We hope to close the year with a total revenue of more than Rs.6000 crores at least and a profit of maybe profit after tax of around Rs.480 crores odd. That is that is our projection. We should be able to exceed that.

Moderator: The next question is from the line of Jainam Shah from Equirus Securities.

Jainam Shah: Just follow up question from the last question about the revenue guidance. We were given understanding in the fourth quarter con-call that we'll be touching around Rs.70 billion for this FY22 and around Rs.100 billion for the FY23. So wherein now currently we are seeing that around Rs. 6000+ crores of revenue for FY22. So how we are maintaining the FY23 guidance and considering that almost 1.5 months for the 3Q has already been passed. So, the run rate of 2Q has been maintained for 3Q or it has increased also, any color on that?

Yogesh Kumar Misra: The guidance I think I would still like to maintain the guidance. Although we how to really surpass that, the guidance that I'm giving of Rs.6000+ crores, we will definitely surpass that. The next year's guidance also would remain the same because still our some of the major projects will be in the final stages. We would be next year also our revenue guidance should be better. Now that we are securing, we are able to secure some more projects from High Speed and all, so maybe the future guidance also would remain.

Jainam Shah: So, it's (inaudible 14.27) around Rs.8000 crores order book we have received, so when we expect to start the execution on the same like in a year or something like that?

Yogesh Kumar Misra: You talking about the High Speed?

Jainam Shah: Yeah.

Yogesh Kumar Misra: High Speed projects, we have two projects. One is we are going to start getting the revenues from the next financial year itself, that is a 4 years project. We have a track project which is yet to be awarded. There also the project is 4.5 years but the value is 5100 crores. So, 1000 crores revenue we expect coming from the second year onward because our procurement for the project would start and many of these components are to come from Japan. So, I expect this from second year onwards, first year would be preparatory year where we are going to mobilize, we are going to get our people trained for the track project. The timelines are such that after 1.5 years in fact we'll get the first viaduct for laying the track. So second year onwards our revenues will start and maybe around Rs.1000 crores this year should come.

Jainam Shah: Coming to the margin point like we are having the core EBITDA margin of around 6.7% and 6.9% for this 1Q and 2Q, so the given understanding about the overall EBITDA margin including
other income of double digit, so what is the exact core EBOTDA margin we will be maintaining for this balance half year and for next 2 to 3 years?

Yogesh Kumar Misra: If you see our core EBITDA margin was about 100 basis points higher this quarter but because we have made a provision for a one closed project where we suffered some adverse judgment from one of our closed projects. We made a provisional 15 crores which comes to roughly about 1%. Our margin should have been better this year but this is how I think this is the range in which we hope to close the year in the same 7% to 8% is what a core EBITDA margin we will close the year.

Jainam Shah: So coming to the road asset portfolio. You said that we have taken back the loan that has been given to Vadodara Kim Project. Currently what amount of investment we have given in all the road projects and what more amount to be invested over the next two years in particularly road assets only?

Yogesh Kumar Misra: The total equity that we have committed on road project is a Rs.607 crores, out of which Rs.554 crores is already invested. The remaining will be invested in our latest project that we have is Gurgaon Rewari, in all other whatever was the equity requirement we have already invested. Out of the loan of Rs.1511 crores which we have committed Rs.1000 crores is already paid and the balance will be paid in due course now.

Jainam Shah: This loan amount of Rs.1500 crores to SPVs Ircon has committed.

Yogesh Kumar Misra: Yes, to our wholly owned subsidiaries, these are all road assets. This is a requirement of the National Highway Authority to create an SPV and it has to be funded through a mix of debt and equity. So that is what we have done. We have six road projects out of which three are already completed. We are earning tolling on three projects and two projects off hybrid annuity we are expecting to commission this year. Our annuity payments will start within this year itself. Another one the last one, the sixth one it has been awarded last year only. We are yet to have the commissioning date and this also we hope to commission on time. Our record is to commission all road projects on time. So, our tolling has started on time. Now on the hybrid annuity projects also our annuity payments are going to come on time.

Jainam Shah: But the way we have taken back the loan from the Vadodara Kim Project by taking the external let into the subsidiary. Are we not planning to take back this around Rs.1000 crores or Rs.1500 crores back by taking the loan at SPV level from the banks or financial institutions?

Yogesh Kumar Misra: Yes, we have planned to do that. In fact, one Ircon Shivpuri-Guna already we have a sanctioned loan from one of the banks. We have also taken approval from the National Highway Authority of India. We’ll be doing that, I think maybe within this quarter or next quarter. We don’t need the money right now. We are just delaying it a bit but we are hoping to get one or two maybe more highway projects and after that we’ll be taking this money and then taking out our cash.
Jainam Shah: So as on date there is no much requirement, around Rs.50 crores requirement is there to be put into these projects whereas the inflow could be at around Rs. Rs.1000 crores.

Yogesh Kumar Misra: That’s right.

Moderator: The next question is from the line of Anuj Jain from Globe Capital.

Anuj Jain: Can you please give some color on the Bandra land? What kind of approvals we have got and what kind of development we are eying for?

Yogesh Kumar Misra: In which project?

Anuj Jain: Bandra land that we have.

Yogesh Kumar Misra: Bandra actually we have had in principal approvals coming from MMRDA and the Maharashtra, the Greater Mumbai Corporation, we have in principle approval from them. But then we have to process and sign a tripartite MoU between Railways, MMRDA and Ircon. So that also draft we have submitted it is under consideration by both the other parties.

Anuj Jain: What kind of revenues we are looking whenever it goes through?

Yogesh Kumar Misra: Right now, nothing can be said because the main issue with the development of that project was the entry and exit which has to be permitted by MMDA. They have in principle given the approval. Once that happens only then we’ll be able to realize the true potential. Initially, we thought we would be hitting about Rs.3200 crores of revenue from the long-term lease or sale of the plot. That depends on whether we are able to get good entry and exit points and that remains the key element which is yet to be decided but principally MMRDA has agreed. Now after that there is a sharing of revenue also between the Government of Maharashtra and Railways. That’s why the tripartite MoU is to be signed and that is under consideration. We have submitted the terms and conditions of the MoU to both and they are looking into it.

Anuj Jain: What is the market value of that land approximately?

Yogesh Kumar Misra: Approximately as I said when it was given to us it was expected to be about Rs.3200 crores.

Anuj Jain: And one more thing sir, as we have read in the....

Yogesh Kumar Misra: Sorry. It also there are issues of FAR also. So, MMRDA has also indicated that they can permit (inaudible 22.35) also provided we are able to share bigger revenue with them. So those issues are also there. That also depends on what is the final approval that we get. Based on that we’ll be able to realize the potential of the plot.
Anuj Jain: Just few months back we have read that government is looking to monetize assets of the railways. What kind of a benefit that Ircon will get from those asset monetization?

Yogesh Kumar Misra: Earlier the assets we have are mainly the road assets that can be monetized. We have three roads where we are collecting tolls, they can be monetized. There are two roads which are on hybrid annuity. They can be monetized. So earlier in fact we had also planned to monetize these assets on our own. That is why we were taking out our own investment into these projects and replacing it with a bank loan. That is what I think we are waiting for some clarity from DIPAM on this because they have said that we have to wait for guidance from them, whether these assets will be monetized by them. After monetizing out of these assets what kind of revenue will be taken by them or it will be remained with the company that is yet to be seen. We have only received some broad indications. It could be that the assets are monetized, taken over by DIPAM and then monetized. Then whether that money part of that is given to us or taken by the government that is yet to be seen.

Anuj Jain: What you have said is for the road assets—I’m talking about specific—railway assets? Do we have some railway assets?

Yogesh Kumar Misra: No as of now we don’t have any railway asset which can be monetized. The projects that we have, they are all EPC contracts from the railways. Once we finish those projects we just hand over to the client. They are all owned by the railways. Railways or dedicated freight corridor or the High Speed Railway Corporation or we are working for the National Capital Region Transport Corporation, NCR all these projects are on EPC where we are just going to execute the project and hand it over to them. These assets if they are to be monetized that will be done by those authorities, not by us.

Anuj Jain: It will not impact Ircon in any manner because we are not any ways related?

Yogesh Kumar Misra: No. In fact, we are not into asset creation. We went into the road assets because we also got the opportunity to do the EPC contracts and earn some EPC margins on that.

Moderator: The next question is from the line of Venkatesh from LogicTree.

Venkatesh: Two questions. One is actually was asked by another participant but just a little more clarity. In the previous guidance we were looking for Rs.7000 crores top line this year and Rs.10,000 crores. If you see the recent quarter, we are well on track to that. Is it safe to assume that on a stretch it could be Rs.7000 but above Rs.6000 and are we on track to also keep up with the goal of Rs.10,000 crores next year?

Yogesh Kumar Misra: Yes, we are. We are on that goal but there is a slight setback on that in the sense that the Ministry of Railways had decided that they will not give any more works to us on limited competitive bidding, so we have to actually now get contracts on competitive bidding with the
private contractor which we have already done in two High Speed Railway Projects. We have already won those projects on bidding. That all now depends because earlier there was inflow of projects from the Ministry of Railways also. Now it depends on this and basically because of COVID the last 2 years we have not been able to secure any major project abroad. That is one again which we had factored in for that guidance of Rs.10,000 crores. We are still hoping to get something within this year. If we are able to get one or two good projects in foreign countries then I think we can still maintain that guidance. But if we are not able to because now it is a slightly uncertain thing, earlier the Ministry of Railways used to give us some projects or they held the limited bidding amongst the PSUs where were very competitive as compared to any other PSU. Now that we have to go for an open bidding with private contractors which in any case we do, so our 30% order book now is that only. But now that is a slightly uncertain thing. How much we are able to secure will determine that 10,000 crores guidance.

Venkatesh: Of the existing order books, if there is no new major order flows, I’m just assuming a scenario the current order book can this be executed over the next 24 months?

Yogesh Kumar Misra: No. See our order book at the start of the year was Rs.34,000 crores and we would be executing Rs.6000 crores of orders out of this and what we expect to get back within this year from where we have already become L1 or where we have already been awarded contracts is about Rs.10,000 crores. That that means we will be adding Rs.4000 crores to our order book of Rs.34,000 which is Rs.38000. But the revenue guidance if you see Rs.600-7000 crores range, it will mean that this order book will get executed in the next 4 to5 years.

Venkatesh: But is it safe to assume that FY22 we will finish with a top line anywhere between Rs. 6,000 to 7000?

Yogesh Kumar Misra: That’s right. We should be able to definitely reach that figure.

Venkatesh: The second question is with respect to the monetization the Vadodara, do we expect more road assets the same thing to happen in the other projects as well where you would withdraw from the JV and arrange for bank loans?

Yogesh Kumar Misra: No, in all other JVs, other than the road assets which are our wholly owned subsidiaries except for one, Ircon Soma which was taken long back. What we have done is we have formed JVs with the coal companies and with the coal companies the project sizes are big. There we have not gone for any loan from our side, so we have already arranged for loans for those projects. We have moved ahead on those projects only after receiving the financial closure. So, from those assets we don’t need to withdraw anything. We have not put in any of our money except for the equity.

Venkatesh: In terms of net profit margins this quarter we did about 8.82%. Is that something that we can assume for the future 8.8% to 9%?
Yogesh Kumar Misra: The next two quarters, yes, I can confirm next two quarters that we should be able to achieve, after that we’ll have to again see next year how it pans out.

Venkatesh: In terms of the monetization of this one, we have some land or a commercial complex somewhere in Noida or something and then we have a little land in BKC as well, when do you see this happening, the monetization next year or any timeframe for it?

Yogesh Kumar Misra: Yes. The BKC land is owned by the railways. Were only asked to monetize it for the railways. So that is how it is with us, so that will happen because a lot of complications with that because the state government is involved, the railways is involved the central government is involved. So that is being done. I think I said something sometime back that is the status, I just told you. The Noida asset, our Gurgaon asset all these are owned by Ircon. This is where we have invested, we have put in our capital. In Noida in fact, we had already awarded lease to one of the mall owners and were expected to start getting revenues this year but because of COVID most of those people have backed out. Again, we have gone for open bidding for this and within this year we hope to receive some offers. One of the buildings is also going to be put on rent shortly with the GST council I think in Noida. So we are working on that. I think the market is improving. We hope to get somebody who can take it on lease and started earning revenue from also.

Venkatesh: Indian Railways land at BKC if it gets monetized what will we get, as a result?

Yogesh Kumar Misra: We are going to get a fee out of that. That is not owned by us.

Moderator: The next question is from the line of Priyanka from Naredi Investment.

Priyanka: My question is regarding any steps that you might have taken to speed up the execution process? Can you consider constituting a dedicated team for monitoring of the same under the senior management’s leadership, your views on this will be helpful?

Yogesh Kumar Misra: As a project company we already have a good mechanism in place for monitoring of the projects and we do it regularly. Recently last month only we have gone live, we have implemented SAP S4/HANA in the company and out of that the finance module and the HR module is already functional now. We will go into the project module and other things which will also start working shortly. We hope to increase our efficiencies after that because that is going to bring a big change in the way we monitor our projects.

Priyanka: Can you get the percentage of railway orders that are on nomination basis and the where do you see this percentage going forward?

Venkatesh: As I already told you, about 70% of our projects right now are on nomination, 30% are now on competitive bidding. I've already told you that we have become L1 bidders in some projects in
high-speed, so whatever orders we have got this year or likely to get now which is about Rs.10,000 crores worth of orders, that will all come into competitive bidding because railways is not going to give any more projects on nomination. So, there we don't see any growth happening. We have our share of the projects won on competitive bidding is going to grow, moving forward.

**Moderator:** The next question is from the line of Shreyansh from Equirus Securities.

**Shreyansh:** Just one suggestion, if it's possible to share at least the project details of 10 projects, top 10 projects which has come under execution so that it would be easier for us to understand which projects are contributing and at least arriving at that Rs.6000 or Rs.7000 crores number?

**Yogesh Kumar Misra:** I can just tell you the top performing projects up to H1 FY22, so we have about Rs.730 crores coming from our J&K project, Rs.307 crores coming from DFCCIL project, from our Sivok-Rangpo railway line we have about Rs.290 crores, Katni-Singrauli doubling we have Rs.160 crores, Vadodara Kim Expressway we have Rs.135 crores, Katni-Singrauli grade separator we have Rs.120 crores and Akhaura-Agartala Rs.90 crore. So, these are our major projects which have contributed to the revenue in the first half and these are the projects which are likely to contribute in the second half as well. We are expecting major contributions coming from J&K project, Sivok-Rangpo, DFCCIL, Vadodara Kim and Chhattisgarh project. That is where major contributions are going to come.

**Shreyansh:** At the same time is it possible for us, what is the outstanding order book in this projects that will be really helpful?

**Yogesh Kumar Misra:** Outstanding order book that I have just mentioned, the Rs.34,900 crores is based on the balance value of the work.

**Shreyansh:** I just wanted balance order book from the projects which you just discussed, so what is left in Katni, what is in DFCC.

**Yogesh Kumar Misra:** I will ask my CFO; you can mail it to them and ask them and they will provide you the details.

**Shreyansh:** My second question is pertaining to the IRSDC, now that the Ministry has taken a call on winding up the operations. So, what is the status our there?

**Yogesh Kumar Misra:** The Indian Railway Station Development Corporation has been wound up that will not be there. All their projects will be handed over to the railways, so the zonal railways will be executing these projects. See what had happened was that the IRSDC was set up basically to develop the railway stations by commercially exploiting the land that was available nearby the stations or within the station premises. Only one station because recently been inaugurated, yesterday only Habibganj. There only the land could get monetized and that money was used to rebuild
the station. After that the response of the developers has not been very good and so the IRSDC was also forced to do most of the projects like Gandhinagar or Surat, they were doing on EPC. The railways thought that probably it’s better that there’s zonal railway themselves do the project better than giving it to, if it is to be done on EPC then zonal railways themselves are capable. IRSDC was expected to basically monetize the land and then use that money to develop the station. Now railways will be doing it directly and we can participate in those tenders. So, we will participate in those tenders. We are doing some station developments. One is the Safdarjung station in New Delhi we are doing. There are two stations one in Shalimar and Santragachi in Kolkata which we are also doing. We have the experience and possibly we will try to take some pie out of...I think they are going to go in a big way. Probably Rs.10,000 crores is the money that they’re going to invest in development of the projects and zonal railways will be going for it and we will participate there.

Shreyansh: What happens to your investments which you’ve made in this arm?

Yogesh Kumar Misra: Our investment, if you remember our equity investment initially was around 51% which we had already brought down to 26% and RITES have taken a part of that. Basically, after we winding down of the company and we are appointing, in the process of appointing a valuator. There lot of intangible assets which the company is generated. The exact position will be known after all the evaluation is completed. We will get our equity back maybe with some profit or that we do not know that will come to know only after the entire exercise is over.

Shreyansh: The MoU or what we were given to understand that there was certain percentage of IRR which were confirmed or likely to be there, around 18% or 19%. So will this not be the case now?

Yogesh Kumar Misra: No this is for 18% to 19% in which project you’re talking about?

Shreyansh: For the IRSDC investments, whatever investments we make, there was certain returns which were guaranteed to us. That’s what we were given to understand.

Yogesh Kumar Misra: In IRSDC there were no returns guaranteed to us. We were expecting, when went for that company initially it was a subsidiary of Ircon. Initially the railways asked us to set up a subsidiary because they thought Ircon is best place to do that. So, we created that subsidiary and when that investment was done, we were expecting to get a good return but because the real estate market went down. Basically, we had been able to exploit the land to get more developers, probably that would have given an income to IRSDC. That would have probably fetched the kind of return that we were expecting. I think now that is not there and in any case, it is being wound up. So, now we are only looking at getting back our whatever is the equity and whatever return is possible that we be known after the entire exercise is complete.

Shreyansh: My next station is pertaining to the High Speed projects. Just wanted to understand the rationale behind going for a JV and what would be our scope of work for this project?
Yogesh Kumar Misra: We have gone for a JV in one of the two packages. We have been awarded one package which is Rs.3400 crores. This is an elevated viaduct of 18 kilometers in Ahmedabad area. Our company did not have experience. This viaduct is to be built as a segmental construction for which we did not have experience. Our purpose was to get that experience because we wanted to use that for getting more projects. But because this project is very close proximity to the railways it involves a lot of railway crossings, clotting the station, building of the station building at Ahmedabad and all. So, our partner basically approached us. In fact, it is not our qualification on the basis of which we have got, it is our partners’ qualification. We are providing the technical expertise to them. We will be sharing the costs for the plant and machinery and for the resources. That way we'll be there but as a contractor because we didn't have the experience, so he will be executing a lot part of the work.

Shreyansh: In terms of revenue potential, so how much can we learn from this Rs.3800?

Yogesh Kumar Misra: Our share is about 50% and we expect about 5% to 6% return on this.

Shreyansh: And for the other project which is of Rs.5000 odd crores.

Yogesh Kumar Misra: That is entirely of Ircon and we have taken it again on competitive bidding. Again, they're also the margins are like that only because this was a very specialized kind of work and we wanted to enter into this. This particular first package we have bid on a very competitive price but there are second and third packages which are going to come, so once they come or once more such high-speed projects come then we want to basically develop that kind of an expertise. If we don't do that we will be simply out of the market. This is more of a strategic work for us, that's why we've taken it on around 5% margins.

Shreyansh: So when you are saying 5% you're talking about 5% PAT margins?

Yogesh Kumar Misra: Yes 5% PAT margins.

Shreyansh: Now coming to there are media reports of RVNL merging with Ircon, so what's your take on that?

Yogesh Kumar Misra: As of now, I have only read it in the media. You said media reports. I have also seen it in the media only. There is no official communication regarding any such proposal. The only thing is I can say is yes, the government in its entirety, there is a stated objective of the government. I think it has been stated in the parliament that they want to reduce the number of PSU’s. That maybe the cause of this speculation that we are merging the two entities. But if it happens it is going to be a win-win for both of us because both of us have a complimentary kind of relationship and we can really build synergies which will help both of us. I think that is what I can say but right now there is no formal proposal, nothing is there from anywhere. We have not seen anything from the ministry.
Shreyansh: Last two questions from my side. One in terms of CAPEX, how much have we done till date and what are the plans for the second half and next year?

Yogesh Kumar Misra: Sorry can you just repeat your question?

Shreyansh: CAPEX we've done in the first half, what is the likelihood CAPEX in second half of FY22?

Yogesh Kumar Misra: We are not expected to have a lot of CAPEX for we have not been given targets for that. The target for the year is about Rs.100 crores which we have already done. Our CAPEX is limited to the procurement of plant and machinery and some such things. So that's for our project. That is Rs.100 crores which we have already achieved.

Shreyansh: And nothing in solar that we have to invest?

Yogesh Kumar Misra: Yes, solar when we do yes that will come in. But solar it will come in the form of equity, not as a capital investment.

Shreyansh: What would be the quantum of this in terms of equity?

Yogesh Kumar Misra: The project cost is Rs.2580 crores and we expect to fund it with an 80:20 debt equity ratio. And we have a 76% share in the JV there. So 76% of this 20%, is around 15%, Rs.392 crores is what we are expected to put in.

Shreyansh: Last question pertaining to our Noida land, so just wanted to understand what is the potential developable area out there. What are the investments which you made in this project?

Yogesh Kumar Misra: These were basically done few years back when the government of India also wanted us to put in our capital to good use and some money into and when the real estate was really doing well. So, at that time we had purchased these plots in Noida and all these buildings are complete. One is for our own purposes, the other three are going to be leased out. One is a mall where we had already appointed a mall operator. But, then because of COVID ultimately, he backed out. One building is we are going to give it on a long-term lease. Another one we are planning to put a data center along with RailTel. We have plans to do that right now because the real estate market has not been good. Otherwise, the demand for it would have been really good and we would have got good returns on it. But I think we hope to see some better situation probably towards the end of this year or next year.

Shreyansh: Would you like to put any number, the three buildings which you're planning to lease out, around 1 million square feet, 0.5 million square feet.

Yogesh Kumar Misra: I don’t have the details right now. I think the total investment in these projects would be about Rs.418 crores and in Noida and Rs.100 crores in Gurgaon. So, I’m really not sure because we are still in the process of leasing them out. We have invited bids and earlier we could not get
good enough bids. Unless they come up, I cannot really tell how much revenue we’re going to earn out of that.

**Moderator:** The next question is from the line of Rishikesh Ojha from RoboCapital.

**Rishikesh Ojha:** Wanted to clarify, on the FY23 targeted revenue that you said of Rs.10,000 crores. Is it possible or only going ahead you will be able to give us the correct figure?

**Yogesh Kumar Misra:** It was definitely possible when we put it out because we were continuing to get orders from the railways, both on nomination or limited competitive bidding. Now, that the railways have decided to give it only on competitive bidding with private players, those projections maybe need to be revised. We have to see how competitive we are. Within this year, I think we have done well. We will be taking orders worth about Rs.10,000 crores and maybe we have also become L1 in one Sri Lanka project. Maybe we also target to get one project in either in Myanmar or Bangladesh, so that it depends on how we really are able to work out this competitive bidding scenario. Maybe by next year first half I think we should be able to give a better projection. Yes, it is still achievable. Rs.10,000 crores is still achievable. We may be able to do that next year.

**Rishikesh Ojha:** Assuming if we are able to achieve Rs.10,000 crores of revenues in FY23 so would it be fair to say that we can do around Rs.900 crores of PAT?

**Yogesh Kumar Misra:** The margins are not going to improve dramatically because once we are going for competitive bidding only, the margins right now if you see the kind of bids which are coming for NHAI or for railways you have 20 bidders, you have 30 bidders, you have 40 bidders in every tender. It’s not possible to take contracts on good margins. That’s why my expectation is our margins are going to be similarly even if we are able to maintain the margins that we have been doing this year or earlier years. I think that will be good enough.

**Moderator:** The next question is from the line of Vishal Periwal from IDBI Capital.

**Vishal Periwal:** In our quarterly performance in the segmental international revenue line item and the international site at the PBT, the PBT shows there is a loss. Can you clarify the reason for the same because revenue has seen an increase on quarter-on-quarter basis?

**Yogesh Kumar Misra:** See, although on our current projects there is no loss, as I told you our core EBITDA margin is affected by around 1%. That is because of this Rs.15 crores provision that we have made on our Malaysia project which is closed long back but there were some arbitrations going on. In one of the arbitrations cases, we had an adverse judgement against us. We have provisioned Rs.15 crores in that. That is why it is showing a loss.

**Vishal Periwal:** That’s more like a one-off and may not continue.
Vishal Periwal: And second, I think you just mentioned around Rs.400 crores kind of equity deployment will be there for the solar asset 500 MW, so that phasing, is it fair to see it will happen over the next 2 odd years in terms of our investment in standalone?

Yogesh Kumar Misra: Next three years is when we have to implement. One year we have for the financial closure and after that 3 years for implementation, so it will happen I think over the next 3 years.

Vishal Periwal: Any other equity investment that we have that is pending in the subsidiaries or joint ventures that we have anything that we should model?

Yogesh Kumar Misra: We have already planned for equity investments in our joint venture companies for coal connectivity projects. There we have some investments pending, we have investments of Rs.117 crores pending for two of our joint venture companies with coal companies.

Vishal Periwal: And that will happen over the next 2 odd years?

Yogesh Kumar Misra: Yeah, it will happen within a year or so.

Vishal Periwal: And last thing is on the solar project, can you name the JV partner?

Yogesh Kumar Misra: Its Ayana of India Infrastructure Finance limited IIFL.

Vishal Periwal: The reason I’m asking this is of entering into this structure.

Yogesh Kumar Misra: Basically, what happened was it started with signing off an MoU with IIFL where we together we thought we'll we will look at investment in assets, road or solar. And because Ayana is a company we care if 51% shareholding of this IIFL. I think 20%-30% is from some other investor and they already have experience of setting up two or three solar plants. So, they approached us and we thought yes because we didn't have any experience on our own. Maybe we could not have just gone and got this work but this when we saw that there was a competitive bidding being done amongst the PSU’s, so only the power issues were participating. NTPC, DSEL, Singreni, so only power companies are participating. We saw an opportunity and because they had the expertise so we went with them and that is how we were able to win this 500 MW because we are the only non-power player who is there.

Vishal Periwal: And this IRR that is committed Ayana has to make sure that the have to shell out that much to you. It will all depend on what that time the market’s scenario will be.

Yogesh Kumar Misra: This particular tender has been, it’s a government aided kind of a tender where the government has also provided us with some kind of limitations. Like we have to buy it from local Indian manufacturers. The power purchase agreement has to be entered at the maximum of Rs. 2.45
paisa. There is a VGF provided by the government which was a variable that we quoted. Based on that our financial modeling suggests that in next 1 year we have to go for the PPAs and we have approved the Railways and many others. We have to sell the power to government organizations. There is more than that, 500 MW is nothing. The demand is much more, so we'll be able to sign the PPAs. Once we sign the PPAs around Rs.2.45-2.40 even our return on equity is almost guaranteed, so we'll be able to get that. In fact, we are expecting to get more so the condition is that if the market is able to give us a better return on equity after the completion of the project Ayana will pay that or otherwise they will let the other one buy it. So, 14% is guaranteed for us.

Vishal Periwal: That will only happen after the consummation. In the initial 2-3 years it will be investment-investment and then the return will be there.

Yogesh Kumar Misra: There is also some portion of the EPC contract that we will be doing, like setting up of the power station, the setting up of the transmission line and some other assets electrical assets. We'll also be doing part of the EPC contract. And the other will be basically only costs. I mean it will be cost neutral, so it will be like buying the solar panels and all there will be no profit put in by any of us but there is an EPC part of the contract where we will do the work and we will also earn some revenue from there.

Moderator: We move to the next question from the line of Parimal Mithani credential investment.

Parimal Mithani: I just wanted clarity on two things. One in terms of your dividend policy, are we going to go with quarterly dividend payout now, is it fair to assume that?

Yogesh Kumar Misra: Yes, because we have been instructed by DIPAM. It’s not mandatory but they have said that it is preferable that we go for that. As of now we are planning to give a dividend quarterly I think unless there is a reason not to do it.

Parimal Mithani: Secondly in terms of monetization of assets if I’m clear, you have three roadways you have proposed to monetize and suppose to get one from national existing pipeline for this thing. I didn’t get clarity on that, are we waiting, as the funds couldn’t get to us what’s the status there?

Yogesh Kumar Misra: I told you earlier also that we were planning to monetize them ourselves but now we are waiting for a clarification whether we have to do it on our own or we have to offer it to DIPAM and they will do the monetization. Once that comes, we will move ahead on that.

Parimal Mithani: So, one question that do we have our conjunctions, this competition along PSUs is more or less removed now. So how do you see is there any clarity in terms of how do you compete in the market now because nomination will no longer be there?
Yogesh Kumar Misra: For other PSUs it might be an issue, for Ircon has been competing. We have all already we have 30% of our order book which is on competitive bidding. So, we don't see an issue there in fact, we have already secured as I said we have become lowest bidder in projects in high-speed railway. We will be doing more aggressive bidding in NHAI, in other because railways are now going to do that. In railways amongst all the PSUs I think we are the best place to compete and get the work. So, I don't see any challenges there. As I said, the challenge would be on margins because with the nomination projects, some margins were assured. But, now we will not have any assured margins, we'll have to see without and then do it efficiently to earn our margins. That is where the difference will come. We hope that we'll be able to get reasonable number of projects, both in the domestic as well as international market.

Parimal Mithani: So, we have a further railway plan, we have Rs.12 trillion crores CAPEX with Railway Ministry has planned and you said you have the bench strength or expertise compared to all the PSUs. What makes you so confident that you will be able to compete among the rest of all the PSUs?

Yogesh Kumar Misra: Nobody secures any projects on bidding. We are the only one. You may know many any PSU, nobody neither RVNL. RVNL has just started and you see RITES, but RITES is in a consultancy so it is more of a consultancy field. In execution again they are not there. If you see other PSU the SBL, nobody competes in the domestic or international market. We have been doing that for years now and we can continue to do that. We hope to secure projects but again I would repeat the margins are going to be under pressure.

Moderator: Thank you. As there are no further questions, I now hand the conference over the management for their closing comments.

Yogesh Kumar Misra: Thank you all. Thank you, Mr. Steven, and thank you all the others who have participated in the conference. I would like to thank the analyst and investor friends who have taken time out of their busy schedule to listen to us today. As already said in the conference, you can get in touch for any assistance or any information that you need and we will be happy to provide that to you. Thank you.

Moderator: Thank you all for being a part of the conference call. If you need any further information or clarification, please mail at gaurav.g@conceptpr.com. Ladies and gentlemen this concludes the conference call for today. You may now disconnect your lines. Thank you.