



OM INFRA LIMITED

(Formerly known as OM METALS INFRAPROJECTS LIMITED)

CIN: L27203RJ1971PLC003414

Regd. Office: 2nd Floor, A-Block, Om Tower, Church Road, M.I. Road, Jaipur-302001

Tel+91-141-4046666

Website: www.ommetals.com E-Mail Id: info@ommetals.com

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To,

Corporate Service Department, Bombay Stock Exchange, Phiroze Jeejeebhy Towers, Dalal Street, Mumbai-400001 Fax No. 022- 22723121/3027/2039/2061/2041 Scrip code: 531092	Listing Department, National Stock Exchange Of India Limited Exchange Plaza, C-1 Block G Bandra Kurla Complex, Bandra (E), Mumbai Fax No. 022- 26598237/38;66418126 NSE Symbol: OMINFRAL
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Sub: Transcripts of the Analysts Earnings call

Dear sir/madam,

In compliance with the provisions of Regulation 30 of SEBI (LODR) Regulations 2015, please find enclosed the transcripts of the Analysts earnings call held by Om Infra Limited ("The Company") on August 21, 2023 to discuss the results of the Company for the First Quarter ended June, 2023.

This information is also hosted on the Company's website, at <http://www.ommetals.com/#/concall>

You are requested to take the same on your records.

Thanking you

For Om Infra Limited

VIKAS
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Vikas Kothari

Managing Director & CEO

DIN : 00223868



“Om Infra Limited
Q1 FY’24 Earnings Conference Call”
August 21, 2023



**MANAGEMENT: MR. VIKAS KOTHARI – DIRECTOR AND PRESIDENT –
OM INFRA LIMITED
MR. SUNIL KUMAR JAIN – CHIEF FINANCIAL OFFICER –
OM INFRA LIMITED**

MODERATOR: MR. VISHAL MEHTA – STELLAR IR

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY24 Om Infra Limited Conference Call. As a reminder, all participant lines will be in the listen only mode and anyone who wishes to ask a question may enter star and one on their touchtone phone. To remove yourself from the queue, please enter star and two. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vishal Mehta. Thank you and over to you.

Vishal Mehta: Thank you. Good evening, everyone. I on behalf of Stellar Investor Relations welcome you all to Om Infra Limited Q1 FY24 Earnings Conference Call. We shall be sharing the key operating and financial highlights for the first quarter ended June 30, 2023.

We have with us today the senior management team of OmInfra Limited Mr. Vikas Kothari, Director and President and Mr. Sunil Kumar Jain, Chief Financial Officer. Before we begin, I would like to state that some of the statements made in today's discussion may be forward looking in nature and may involve risk and uncertainties. The documents relating to the company's financial performance have already been uploaded on the website of the stock exchanges and the company. I now invite Mr. Vikas Kothari to share his initial remark on the company's performance for the quarter.

Vikas Kothari: Hi, good afternoon and thank you and welcome everyone to our company conference call. For those of you joining us for the first time, let me give you a quick run through our businesses. Let me start with our core business. As many of you may already be aware, our core competencies lie in engineering services, EPC, mainly aimed at hydro irrigation, pump storage projects, power generation, and water supply projects. Since the last few years, few decades, our company has made several strides in the area, and today we are one of the leading players in Turnkey execution contracts for hydro power EPC, Hydro Mechanical.

We are one of the largest companies in India, which includes equipment like gates, liners, trash racks, mechanical and hydraulic hoists. These are very niche and monopolistic business for us, where we are the market leaders. And

other than this, we are also into irrigation projects, Jal Jeevan Mission projects, pump storage power projects, hydro power projects, and irrigation projects, both in India and abroad. In terms of our order book, we are proud that our current order book stands at more than INR 2,900 Crores and it contains a good mix of hydro and water projects as well as Jal Jeevan Mission projects.

And it is almost 4 times our current revenues of FY23. More importantly, our order book has grown almost four times since March 2018 to March 2023 at almost INR 3,000 crores and sales have doubled in the same period. Let me take a minute to explain the nature of these projects. The hydro, water and pump storage projects, which are typically irrigation, dam building, hydro-mechanical equipment are executed over two to three years' period and give us a good 18% to 20% EBITDA margin.

Our current order book from these projects is about INR 1,200 Crores with a good mix of state, central and a couple of foreign projects. Revenues of these projects are recorded on a project completion basis. The second vertical is Jal Jeevan Mission projects where there are two major components, pipe procurement, laying and other EPC related works related to Jal Jeevan Mission projects mission. These projects are to be executed over a two to three-year period with a healthy EBITDA margin of about 12% to 15%.

However, the nature of these projects requires us to put in upfront expenses for procurement while book revenues upon completion of the section are milestones. This causes some volatility in our quarterly numbers including our margins. However, upon completion of the entire project we expect to achieve a 12% to 15% EBITDA margin. Our current outstanding book for Jal Jeevan Mission projects is about INR 1,772 Crores, out of which INR 1,164 Crores is in Uttar Pradesh and INR 608 Crores is in Rajasthan.

Once executed, these projects will open the door for other similar projects with the central and state governments. These projects and also hydropower projects also carry a component of O&M (operation and maintenance), which gives us a steady revenue over a 5 to 10-year period also from the same project. The company also plans to participate in upcoming tenders of almost INR 2,500 Crores for some of the key projects in hydropower space. And we

also plan to participate in pump storage projects, which have been announced by the Government of India.

Coming to the industry outlook, our potential and the company's growth, over the past decade the Indian energy sector energy transition has resulted in a substantial shift from fossil fuel-backed sources to renewable energy. According to National Electricity Plan 2022, India would need an additional 17,000 GW of hydropower capacity added between 2022 and 2031 in order to sustain 500 GW of renewable energy on the grid.

Over time, the government has brought in various enablers to help the industry, which is important since India is aiming at 50% capacity from non-fossil fuels sources by 2030. Apart from hydroelectricity, the government, including the state governments, are focusing on river-linking projects, water supply, irrigation projects, Jal Jeevan Mission projects and also generation of power through pump storage projects. These water infrastructure projects could cost the Indian government about 270 Billion over the next 5 to 15 years.

Let me now take you through some key liquidity events that we see happening over the next few months and years. As some of you will recollect, we commenced the process of monetization of housing projects in our real estate portfolio. The two projects that are currently in progress are the Pallacia project in Jaipur, which is unique, high-end, RERA-compliant apartments, having a complete lifestyle experience with luxury living where construction is completed, and the process of handing over of the flats has commenced.

We have also received the OC for this project. The project has also received RERA Completion Certificate in Q1 FY24. We expect to secure almost INR380 Crores over the next few quarters from this project. Om Green Meadows in Kota, which is a residential township that has flats, villas, and apartments, and provides residents a complete lifestyle experience. This project has been partially handed over, and we expect to secure almost about INR60 Crores as the project completes fully over the next 2-3 years.

Coming to our MHADA project in Mumbai, we have been holding this land since 2006, and we invested about INR106 Crores at that time. Due to its

large size of development, we tied up with DB Realty, and consequently our holding in the project got diluted to 17.5%. Of course, as is the case with slum rehabilitation projects, there are inordinate delays in slum clearance. The consortium appealed to the arbitration against MHADA, and the matter is finally heard and award is received, with some of our claims accepted and some of our claims not accepted.

So, it's a mixed award, where we have received some benefits, and we are still challenging some of the claims that we had put in arbitration. That will be challenged in the high court. We anticipate from this project that upon settling the matter, more than 2million square feet of developable area will be available, and our share of realizable value works out to approximately INR750 Crores, as per current market rates, subject to sharing ratio, which will be determined once we tie up with any other developer, or if the DB decides to do it themselves. So, there is still a bit of ambiguity on this.

On our other arbitration matters, which have been long pending, we are also seeing some bit of closure, and we expect to receive almost more than INR600 Crores once all the matters have been resolved. Let me quickly take you through these arbitrations and these disputes also. We are very happy and pleased to announce that we have reached the final settlement on the project against NEEPCO, which we had been fighting with for the last 15 years.

So, under the guidelines given by the Ministry of Power, we have received claims worth INR18 Crores already, and we have received bank guarantees, which we stuck with the project for the last so many years, worth almost INR21 Crores. And some balance amount is also expected to be received in the next few weeks, I would say. So, this finally puts a closure to a 600-MegaWatt project, which we had completed some time back for the central government, Ministry of Power.

Then we have the second project, which is NTPC, which is the Tapovan Vishnugadh project. Our company won an arbitration award of more than INR50 Crores there, and NTPC had accordingly deposited the amount in the court and challenged the award in Honorable High Court. We had filed our claim for settling the matter at 65% under the Vivad Se Vishwas II scheme.

The central government has come out with Vivad Se Vishwas II scheme, under which if you have won the arbitration already against the central government PSU, then we can receive a 65% amount against the awarded value. So we are hopeful that this should also get concluded in the next few months, which will bring in a significant cash flow to the company.

The largest piece of the matters in the arbitration is the Bhilwara Jaipur Toll Road, where OmInfra had developed a 212-kilometer road project in Jaipur to Bhilwara stretch, where private vehicles' tolling was made toll-free, with effect from April 2018 by the state government. And thus, the company terminated the concession agreement for breach of contract by the government and submitted claims worth INR570 Crores.

After several hearings, the matter was adjudicated in the company's favour at the arbitrator's level. The award has since been challenged in commercial court by PWD, Public Works Department, Government of Rajasthan. So summing up, we are expecting significant cash flow of over INR1,000 Crores from the above-mentioned events, which will be added to the core operational cash flow over the next two to five years.

In conclusion, over the past few years, we have continued to build our strengths and have increased the scale of operations of our company, with a large order book at hand and our demonstrated track record and leading position in hydro and water infrastructure. We believe that we are well-placed to capitalize on the opportunities in this space and post strong growth in the coming quarters.

I now request Mr. S. K. Jain, our CFO, to take you through our financial performance. Over to S. K. Jain.

Sunil Jain:

Thank you, Vikasji, for a nice briefing on the entire company's prospects. Let me now take you to the financial performance of the company for Q1, FY24. At the outset, we are very happy to report that we are at par with our expectations for Q1FY24. We have shown a revenue of INR263 Crores, which is up against 125% year-on-year, and consolidated revenue of INR267 Crores, which is up by 84% year-on-year.

Profitability remains within our expected range of 89%, as well as receipt of cost excellence in debt margins, higher share of JJM project, which led to

overheads and establishment costs lowered on year-on-year basis. At consol level, EBITDA and EBITDA margins are affected due to accounting of the inventory carrying costs and other value-addition expenses in Pallacia, in real estate Jaipur.

Against revenue recognition, as an outcome of sale-deal execution, the CC was received in financial year 2023, and RERA completion has also been received in Q1FY24, which is a big landmark in this RERA project. Standalone EBITDA grew 62% year-on-year to INR22 Crores, forming a part of 8.3% at consol level, 59% year-on-year, and INR20 Crores PAT.

We have also been working on strengthening our balance sheet, and as on March '23, our gross debt to equity ratio is 0.18x, and net debt to equity ratio is 0.07x. As on March 23, non-current liabilities reduced from INR15 Crores, and March 23, we had a cash balance of approximately INR40 Crores in our balance sheet, which is underlain with banks as cash margin for bank guarantees.

We are hopeful that the shareholders approve the dividend in the AGM, which is scheduled in the last week of September, and we are hopeful that the shareholders will approve 50% dividend, which we have recommended in board meeting in April 23.

Now I will request again Mr. Vishal to take up the conference.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have a first question from the line of Harshh Saraswat, an individual investor. Please go ahead.

Harshh Saraswat: Congratulations on good numbers. So my first question is on the pump projects, which you said in the opening remarks. Can you throw some light on what are these pump projects and what kind of orders are we expecting?

Vikas Kothari: Sorry, you said pump storage projects, right?

Harshh Saraswat: Pump projects, yes. In the opening remarks you mentioned.

Vikas Kothari: Yes. So see, Government of India having realized that there is a, you know, earlier we had a very good balance between fossil fuel and renewables of almost 60-40. But over the last one or two, one and a half decade, our balance

is skewed towards fossil fuel. Government of India has realized that this is not a good mix for a country to have and the only source of energy which can be called renewable and also add to the peak demand is either hydropower or pump storage projects.

So pump storage projects are actually very advantageous, environment friendly, and quick to set up. So government has kept a target of adding almost 30,000 to 40,000 megawatts through pump storage projects across India.

India has a huge potential of over 50,000 megawatts through pump storage projects. And a lot of this development will be done through central government PSUs as well as through private sector. So you may have heard recently in the news that all the companies, all the power generating companies have signed up MOUs with the state governments to develop pump storage projects.

I'm expecting that on an annual basis, we should have a capacity addition of at least 10,000 megawatts through pump storage projects. Of course, the gestation period for these projects is anywhere between three to four years. So even if they start construction today, the capacity addition will not start immediately.

Capacity addition under pump storage projects will start, let's say, from two to three years from now. But the government of India has given all the benefits, including the categorization of pump storage projects as renewable energy, including early and quick processing of environment clearance, etcetera.

Now, my sense is that from two to three years from now, we should have a capacity addition of anywhere between 5,000 to 10,000 megawatts through pump storage projects. Now, for us, what does it mean for our company? What it means for our company is that, let's say, 1,000-megawatt pump storage project is there. The cost of – now, I'm giving you a very high level, 30,000 feet new level number.

Cost of these projects could be anywhere between INR3 crores to INR5 crores per megawatt. So any 1,000-megawatt project will be – cost will be anywhere between INR3,000 crores to INR4,000 crores or INR4,000 crores

to INR5,000 crores in terms of project cost. And our portion in that will be roughly around – hydro-mechanical portion will be roughly around 5% to 10% of the total cost of the project.

So on an average, on an annual basis, roughly around INR 400 - INR 500 Crores worth of hydro-mechanical opportunity comes from pump storage projects. I don't know whether that answers your question.

Harshh Saraswat: Got it. Got it. And on the – my second question is on the monsoons this year. So has the operations had any impact on – monsoons have had any impact on – in the projects our company is doing?

Vikas Kothari: Well, monsoon is a regular feature for us every year. Our execution becomes slow during the monsoon season. But by and large, it's nothing extraordinary.

Harshh Saraswat: Okay. Got it. And on the margin front, should we see improvement going forward as we go towards the H2 of the year? Any guidance on that margin front?

Vikas Kothari: The margins for us are, by and large, logged at the time of signing the contract because most of our contracts are with escalation. So margins are logged for us, as I explained earlier, in PSP projects, in Jal Jeevan Mission projects, from anywhere between 12% to 14%. And in the WRD and hydro-mechanical, anywhere between 15% to 20% EBITDA margins are logged. So what changes is only the time when these margins are realized. In some projects, these margins are realized upon completion of the project. In some projects, it is during the execution, for example, in hydro-mechanical projects, it is also during supply and installation when a revenue recognition takes place.

Harshh Saraswat: Got it. And one more last question would be what would be the taxation rate going forward this year? Do we have more losses of off-pass to write off or anything like that or should we expect 25%?

Sunil Jain: Let me explain this, we are adopting the ICDS mechanism of income tax which allows us to book the money which has been retained by the authorities as expenses. Suppose, we raise the bill of INR100 and we get only INR90, INR10 we book as expenses because that has not been realized by the time, we book the revenue. That INR10 under ICDS mechanism is reported as

expenses in computation of income tax and which makes our profitability almost at either zero tax or maybe 5% or 10% tax. So in our Q1 balance sheet we have shown a 0% because the retention money returned by the authorities are accounted for expenses in the books.

Harshh Saraswat: So but if we realize this amount, we will be paying taxes that time. That will be reversed.

Sunil Jain: Yes. Suppose in this year, we realize some money which was retained in last year then we will have to pay tax.

Harshh Saraswat: Got it. And last question would be that ESM we have written to SEBI on this ESM thing have we received any reply from SEBI on that?

Sunil Jain: Not yet not yet.

Harshh Saraswat: Not yet. Even after our market cap has gone beyond INR500 Crores.

Sunil Jain: Yes, they have diluted the ESM2 mechanism by allowing percent upward or lower revisions. I think they will not reply because they have already reduced the stringent penalties of ESM2. I think by September end, we will be out of ESM and we will be on track. By the time, we will have more than INR500 Crores as the market cap.

Harshh Saraswat: Okay, got it. Thank you so much. That would be awesome. Thank you.

Moderator: Thank you. We have our next question from the line of Sachin Abhyankar from Transcend Investment Advisors. Please go ahead.

Sachin Abhyankar: Good evening, sir. So just want to reiterate, one thing was answered by you on the margins front. Just want to reiterate on the revenue guidance for current year and next year from the electromechanical and from the Jal Jeevan. That's question number one.

And the second question I think so it's been answered on the taxation front. So just reiteration on the revenue guidance for current year and the full year margins because somewhere you have mentioned that the margins in one is around between 12% to 15% and margins in the second sector is between 15% to 20% So just a full year guidance on margins and on the revenue recognition for the current year and next year, sir?

- Sunil Jain:** The revenue recognition for the current year will be if everything goes good, if the monsoon is settled by August end or September end. We are hopeful to clock a four-digit revenue in March '24. But it will depend on many parameters of Jal Jeevan Mission going in Rajasthan and UP. But we are hopeful that we will clock revenue of four-digit in March '24 with an EBITDA of 11% to 12%, safely.
- Sachin Abhyankar:** Okay. And what should be your current debt balance because I think you have already repaid around INR21 Crores of term loans. So what could be the current debt in the books?
- Sunil Jain:** The current debt in the books is INR17 Crores towards the ECLGS as a Corona loan which we took for four years at a very low interest rate and approximately INR10 Crores towards earthmoving equipment like, DG-set and tele-belt machines which is payable in next three years. So totally INR27 Crores is the debt which will be payable in next three years.
- Sachin Abhyankar:** Okay. And one more question from my side is, what is the situation of the bank guarantee front because I think that was one major issue for us in the fourth quarter and the first quarter?
- Sunil Jain:** The external credit rating at BBB- has been taken as favourable by all bankers in the financial ministry. We are hopeful that our run rate limit of INR250 Crores will be tied-up very soon in the next one or two months. We will have sufficient BG limit in hand. We will be able to bid for larger projects going ahead.
- Sachin Abhyankar:** Okay. Thank you, sir. If there is something, I'll come back in the queue.
- Moderator:** Thank you. We have a next question from the line of Shreyans Mehta from Equirus. Please go ahead.
- Shreyans Mehta:** Thank you for the opportunity. So a couple of questions from my side. One is if you can help me in reconciling the order book. So if I just subtract this quarter number versus vis a vis the last quarter number, I can actually see the hydro in terms of revenue share has increased. Whereas in the commentary you are saying that the JJM has contributed. So can you please help me reconcile the numbers?

- Sunil Jain:** Yes, let me explain to you that Q1 at approximately INR150 Crores or more. I was saying that in the first quarter itself we have recovered approximately INR150 Crores from Jal Jeevan Mission and INR100 Crores from other hydropower and civil construction projects. After this execution the mix of INR2,900 Crores order book is largely by 60% from JJM and rest is from Hydropower and other civil construction projects. So the reconsideration sheet has been given in the presentation which is uploaded in the BSE website. If you will go through the exact numbers, you will get from there.
- Shreyans Mehta:** Got it. Sure. Secondly, in terms of the assets which we've surrendered, the FCI projects, So, what is the amount in which we have invested out there and how much can we, so what are the plans out there? How do we intend to monetize those assets?
- Sunil Jain:** FCI project?
- Shreyans Mehta:** Yes.
- Sunil Jain:** The FCI project was terminated without intervention because the land prices got shoot up there and some statutory approvals of mixed land use from commercial to industrial and industrial to commercial was a little bit challenging from the government of Gujarat. We prefer termination of the contract and we are hopeful that the land bank of 21 acres which we have will be monetized soon by us because the land prices have shoot up there and this will give us some additional cash flow in coming years.
- Shreyans Mehta:** So sir in terms of investments what would be our investments out there and will we be monetizing outright or will we have to do some construction and then monetize that?
- Sunil Jain:** No we have a plan of monetizing outright because agri is not our forte for any other project beyond the hydro-mechanical and this infra project. But the land available with us is, as per book value it is almost INR11 crores to INR12 Crores which we invested in in late '18 and early March '19 As per current market there the price is approximately beyond INR15 Crores to INR16 Crores. If everything goes good, you'll be able to monetize that INR15 Crores to INR16 Crores in next one year approximately.
- Shreyans Mehta:** Got it, sir. That is it from my side. Thank you and all the best.

Moderator: Thank you. We have a next question from the line of Ankita Rao, an individual investor. Please go ahead.

Ankita Rao: Thanks for the opportunity. I have a couple of questions. So sir, can you elaborate on the hydro opportunity space? We hear a lot of work is happening there and also what is the order inflow for us till now for like FY '24? And also, what we are expecting for like, full year FY '24?

Vikas Kothari: See, hydropower, India has probably some of the largest hydropower resources in the world after checking only to maybe China. And of that, I would say not even 50% has been tapped in terms of generation. So and there has been a big gap in the last 10 years in new capacity addition in hydro. So having realized that Government of India has announced a massive focus on the development of hydropower projects. That is one reason.

The other reason is that there is quite a sincere effort being made by the Government of India to tap the potential in the border-states, be it Jammu and Kashmir, be it Arunachal Pradesh and all the bordering states. And therefore, the Government of India has told the Central Government, PSU, especially to sign MOUs and that has already happened. If you recently read in the news that Arunachal Pradesh has signed MOUs with NHPC, SJVN, THPC and NEEPCO, all these four companies for development of new projects in that region. My expectation is that, the target by the Government of India is to add almost 20,000-30,000 megawatts of new hydropower capacity in the next few years.

And this should again result in a significant opportunity for us. Now, we used to earlier address only hydro-mechanical portion of the hydropower project, which was only 5% to 10% of the total cost of project. Now especially in small and medium hydro power projects, we do complete EPC. We have the credentials of having completed all 50 to 80 megawatts of hydropower projects on a turnkey EPC basis, where we are responsible for the entire project including civil, hydro-mechanical and electromechanical also.

Similarly, we are doing EPC for almost 300 megawatt projects in Punjab, where we are doing civil, hydro-mechanical both together. So from design, civil and hydro-mechanical we do. So depending on each project basis, we will take up either hydro-mechanical alone if the size is big or civil and

hydro-mechanical both put together. So just to give you a high-level overview, my sense is that, we should add anywhere between INR300 Crores to INR500 Crores in pure hydro-mechanical contracts also on an annual basis into our order book to give you a very high level in a broad sense.

Now, the hydro-mechanical is not only from hydro power projects, it's also from hydro power projects, irrigation projects, which are basically dams, and it is also in pump storage projects. So, from all these areas, I'm expecting to add anywhere between INR500 Crores to INR1,000 Crores or a few thousand crores over the next few years.

Ankita Rao: Okay, sir. That was really helpful and also can you throw some light on the like margins like are these 8% to 10% margins sustainable? Earlier like we used to do double digit margins now like is this the new normal that we consider?

Vikas Kothari: In hydro-mechanical, our margins are very strong because there is a monopolistic business for us. We are one of the market leaders in this space of hydro-mechanical equipment. So here our gross margins are anywhere between 15% to 20%. Net margins are also in double digits in hydro-mechanical business.

Ankita Rao: Okay, sir, that's it from my side. Thank you.

Moderator: Thank you. We'll take the Next question from the line of Jitesh Jain, an individual investor. Please go ahead.

Jitesh jain: Good afternoon, Mr. Vikasji and S.K.ji, Thanks very much for this opportunity. Okay, my question again, in the opening remarks, you mentioned about the MHADA arbitration that some of the claims have been accepted. Can you please elaborate more on that, what kind of claims have been accepted and what more claims are you looking for?

Vikas Kothari: Let me give you a brief, although this is still sub-judicial, so therefore there will not be much to elaborate on this, but I'll give you a broad highlight. The broad highlight is that, we wanted a time extension of our contract with MHADA. We have received a time extension. Then MHADA was supposed to give us 30,000 square meters of land, whereas they gave us only around

26,000- 27,000 square meters of land. MHADA has been asked to give the additional 3,000 square meters of land by the judgment and the arbitration.

Other than these two, we had asked for some relief in the premium amount to be paid on the saleable area in this project. We have not received some of the release like the premium amount concessions, etc. For those release, we will approach the higher courts and appeal against those particular decisions which have not been given to us.

Jitesh jain: Okay. Also, is DB Realty looking at actually signing up with some other prominent developer or are they going to develop this on their own?

Vikas Kothari: Well, this is still in discussion. We have not finalized. We are in discussions with the various developers, but we have not frozen a decision on this. So as of now, the intent is to develop it along with DB Realty. But if at any given point in time, we see a good offer from any reputation developer, we are open to that also.

Jitesh jain: Okay. That's it from me. Thank you.

Moderator: Thank you. We have a next question from the line of Ketan Athavale from Robo Capital. Please go ahead.

Ketan Athavale: Hello, thank you for the opportunity, sir. I wanted to know, what is the EBITDA margin on reported basis in real estate?

Sunil Jain: Yes, on real estate, we have a better margin of approximately 10% to 15% in both the projects in Palladia, Jaipur and in Om Meadows, Kota. In both the projects, we are having a RERA completion already and we are going here with monetization of the unsold inventory and by the time, the entire inventory is sold, we will have safely 12% to 15% of EBITDA in our balance sheet.

Ketan Athavale: But that is on the 10% percent margin is on a reported basis, right? As in accounting?

Sunil Jain: Yes.

Ketan Athavale: Okay. And you just mentioned, the Kota project is completed?

- Sunil Jain:** Yes, partially we have handed over. There were five towers. So three towers, we have handed over. Two towers are under the stage of handing over.
- Ketan Athavale:** Okay and what will be FY '25 guidance for engineering business margin and revenue guidance?
- Sunil Jain:** By FY25, we are also hopeful to achieve four-digit top line with EBITDA of 12% approximately. But how the things go ahead in the Jal Jeevan mission project that only depends on the availability of land and availability of raw material. We cannot comment much on that but we are hopeful that, we will achieve at least four digit topline.
- Ketan Athavale:** Okay and just one thing, when will this real estate business revenue run rate actually pick up, what do you expect or in which quarter can we see this pick up?
- Sunil Jain:** The accounting mechanism, we suggest that whenever one gets the registry and sealed it off in the apartment then we can book the revenue in the P&L part. In the computation of income tax, we can book the revenue as and when we get the advance. But in P&L as a company law, we have to revenue recognize only when the registry is done. The registry of both the projects is going consistently day by day. In this quarter also, we have booked the revenue of INR2 Crores from Pallacia and INR1 Crores from Om Meadows.
- In total, both the projects, approximately INR400 Crores revenue will be booked in next two years to three years. The real estate segment gains momentum as it is going right now. So we are hopeful that by 2026 or 2027, we will be able to achieve the full recognition of the project.
- Ketan Athavale:** Okay, thank you. I will fall back in the question queue.
- Moderator:** Thank you. We have a next question from the line of Sachin Abhyankar from Transcend Investment Advisors. Please go ahead.
- Sachin Abhyankar:** Yes, I have a follow-up question on real estate. Since in the income tax, I believe, we book on the completion basis, and that doesn't happen in the P&L, can you guide us how much is being booked in the income tax for March FY '23, on a completion basis. I just wanted to understand, how much can come as revenue booking in FY '24?

- Sunil Jain:** In March '24, in the P&L part, the revenue booking will be done on the basis of registration done for apartments. Suppose we receive a registration of INR100 Crores in the financial year, we book a revenue of INR100 Crores in P&L part. But in...
- Sachin Abhyankar:** No. My question is, sir, can you guide us how much of the revenue was booked on completion basis in income tax?
- Sunil Jain:** In income tax, we have already booked approximately INR180 Crores.
- Sachin Abhyankar:** INR180 Crores?
- Sunil Jain:** Yes.
- Sachin Abhyankar:** And this is for Jaipur?
- Sunil Jain:** Jaipur.
- Sachin Abhyankar:** Okay. Thanks a lot, sir.
- Moderator:** Thank you. We have a next question from the line of Karthikeyan from Suyash Advisors. Please go ahead.
- Karthikeyan:** Yes, good evening, gentlemen. I just wanted to understand the working capital slightly better in your hydro as well as in the Jal Jeevan projects, hydro especially on both the modes, the EPC and the hydro mechanical separately even I missed that part, so can you please explain.
- Sunil Jain:** From the date of submitting the bills to revenue department of the project authority. In Jal Jeevan itself the average time taken is 30 days to 45 days and in hydro mechanic and other civil structures from 45 days to 60 days. So, if you average that it is 45 days for both the projects after the submission of these two departments.
- Karthikeyan:** So, you are saying hydro even if you do EPC, it would be the same or would it be different because when you do EPC would you also be involved in procuring the equipment or how exactly would that be?
- Sunil Jain:** Raw materials are procured like steel and cement which gets accumulated at project site and these are installed in the dams or barrages with whatever in EPC. And once we submit the bill to the department then we get 45 days to

60 days as a debt realization. And overall if you count raw material also it will be approximately 90 days to 120 days.

Kartikeyan: So, for example, if you do INR1,000 Crores of revenue from these two segments, what should be the year end working capital numbers like, just trying to understand what kind of balance sheet requirements will be there?

Sunil Jain: INR150 Crores will be inventory and INR200 Crores will be debtor approximately.

Kartikeyan: Approximately sure, sure, sure. Thanks for clarifying. Thank you.

Moderator: Thank you. We have a follow up from Ketan Athavale from Robo Capital. Please go ahead.

Ketan Athavale: Yes, sir, can you tell me what will be the debt trend going ahead and like how will interest expense flow?

Sunil Jain: The debt trend will not be much in our business because whenever we get the project, we get the mobilization advance of 5% to 10% from the project authority. That gives us churning for project execution that is required largely for capex which is an equipment which we require if the turnover goes up and the order book goes up that will be maximum INR30 Crores, INR40 Crores in the next one or two years. Apart from this there is not much requirement of any term loan or CC apart from existing level in our balance sheet as per current case.

Ketan Athavale: Okay and just one more question on a high level has -- what has changed in our engineering business over compared to last five years compared to say 2016-17-18 what is the difference now?

Sunil Jain: Debt...

Ketan Athavale: No, in engineering business.

Sunil Jain: Are you asking about debt?

Ketan Athavale: No, no, I am talking what has changed in the nature of your engineering business, has anything changed over years in what kind of projects you are...

Vikas Kothari: I think two major differences have happened or rather a couple of major differences has happened. One is the competitive scenarios become much better today. It was -- I told my BD guys to make a list of all the competition we used to face 10 years ago. There would be a list of 10 companies.

Today the competition is only between three to five companies. That is one difference only good companies have survived in the last 10 years. All the turmoil that our industry has gone through. So, all the good and healthy companies are the only ones which have the bank guarantee limits.

See, our biggest raw material is bank guarantee limits and bank guarantee limits are available only to healthy companies. So, that is one difference that major difference that has happened. The other difference within the company is that has happened is we used to earlier focus only on hydro mechanical which was a very small and a niche although it was good margin and monopolistic, but the size of the industry was very small.

Today, we have the qualifications to address larger portion of the EPC in the water business. Today we are doing the gel Jal Jeevan projects, today we are doing complete dam projects which includes civil and hydro mechanical both and electro mechanical also. Even in the hydro power space we are doing civil, electro mechanical and hydro mechanical also complete EPC.

So, we have started addressing a much larger pie of the EPC business in water. So, these are some of the big differences and the third and the most important is government of India, which had lost its focus on hydropower development, has renewed its focus in the last one year. If you see all these announcements being made by the Honorable Prime Minister Narendra Modi and the Minister of Power and all the announcements.

And the values that central government PSUs have signed shows that there is a renewed focus on development of both pump storage projects as well as hydropower projects. So, these are the major developments and highlights that have changed in the last five years.

Ketan Athavale: Okay. Thank you for your answers. Thank you so much.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Vikas Kothari for closing comments. Over to you, sir.

Vikas Kothari: So thank you very much for everyone's participation. I truly appreciate your sparing time on today, Monday, in your busy schedule and participating in our calls. As I keep saying repeatedly that we are super excited about the phase of growth that our company has received. We achieved our highest annual revenues in FY'23.

And we are hoping to cross even that milestone in FY'24. Times are great for our company for the next decade. So, so we value you are being part of our momentous journey. Thank you very much for participating in this call.

Moderator: Thank you, sir. Ladies and gentlemen, that concludes this conference. Thank you for joining us and you may now disconnect your lines.