इरकॉन इन्टरनेशनल लिमिटेड
(भारत सरकार का उपक्रम)
IRCON INTERNATIONAL LIMITED
(A Govt. of India Undertaking)
An integrated Engineering and Construction Company

IRCON/SECY/STEX/124 **12th August, 2022**

BSE Limited Listing Dept./ Dept of Corporate Services Phiroze Jeejeebhoy Towers Dalal Street Mumbai – 400 001 **बीएसई लिमिटेड** लिस्टिंग विभाग / कॉर्पोरेट सेवा विभाग पी. जे. टावर्स, दलाल स्ट्रीट मुंबई– 400 001 Scrip code / ID: **541956 / IRCON**	**National Stock Exchange of India Limited** Listing Department Exchange Plaza, Plot no. C/I, G Block Bandra –Kurla Complex, Bandra (East) Mumbai – 400 051 **नेशनल स्टॉक एक्सचेंज ऑफ इंडिया लिमिटेड** लिस्टिंग विभाग एक्सचेंज प्लाजा, प्लॉट नं सी / आई, जी ब्लॉक बांद्रा-कुर्ला कॉम्प्लेक्स, बांद्रा (पूर्व) मुंबई-400 051 Scrip Code: **IRCON**

Sub: - Transcript of the Q1 FY2023 Analyst Conference Call held on Wednesday, 10th August, 2022

Dear Sir/Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 and in continuation to our letter of even no. dated 8th August, 2022, please find enclosed the transcript of the post result Analyst Conference Call held on Wednesday, 10th August, 2022 to discuss the financial results for the quarter ended 30th June, 2022.

In accordance with Regulation 46(2)(oa) of the SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015, the Transcript of the Analyst Conference Call is also available on the Company's website (www.ircon.org) which can be accessed through below mentioned path:

Investor Relations>> Presentation and Earning Calls>> Transcript of the Analyst Conference Call held on 10th August, 2022 for financial results for the quarter ended 30th June, 2022.

कृपया उपरोक्त जानकारी को रिकॉर्ड पर ले।

धन्यवाद,
भवदीया,
कृते **इरकॉन इंटरनेशनल लिमिटेड**

रितु अरोड़ा
12/08/2022

(रितु अरोड़ा)
कम्पनी सचिव एवं अनुपालन अधिकारी
सदस्यता क्र.: FCS 5270

IRCON INTERNATIONAL LIMITED CIN:L45203DL1976GOI008171

“IRCON International Limited Q1 FY23 Analyst Conference Call”

August 10, 2022

MANAGEMENT: SMT. RAGINI ADVANI – DIRECTOR (FINANCE) – IRCON INTERNATIONAL LIMITED
SHRI B. MUGUNTHAN – CHIEF FINANCIAL OFFICER & EXECUTIVE DIRECTOR (FINANCE) – IRCON INTERNATIONAL LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the IRCON International Limited Q1 FY23 Analyst Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. I now hand the conference over to Mamta Samat. Over to you, ma'am.

Mamta Samat: Thank you, Diksha. Good afternoon everyone and thank you for joining us on IRCON International Limited Q1 FY23 Analyst Conference Call. Today we have with us the senior management represented by Smt. Ragini Advani – Director Finance and Shri B. Mugunthan – Chief Financial Officer & Executive Director Finance. Before we begin, I would like to say that some of the statements that will be made in today's discussion may be forward looking in nature. We will begin the call with the opening remarks from the management, after which we will have the forum open for the interactive Q&A session. I would now request Smt. Ragini Advani for the opening remarks. Over to you, ma'am.

Ragini Advani: Thank you. Thank you so much. Good afternoon everyone. I'm Ragini Advani – Director Finance, IRCON International Limited, and I have with me our CFO Mr. Mugunthan and my finance team. On behalf of the team, I extend a warm welcome to all of you and thank you for your presence today. This is essentially for the Earnings Call for Q1 FY23. I would also like to express my heartfelt gratitude to each one of you for your continued patronage and confidence in our company over the years. We hope too that you have had a look at the detailed presentation that has already been uploaded on the stock exchanges.

As you are aware, we have had a good growth in our turnover in Q1 FY23. Our order book as on 30th June 2022 stood at Rs. 42,066 crores, which again has a good mix of nomination and competition-based jobs that we have won. IRCON currently has 11 subsidiaries, 10 wholly owned subsidiaries and one which is in renewable. Then we have out of these subsidiaries, we have nine road and highway SPVs. We also have joint venture companies, five in coal connectivity, and one again in a highway project.

In terms of our financial performance, the companies had steady performance, in fact, a significant growth in our turnover. Our PBT PAT margins are in terms of percentage a slight marginal decline, but on the whole, they are robust and PAT was at 145 crores in Q1 FY23 which is much higher than the corresponding quarter of the previous year. Our income in Q1 FY23 stands at Rs. 2,068 crore, again, a significant jump as compared to Q1 FY22. Core EBITDA remained at Rs. 173 crore vis-à-vis Rs. 119 crore of the corresponding quarter of previous year. PBT stood at Rs. 187 crore as against Rs. 119 crore for the corresponding period. Earning per share has also correspondingly gone up to Rs. 1.54 per equity share as against Rs. 0.95 per equity share for the corresponding comparable.

Without taking much more time, I would now open the session for any Q&A and let's take it question by question please.

Moderator: Thank you very much. We will now begin the question-and-answer session. We take the first question from the line of Saket Kapoor from Kapoor & Co. Please go ahead.

Saket Kapoor: Ma'am, firstly, if you could give us some color how is the execution cycle currently looking for our company for FY23? And what kind of growth are we anticipating in terms of the order book we have and the execution cycle?

Ragini Advani: So, you know, our order book as I mentioned is about 42,000 crores and our typical execution cycle is about four-year period depending upon the kind of project it is, but that's the average. So, going forward, that is how you can see. There could be slight delays because these are infrastructure projects. So, one can take an average of four to five years on an execution front.

Saket Kapoor: So, on a top line of 6,900 crore, which we did for FY22, what--

Ragini Advani: Yes, we should be going up and should be somewhere between 8,000 to 10,000 crores for FY23.

Saket Kapoor: And when we look at your quarter-on-quarter numbers, ma'am, are they comparable correct or since it is an EPC type execution engineering company, order book execution base, so how likely correct is it to compare it on a Q-on-Q basis or Q4 versus Q1 some metrics drastically changes over quarter-on-quarter just like the EBITDA margins, the finance cost? So, how to compare them like to like basis?

Ragini Advani: So, see, there are two elements to it. The first is that it really depends that when you are taking a project, the project over a four year or a five-year period also has a particular cycle. So, you know, initial one year, you may be recording something like 5 to 10% of the turnover. Then going for next two, three years, you may be recording cumulative another 60, 70% turnover or maybe even 80% and then probably the last year the turnover would be again close to 5 to 10%. So, depending upon the number of projects and in which phase are they, the turnover can drastically differ from quarter to quarter or even for that matter from a year to year. So, that fact, the very fact that we are in an EPC industry, that is true. You know, it is not like a manufacturing line where it's a capacity-based standard production or revenue coming from this.

The second part is that there is a monsoon season. You know, we are in a construction industry, and that monsoon season again tends to affect us, which normally starts depending upon different parts of the world and of India. It normally starts somewhere in May end, June beginning and it continues till about August and September. So, again, if you were to look from a quarter-to-quarter basis, our Q1, Q2 results tend to be on a lower side vis-à-vis our Q3 and Q4. Q4, which may be true for almost every company, there is this pressure to continue doing, you know, more work or to clock more turnover as well as execution pressure because of the very fact that most companies work till 31st March as being their final target for a year end. So, typically, what we have seen is that our Q3 and Q4 combined gives us 60, 70% of our turnover as well as profits and Q1 and Q2 tends to give lesser.

Saket Kapoor: And how do the cash conversion cycles plays out for us with the--?

Ragini Advani: So, you know, cash conversion cycle for us is actually good. If you would see, our receivables are close to 30 to 34 days and if you see on our payable side also, it's very well managed. In fact, the reason why we have 30 to 34 days of our receivables is also by the fact that we do tend to take advances in the form of mobilization etc. So, if you see our cash turnaround cycle is very fast.

Saket Kapoor: And what has been the cash on the book, ma'am, as on 30th June?

Ragini Advani: So, as of 30th June, it's been little more than 5,000 crore, out of which, bulk of it is either an advance fitting from client or specifically marked for projects. So, our own funds are in the region of about 1,000 to 1,200 crores.

Saket Kapoor: And out of the total cash generation, how have we mapped the cash flow for sharing of for CAPEX and for shareholders income distribution?

Ragini Advani: So, you know, I mean, as I mentioned, our own funds are roughly to the tune of 1,000 to 1,200. This is cumulative as at 30th June. And as you are well aware that we have invested in our roadway, highway projects into a renewable project and also into coal JVs. Now all of them will be requiring equity in this year and you know, considering the equity requirement in these projects as well as the CAPEX that I have in a routine basis in my own company, which is close to about 300 crores, I would say that we will stick to a dividend distribution as laid down by DP guidelines.

Saket Kapoor: Ma'am, I missed your point about coal. In which segment of the coal we have participated, investment has been made?

Ragini Advani: So, you know, we have five JVs in coal and this is essentially for laying down the railway tracks on a concession agreement, you know, for having a last mile connectivity to the mines of Coal India are its subsidiaries with the main rail lines so that ultimately all these mines are connected and the traffic from these coal mines also can be taken up through railways rather than just roadways.

Saket Kapoor: And how much have been our investment in this JV? And currently, how much we have invested? And how many projects are we doing for Coal India currently? And which stage are we in terms of implementing?

Ragini Advani: We are doing five. Out of five, there are, you know, one is CERL. One is CEWRL. One is MCRL, JCRL and Bastar. So, CERL and CEWRL are in Chhattisgarh. We have had financial closures of these projects or we are in the advanced stage of their financial closures. In terms of our equity in all these five projects, we are investing equity of 26%. 64% comes from the Coal company and 10% comes from the corresponding state government or their land authority as the case may be. So, that is the typical mix. In terms of our where we are, all these projects are in the construction stage. Some of them are in the financial closure. Some of them have gone ahead beyond financial closure. And in terms of equity investment that we have made till now, we have invested close to about 470 crore till now in these coal projects.

Saket Kapoor: And we have to make the entire commitment of 26% at 470 crore which is a--

Ragini Advani: No, there is some amount which is still to be made, which will be another 50, 60 crores.

Saket Kapoor: And we will be reaping dividend from these JVs or profitability share? How will we adequately rewarded for our investment?

Ragini Advani: So, you know, I mean, the moment you are doing a project in a SPV, irrespective of whether it is a JV or a subsidiary, obviously, you are doing it structuring the IRR of this project and you do expect to get profits from those projects. In terms of those profits getting shifted to Ircom International, obviously, it will happen through a dividend option, but we have also undertaken EPC projects for these JVs. So, you know, at the end of it, a part of our funds are anyway coming back to us through our EPC execution of these projects.

Saket Kapoor: Correct, ma'am, and about the completion timeline, ma'am, for these five projects? I missed the timeline.

Ragini Advani: Again, I mean, typically, they will be about four-to-five-year periods, but there is one project which is CERL Phase 1, that should be getting completed in this year itself, in fact, most probably between September to December this year. The rest, you know, I mean, depending upon which different stages that they are, again, MCRL is another project which should be getting over in this financial year itself. The main phase, which is the Phase 1, but overall you can say that the completion of all projects with everything, I mean, CODs all being in place, it will be probably a matter of another two to three years.

Saket Kapoor: You mentioned CERL. Can you give the full form, ma'am?

Ragini Advani: Chhattisgarh East Railway Limited.

Saket Kapoor: And what would be the coal uptick from here, ma'am? We will be handling the coal uptick also just laying down the rail line for the same.

Ragini Advani: So, this is a concession agreement for the rail line. So, what we will be doing as IRCON is EPC, we would be doing the rail lines, but in terms of this company, they are going to have a revenue sharing model with the railways for the coal that goes on this line to obviously the rails.

Saket Kapoor: And going forward, when can our management look for buyback going ahead? What metrics are there to be followed that may result in redistributing cash back to the investors in the form of buyback?

Ragini Advani: As I mentioned to you earlier, whether it be buyback, dividend or any other form of reaping, currently, the company is right now earning wealth, but it is also plowing back the same into different businesses through SPVs. So, whichever form it happens, we will have some money that we have committed to our highway SPV as well as coal projects or going forward, in fact, even in the renewable project. And therefore, while the capital restructuring guidelines of DIPAM will be followed in spirit, but we will have, I mean, going forward you can assume that we will like to give minimum dividend as per DPE guidelines. We would like to continue with complying with those guidelines, but we would rather have most of our money going back into these projects, having these projects completed as fast as we can so that we can start earning profit out of these projects. These projects are fairly good. They have good traffic on these lines and we do hope to make good profit out of these projects.

Saket Kapoor: And are we ring fenced, last point and I'll come in the queue, how are we ring fenced from the vagaries of these, god forbid, spending….

Ragini Advani: So, the very fact that all our loans that we have tied up for these projects, they are all on project financing basis and then the concession agreement is signed by these SPVs or these joint ventures with NHAI or railways as the case may be. So, to that extent, it is completely a ring fenced project that we entered into and as per the concession agreement, once the projects are commercial, then 90% of the debt shall be repaid by railways or NHAI as the case may be, should there be any kind of termination that should be happening subsequently. So, to that extent, these are fairly safeguarded projects.

Saket Kapoor: And what is our cost of fund, ma'am? Currently, we are borrowing at what rate?

Ragini Advani: So, IRCON is not borrowing. These SPVs, as I mentioned, these are all on project financing basis. So, these projects are borrowing and we have got good rates. You know, typically, in the range of about 7.75% to 8.25%.

Moderator: Thank you. We take the next question from the line of Viraj Mithani from Jupiter Financial. Please go ahead.

Viraj Mithani: Ma'am, I have a few questions. First is in the order book which you said is 40,000 crores, what would be the high margin order contained in that book would be?

Ragini Advani: Sorry.

Viraj Mithani: What would be the high margin orders remaining in that order book? I understand our margins are going lower, right, because the change in government policy and so can you give some color on that in terms of margins in the order book?

Ragini Advani: So, you know, we have 42,000 crore, 42,066 crore of order book as at 30th June and now out of that, the mix between nomination and competition is broadly 53, 47. So, nomination-based projects, obviously, our margins tend to be little better than the ones that we have taken on competition and as I mentioned in our previous call also, as well as going forward, we will have more of competition in our order books and less of nomination because that is how this industry is now and there is a cutthroat competition in this area. So, yes, while we have a robust order book and correspondingly good turnover is what we expect, we will also get good margins in terms of absolute numbers. But in terms of percentages, obviously, we will see a shrink going forward, and that is what has even happened from March to June and we do continue seeing that shrink and we should be able to, I would say, it will be a marginal shrink. But it will happen, and we should be clogging our pack in the region of about 7 to 7.5%.

Viraj Mithani: That is the EBITDA margins or the gross margins you will be getting?

Ragini Advani: So, this is what I'm talking about is my PAT to total turnover.

Viraj Mithani: PAT to total turnover. So, ma'am, what are the margin percentage in nomination and competition would be like, if you can give some color?

Ragini Advani: You know, again, it's not strictly definable because it really depends from the project to project, but if you were to look at costless projects within nomination, they would probably be in the range of 8 to 10% and if you were to look in a competition, then we would have probably taken jobs in the region of 5 to 8%.

Viraj Mithani: So, if we try to assume the EBITDA margin of PAT minus 7.5% going forward or a bit high on as per the current situation.

Ragini Advani: So, our EBITDA, as I mentioned, PAT margins will be in the region of 7 to 7.5. EBITDA, you can assume in the region of 8 to 9%.

Viraj Mithani: Ma'am, second is how are we dealing with the commodity inflation because it's a very competitive market? Anything that changes in commodity prices can affect us, right?

Ragini Advani: Yes. So, as of now, I mean, I think, this is something which we mentioned last time also, that we in our contract itself, we do have variation clauses linked to wind indices. So, PVC clause that we call them. So, we have that in all our contracts. So, to most of the extent we are safeguarded. However, should there be some one-off, you know, cost increase in certain products which we do not get because of the PVC formula itself, you know, because at the end of it with

Russia-Ukrainian war and many other factors, if at all there are certain projects or certain one or two elements where we may have to take this hit, but it will be very marginal.

Viraj Mithani: Ma'am, this, the JV you talked about, I understand there is some write-off is spending on certain JVs, right? So, are we going to give that effect in this year or still some time to go?

Ragini Advani: So, there is no write-off which is spending. There is only one JV of ours, IRSDC. This is the JV between us, right, RLDA, which is an authority of railways. So, in this JV, the government itself had decided to shut down this JV in December '21. That was an in-principle decision. The company was doing well, but because of various extraneous reasons, railways decided to bring back these projects under RLDA. So, that is undergoing a liquidation, but there is no write-off even in that company.

Viraj Mithani: And ma'am, any color on exports? Are we bidding for the exports market?

Ragini Advani: Yes. So, on international business, we had active projects in Algeria, Sri Lanka, Nepal, Myanmar and Bangladesh. We also have some small business in Malaysia as well. And going forward, we are focusing on international business. In fact, some of our proposals currently that we are working on are all on the international domain.

Viraj Mithani: Sri Lanka, is that a problem because of the upheaval there or we are safe in that?

Ragini Advani: So, Sri Lanka, while we have got the job, the execution in the last few months has been a problem but not in terms of the money that we have of that project. All that is safe. The only thing is that the project is undergoing delays because of the problem that the country is facing right now.

Viraj Mithani: And ma'am since now I understand, now it's my last question, going to competition, competitive bidding. So, how will our order book plan going forward like any sense in that? How are we trying to, I understand the huge competition in the business we are in. So, what steps we are taking to be, you know, to be ahead of the line or curve something like that?

Ragini Advani: So, you know, I mean, at the end of it, if you see it's one of the well-established players in EPC business over a period of time, especially in the railway sector. Even in the roads and highways, we have done well in terms of the projects that we took up. Some of them have already reached the commercial operation and going forward, I mean, in terms of our strengths, these are given and going forward, we will be looking at some three-bit tie-ups and some JVs to ensure that, you know, the parties are all well known to us before we take up a project and it's a faster execution, which is more important as of today. That also helps in submitting a bid, which is more competitive. So, that is one area we are looking at.

The second is that, Yes, I mean, apart from EPC business, because of our course sense that we have, we have anyway got into asset ownership models and PPP models of various projects. We will also be looking at some TMC projects going forward. And as you mentioned the focus now that we have a good order book, domestic order book sent, we shall be focusing more on international business through multilateral agencies or exim banks, lines of credits etc.

Moderator: Thank you. We take the next question from the line of Vishal Periwal from IDBI Capital. Please go ahead.

Vishal Periwal: Our first question is for this quarter; can you share what is our order inflow?

Ragini Advani: Yes, so this quarter our order inflow has been marginal. And that was because of two reasons. One, our focus right now in domestic markets is execution because I mean, we have a very, very rich order book. So, it is important for us to convert it into turnover and profits as fast as we can, and that has been our conscientious objective if I may say so for the first quarter and going forward also for another quarter maybe, and we are in the pipeline of bidding for some jobs both domestic as well as international, more on international fronts, but those are at proposal stages, and it should take about three to six months for them to fructify. So, I see an increase in our order book somewhere towards third quarter.

Vishal Periwal: And in terms of pipeline, will it be possible to give some color in terms of number like, you know, what exactly the bids that we have submitted till now or the pipeline may be domestically or internationally?

Ragini Advani: So, actually, you know, it will be very, very broad, but we can say that we are looking at proposals of both domestic and international combined in the region of about another, let's say, 500 to 700 crores.

Vishal Periwal: And then another is that in terms of revenue, do we have a breakup between how much of this 1,897 is crude that we have done revenue, which is from nomination and how much is from competitive bidding? The reason I'm asking is because our growth rates in terms of the quarterly number that we have done, it's pretty good even on a high base. But our margins, I think, you know, it's fallen quite a much even on Y-on-Y basis.

Ragini Advani: Yes. That I think I have mentioned it today as well as in a previous call that the margins will be on a squeeze and we will be working on very, very stringent margins going forward. Purely as we mentioned time and again, that one, we have won these jobs in highly competitive places and two, I mean, given the fact that these are all infrastructure projects, the efficiency and the time delays as well as cost overruns also make a difference. So, given all these factors, the margins will be stringent. In terms of the split that you're talking, we have had about a 30-70 mix. 30 is from competition.

Vishal Periwal: 30 is from competition.

Ragini Advani: Yes, 30% in June '22.

Vishal Periwal: The same number for Quarter 1 FY22 or maybe FY22 or maybe a range if you can give?

Ragini Advani: In fact, honestly, I mean, those are similar numbers. I mean, it's not like the bidding nomination split in the turnover has gone drastically changed, but even within the nomination jobs that we have got lately, the margins, you know, over a period of time, I mean, once you also have competition, so at the same job when you are getting a nomination, the margins have been on a squeeze, because railways had someone to offer to them to do it at a lesser margin. So, overall, this industry will see a squeeze in margins also okay.

Vishal Periwal: So, is there any change in the nomination margin also by the way?

Ragini Advani: Yes. So, you can say, I mean, again, it really depends from a job to a job or a project to a project, but what I am saying is that as I mentioned earlier, it's anywhere between 8 to 10%. So, there are jobs which could be at 8, while earlier they were at 10 or 11%. For every project, you know, I mean, there is a negotiation or a discussion with railways, and it is fixed for that project. So, there are projects where we have got it as cost plus 7.5%, 8%. There are jobs where we have got it as cost plus 10% as well, but those were earlier jobs.

Vishal Periwal: So, when you say earlier, it means like in the last in the 12 odd months, there has been change in this 7.5%, I mean, from 10 to 7.5%, they have changed the norms or?

Ragini Advani: No, it again depends on the kind of work that is envisaged in that project, the difficulty levels, the geological terrains, you know. So, there are many factors. So, I mean, generalization would be difficult, but yes, on the whole, margins for our company will be on a squeeze going forward, and they have shown a declining trend, and they'll continue to show for some time.

Vishal Periwal: And just I may not be doing with our IRCON, but just from an industry perspective in nomination, because our understanding was like the margin which railway give, if it's a cost plus and the margin has been fixed from quarter sometimes--

Ragini Advani: Yes. It is correct. But that percentage fixation also varies from project to project. It is cost plus.

Moderator: Thank you. We take the next question from the line of Dikshit Doshi from Whitestone Financial. Please go ahead.

Dikshit Doshi: Two, three questions. One, you mentioned that in Q1, we received a very low new order inflows, and we are evaluating currently 500 to 700 crore projects. So, what kind of order inflow we are targeting for the full year this year?

Ragini Advani: Again, I will answer this question in two parts. The first part is that we are looking at execution more in this particular year than in terms of target inflows because the existing order book itself is very healthy and considering that we will take about four to five years to execute these projects, this is going to be our focus for the year. In terms of our focusing on the jobs of new proposals, obviously, we are wanting to venture into certain new areas or certain areas where we feel could be the potential going forward in a big way, and those projects we have started focusing in terms of our proposals and by the time they turn around, because these are all on competition or bidding basis, it should take easy six months to nine months for these to happen. And in terms of our close of order book for the year, we would say that, you know, we would like to maintain a status quo number, which means what we execute during the year is what we should be adding probably till the end of the year.

Dikshit Doshi: So, we are still targeting 8,000 to 10,000 crore kind of ordering.

Ragini Advani: Yes.

Dikshit Doshi: And my second question is regarding this margin. So, is my understanding right that in the nomination, we were having a cost-plus margin, and now that we are into a bidding process, so whatever margin we have bidded, so any cost escalation we have to bear, right?

Ragini Advani: No, but there is a price variation clause in those contracts as well.

Dikshit Doshi: Yes, but sometimes it doesn't, you know.

Ragini Advani: Yes.

Dikshit Doshi: It's linked to the inflation data and everything.

Ragini Advani: Yes. It may not cover it entirely.

Dikshit Doshi: And one clarification is in this competitive bidding, even the private sector is now bidding, right?

Ragini Advani: Yes.

Dikshit Doshi: Or it is still only among the PSU?

Ragini Advani: So, going forward, it will be all on private sector also bidding as we understand, but as of now, the order book that we have, there are certain projects where the competition was amongst PSUs only.

Dikshit Doshi: And so whatever now new projects railway envisage, all the projects go into the bidding only or still there are few, you know, difficult projects where railway wants to give on a nomination basis?

Ragini Advani: So, as a principle, they want to go on competition, and they want to go more on EPC mode of proposals. But, I mean, it will really depend, again, if there is a particular proposal where they feel it would be better to go on a nomination basis, but I mean, I'm sure they can take the necessary approvals, and they can put it up to a company. But as a general philosophy, they have announced that it will be on a competition basis, open to all, and mostly on EPC mode.

Dikshit Doshi: And my last question is, considering all the JV and SPVs we have, how much equity total we have invested? And how much TAT we have given to them?

Ragini Advani: So, we have invested in equity of about 1,153 crores, 1,200 crores you can say, and then we also have some amount of loan element as well that we have given temporarily to them or in the form of quasi equity. So, combined, you can say, we have given about 1,800 crores.

Dikshit Doshi: 1,800 crore combined.

Ragini Advani: Yes. And going forward. we still have a commitment of about 800 to 1,000 crores.

Moderator: Thank you. We take the next question from the line of Shreyans Mehta from Equirus. Please go ahead.

Shreyans Mehta: Ma'am, if you could, you know, just highlight key projects which have contributed during the quarter?

Ragini Advani: So, you know, the top 10 projects that have contributed in the quarter, the first is USBRL project or as we call as Jammu and Kashmir Rail Project Banihal. That is first. The second is Sivok Rangpo. This is in Sikkim.

Shreyans Mehta: Ma'am, can you just quantify the amount as well?

Ragini Advani: So, the total amount is about the top 10 projects have contributed more than 1,500 crores to the turnover of the company in the first quarter.

Shreyans Mehta: Of the 1,900 odd crores?

Ragini Advani: Out of the 1,897 crores. Yes. More than 1,500 is from 10 projects.

Shreyans Mehta: And ma'am, in terms of our guidance in looking at the first quarter, will it be fair to assume that we are at somewhere around 7,800 to 8,000 odd crores?

Ragini Advani: Yes. So, that is what I mentioned that at year end we should be looking at anywhere between 8,000 to, I mean, if it's a good year, I would say, close to 9,000 to 10,000. Otherwise, definitely between 8,000 to 9,000.

Shreyans Mehta: 8,000 to 9,000. Sure. Ma'am, in terms of margins, as you said, you know, that probably there are squeeze in margin and currently, if you see, you know, you just mentioned that 30% is coming from the competition and 70% is from the nomination.

Ragini Advani: Yes.

Shreyans Mehta: So, going forward as, you know, the share of competition increases, do you foresee further squeeze in the margins?

Ragini Advani: Yes, we do, and that is what I have been telling. There will be a squeeze going forward. In this financial year, the squeeze will be marginal, but going forward in future years, I mean, of course, it will also depend on what new orders that we clog, but there should be a further downward shift in the margins.

Shreyans Mehta: Any range where, you know, I mean, probably what are we targeting in terms of operating margins?

Ragini Advani: So, EBITDA margins we said will be close to about 8.5% to 9%.

Shreyans Mehta: That's including the other income, right?

Ragini Advani: That's right and PAT we said will be close to about 7% to 7.5% and going forward for the, if you were to say two years down the line or three years down the line, I would say that our EBITDA margin should fall down by another percent or so.

Shreyans Mehta: Percent or so. Secondly, in terms of the order for the solar power, just wanted to understand how much more equity needs to be put in? Number one. And number two, you know, in terms of the revenue model, will we be the operating or we are just the EPC contractor for the project?

Ragini Advani: No, so we are in a joint venture, you know, with a player called Ayana, and so in terms of our equity in renewable, we have committed an equity of 108 crores. So, you can say almost 110 crores, and it is a 74-26 JV where 74% is held by IRCON. So, Ayana is very well equipped in renewable sector to run such kind of projects. So, going forward, I mean, we will do the EPC part, but this joint venture is going to run, and since we are the majority partner, we do plan to continue operating it, and if this model works well, we may try to take it forward for other rail jobs.

Shreyans Mehta: So, in terms of our revenue, I mean, will it be an open market or probably, you know, we have back-to-back arrangements from the railways to procure power from us?

Ragini Advani: So, we have already entered into a PPA with railways for a 25-year period.

Shreyans Mehta: And what was the rate right at which we have entered?

Ragini Advani: So, this is Rs. 2.45 per unit as per the IREDA guidelines.

Shreyans Mehta: Rs. 2.45.

Ragini Advani: Yes. There is a VGF also in this. Viability Gap Funding of Rs. 224 crores in this project. It is as per the MNRE guidelines and as IREDA took it out for these projects.

Shreyans Mehta: And in terms of IRR, any ballpark number which you would like to guide?

Ragini Advani: For this renewable project?

Shreyans Mehta: Yes.

Ragini Advani: So, it's about a 14% equity IRR.

Shreyans Mehta: 14%. Ma'am, a couple of questions from my side. The other is, you know, in terms of the equity investments, you know, which we have made till date, can you just put it in three buckets? One is roads, number one. Number two, in the renewable. And third in the railway.

Ragini Advani: So, if I was to look into these buckets, broadly, you can say that roughly the amount that we have already invested in roads is close to 1,100 crores.

Shreyans Mehta: Out of the 1,200?

Ragini Advani: No, out of the 1,800. So, 1,100 is in roads and about 550 odd crores is in coal JVs. So, 1,100 crores is in road projects. Coal is about 550 crore, and as far as other JVs are concerned, the third bucket actually has renewable where we put a marginal amount of about 5 crore, but apart from that, I also have a company which does my PMC work and which is called IrconISL. So, I already have an investment of 65 crores there. It's a profitable company, but I have put in an equity of 65 crores there. And then in IRSDC, which I told you, is in the process of winding up based on orders from railways. Again, we have put an equity of 52 crores there, which depending upon the valuation and how it will be taken over by RLDA over a period of time, that's something which should, you know, settle soon maybe in this financial year itself.

Shreyans Mehta: And in terms of future investments, if you could, you know, put it in the same buckets?

Ragini Advani: So, future investments as far as they are concerned, again, we have something like 800 crores to be paid in road projects.

Shreyans Mehta: 800 in roads?

Ragini Advani: Yes. And then about 100 odd crores in coal.

Shreyans Mehta: And this 800 odd would be divided in next two years?

Ragini Advani: Yes. In road projects, it should be, Yes, next two years.

Shreyans Mehta: And in terms of monetization, so, you know, I mean, if I am not mistaken, probably, we have one or two road assets, which are almost, you know, are either operational or would be operational. So, any plans to monetize them?

Ragini Advani: So, monetization, there are two things. One, of course, there are certain clarity that we are awaiting from Government of India based on the recent guidelines that they took out for sale oblique monetization by a PSU of their assets. Now that is something that we are looking at. And two, so as you said, we started taking baby steps in terms of understanding that process and in terms of seeing what all alternatives we have. And let's see, going forward how do we monetize and when do we monetize.

Shreyans Mehta: Ma'am, one last question. We have seen a lot of redevelopment projects which are being tendered by IRCON. So, just wanted to understand, are you just acting as a PMC for those projects or what exactly is the role which IRCON is playing?

Ragini Advani: Which exact project are you talking about in terms of the development?

Shreyans Mehta: The station redevelopment projects.

Ragini Advani: So, stationary, the ones which railways has right now advertised?

Shreyans Mehta: Right.

Ragini Advani: So, the station redevelopment projects are open on EPC mode as well as for PMC. These are the new many stations that they have announced. We shall be carefully looking at them to see which mode we may like to go into, but the existing work that we have in terms of redevelopment of station, I think we only have one which is of Safdarjung Railway Station.

Shreyans Mehta: If I am not mistaken, on the website I have seen, you know, wherein we had invited bids for two or three projects from the parent IRCON itself.

Ragini Advani: So, we are again looking at a pre-bid tie up as I mentioned for some of the works that we may like to do going forward.

Shreyans Mehta: So, again, I mean, our job would be primarily as an EPC contractor.

Ragini Advani: Yes.

Shreyans Mehta: And would there be any equity component which needs to be put in or it's a pure play EPC contract?

Ragini Advani: No, it will be pure EPC.

Moderator: Thank you. We take the next question from the line of Parimal Mithani, an individual investor. Please go ahead.

Parimal Mithani: I have just two questions. First is regarding the dividend policy. Are you going to work with the same dividend policy over the last years that you have given **(Inaudible 00:46:29)?** The dividend policy you have poor dividend payout ratio?

Ragini Advani: So, we will be, as I mentioned earlier as well, we are a profit-making company, and we continue to give you the dividend like we have been giving in previous years as per DIPAM guidelines.

Parimal Mithani: And ma'am, second thing I wanted to know the execution wise in previous con call, you said you will be focusing on **(Inaudible 00:46:59)**. Is it correct to say that going ahead we will have more revenue growth in terms of execution wise going ahead?

Ragini Advani: Yes, that is the reason I am saying that we should be hopefully clogging 8,000 to 10,000 crores by the end of this year.

Parimal Mithani: And ma'am, what is the bidding amount that you have done currently in the Q1 or Q2 currently which is going on, the projects that's been going on? How many projects--?

Ragini Advani: See, I told you it's a very, very ballpark general figure. That's a question which previous gentleman also asked and I told him that while our focus is on execution, we have taken up some proposals in the range of 500 to 700 crores currently. We are looking at some very, very initial steps for certain tie-ups to look at some projects which are outside of India which should, you know, get some particular direction as well as more certification in terms of amounts maybe in another three to six months period. So, we should be able to answer this better in third quarter of this financial year.

Parimal Mithani: Ma'am, last two questions if I can ask. Ma'am, you know, in previous con call, projects such as Vadodara Kim Expressway, Bhavnagar Expressway, and Shivpuri Guna were supposed to be monetized and any headway in terms of them or it's going to take time, ma'am from going ahead?

Ragini Advani: It is going to take time. Asset monetization is a very long run process, especially in a public sector where we are dependent on certain guidelines and clarification from Government of India. We are awaiting those guidelines. We have started with the baby steps right now in order to be very careful in what way and how should we go about monetizing. You know, ours is not a day in day out business of highways or roadways unlike an NHAI or a transmission pipeline business like a Power Grid where, you know, we know exactly the products which will keep coming in and out of those businesses. So, ours is going to be very project specific strategy that we will have to make. So, we have started as in, I mean, the initial brainstorming on it, but it is taking time. Yes, and it is, you know, because used to be very, very judicious about it.

Parimal Mithani: And ma'am, last question. Any guideline from DIPAM in terms of OSF going ahead, ma'am?

Ragini Advani: No. As of now the last week heard is what you also heard. Beyond that I don't think we have got any other information on it.

Moderator: Thank you. We take the next question from the line of Neha from Limewater. Please go ahead.

Neha: So, what are the order perspectives pipelined for the remaining nine months, both domestic and international?

Ragini Advani: See, we essentially continue to focus on our main areas, which will be obviously rails, to some extent roads and highways, and within railways, maybe some more specific works like tunneling etc. In fact, both for rails and highways, we would be looking at some high-end tunneling work that we may be looking at or, you know, even given the government's initiative on infrastructure development, we may be looking at one or two other modes of transportation as well. But it is all too preliminary to discuss and announce right now.

Moderator: Thank you. We take the next question from the line of Sadanand Shetty from Truequity Advisors. Please go ahead.

Sadanand Shetty: What is the nature of work or the contract falls under nomination contract?

Ragini Advani: So, the nomination contracts we have got from railways. These are all EPC projects, which could include one, laying of a railway track. It could mean doubling of a railway track. It could have some electrical works because at the end of it, the entire railway network in India is getting electrified, or it could involve some signaling and telecom work. It could involve some civil work like road over bridges or under pipe bridges, passes etc. And it could involve in case of difficult areas like hilly terrain, it could involve tunneling and ensuring that the rails and the systems are in place inside the tunnels for the rails to pass through such kind of projects or areas.

Sadanand Shetty: What was the origination or logic behind nomination? We know in, you know this in oil and gas fields, but in railways, what was it? Because private sector was not had the capacity of doing it earlier.

Ragini Advani: See, railways has been there for eternity as we all know. At the time when, I mean, I am just speaking loud my thoughts because this is something which probably is nothing to do per se with IRCON, but if I would say so at the time when these PSUs were created by railways, they were created for some very specific works, for example, RITES must have been created for a consultancy-based work and IRCON must have been created to execute those works in terms of PPC mode.

And so, you know, I mean, in a way they were extended arm of railways looking at some focused business approach for railways to grow their railway lines and maintain them in a more better and efficient manner, because railways by itself has too much focus on other aspects, which would be the general, you know, the running of the traffic on trains, the freight element, the passenger element, and at the end of it, it is an extended arm of government. It is not a corporate. So, given all these factors, they must have thought that it would have been easier to run these things through a corporate system where you have a professional team and a management to look into these aspects. And therefore, it would have, and since they held the equity in these companies, therefore, it made a lot of sense that since they had the right team with the right expertise sitting there who have that kind of an experience of railways, so they would have thought that let these works automatically go on depending upon the nature of work to those respected PSUs so that the work is done efficiently, and they in turn focus on the regularities within a ministry or a Government of India.

Sadanand Shetty: By very nature of this contract, it might not be hugely profitable or reasonably profitable. Isn't it? The nature of extended arm of railway earlier, so it would not be hugely or decently profitable or marginality?

Ragini Advani: Your question is other way around. What I told you is that till the time we were getting jobs on nomination, my margins were better. So, that is not the case.

Sadanand Shetty: The next question is on the railway station development. Is it under a public private partnership or how is it, the modalities of it?

Ragini Advani: So, railways have recently decided that they will do most of their work under EPC mode. So, they will be taking out EPC tenders for all railway development, but they would like to keep these projects within the ambit of railways or railway authorities as the case may be.

Sadanand Shetty: So, there isn't a private sector participation in the station development?

Ragini Advani: Yes. So, as EPC, they will be coming out with tenders, which will be open to both PSUs as well as private players, but there is no public private equity participation, if that's what you are asking.

Sadanand Shetty: And how does pre-bid works here?

Ragini Advani: In the railway station development?

Sadanand Shetty: Yes.

Ragini Advani: Yes, but then, you know, since they are not doing a, see, I mean, is this question more from a railway perspective or an aircon perspective?

Sadanand Shetty: IRCON perspective?

Ragini Advani: So, from an IRCON perspective, we would be basically going for an EPC mode of execution of these jobs. Since you get a very limited time frame now to do these jobs, and you would also want to give a better and a firmer quote, a more competitive quote because this is open to everyone in terms of tendering. So, you would rather go with certain pre-bid tie-ups with the parties with whom you need to engage going forward for the EPC work. So, we would be doing a pre-bid tie up in that case or will prefer to do it, let's put it that way.

Moderator: Thank you. We take the last question from the line of Sajal Agarwal, an individual investor. Please go ahead.

Sajal Agarwal: So, ma'am, just one question. So, is there any update on the merger between RVNL and IRCON?

Ragini Advani: No, again, we are as aware as you all are. There has been no separate news or any kind of sharing of documentation with us. Nothing at all.

Sajal Agarwal: But do you think that this will be beneficial for the both companies?

Ragini Advani: It will really depend if and as and when it happens and what modality are they thinking. So, the beneficial part would also be best known at that stage once we have more clarity onto it. So, I think I will not like to comment on it just now.

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

Ragini Advani: So, it was a very nice interactive session with you all, and I do hope that I have been able to answer most of your questions. We at the company level are dedicated and trying stringently hard as I mentioned, one, to execute the projects; and two, to slowly pick up our business proposals. But now that we are at a good healthy order book in an area and in a direction which will be useful to the company from a long-term perspective including some pre-bid tie ups, we shall obviously keep our shareholders and our investors informed as and when those things fructify.

But meanwhile, I would like to thank all our shareholders, business partners, analyst, investor friends who have continued to show faith on us and will continue to support throughout this journey. We shall also be happy to connect with you all on one-to-one basis should you feel the need to do so and discuss more queries. Once again, I thank everyone for this investor call. Stay safe. Stay healthy. Thank you. Bye-bye.

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