ENVIRO INFRA ENGINEERS LIMITED

Date: 21st December, 2024

To BSE Limited Phiroze Jeejeebhoy Towers Dalal Street Mumbai – 400001	To National Stock Exchange of India Limited Exchange Plaza, C-1, Block G Bandra Kurla Complex Bandra (E), Mumbai – 400 051
Scrip Code: 544290	**Scrip Symbol: EIEL**

Sub: Transcript of the Earnings Conference Call for Analysts and Investors held on December 18, 2024

Ref: Disclosure under Part A of Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Dear Sir/Madam,

In compliance to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we have attached herewith the transcript of the Earnings Conference Call for Analysts and Investors conducted on Wednesday, December 18, 2024.

The same is also disseminated on the Company's website at:

https://www.eiel.in/_files/ugd/2514a1_0fdb1d05a1c4424c96bbf087d185cf68.pdf

This is for your information and record.

Thanking You,

For Enviro Infra Engineers Limited

PIYUSH JAIN Digitally signed by PIYUSH JAIN Date: 2024.12.21 18:32:15 +05'30'

Piyush Jain
Company Secretary & Compliance Officer
A57000

Encl: a/a

"Enviro Infra Engineers Limited

Q2 and H1-FY25 Earnings Conference Call"

December 18, 2024

MANAGEMENT: **MR. SANJAY JAIN – CHAIRMAN AND WHOLE-TIME DIRECTOR – ENVIRO INFRA ENGINEERS LIMITED**
MR. MANISH JAIN – MANAGING DIRECTOR – ENVIRO INFRA ENGINEERS LIMITED

MODERATOR: **MS. ASTHA JAIN – HEM SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to Enviro Infra Engineers Limited Q2 and H1-FY25 Earnings 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 star then zero on your touchtone phone.

Please note that this conference is being recorded. I now hand the conference over to Ms. Astha Jain, Senior Research Analyst at HEM Securities. Thank you and over to you, ma'am.

Astha Jain: Thank you, Sagar. A very good evening, ladies and gentlemen. Thank you for joining the Enviro Infra Engineers Limited Q2 and H1-FY25 Earnings Conference Call.

Joining us on the call today from the management team is Mr. Sanjay Jain, Chairman and Whole-Time Director and Mr. Manish Jain, Managing Director. We will commence the call with opening thoughts from the management, post which we will open the forum for Q&A sessions, where the management will be glad to respond to any queries that you may have. Before we go on to the main call, I would like to read the standard disclaimer.

There may be forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company's management, as on the date of this call. The company does not assume any obligation to update their forward-looking statements if those beliefs, opinions, expectations or other circumstances should change. These statements are not guarantees of future performance and involve risk and uncertainties that are difficult to predict.

Consequently, listeners should not place any undue reliance on such forward-looking statements. With this, I will hand over the call to Mr. Sanjay Jain, Chairman and Whole-Time Director to take it forward. Over to you, Sanjay sir.

Sanjay Jain: Thank you, Astha. Good evening, everyone. Firstly, I would like to thank you for trusting our company and our team for the great response reflected in the IPO.

We have received an overwhelming response from the investor community, and we are truly grateful for valuing our company. We would remain focused in our commitment and would stay on ground, continuing to focus on our execution of the project and pushing ourselves to reach greater heights with determination and focus. Coming to the background of the company, the company was established in 2009 and has grown into a prominent player in the water and wastewater treatment sector.

We specialize in designing, construction and operation and maintenance of water and wastewater treatment plants, including sewage treatment plants, common effluent treatment plants, sewage networks, and water supply schemes projects. We take immense pride in our role in contributing to the India's ambitious national initiatives such as Jal Jeevan Mission, Atal Mission for Rejuvenation and Urban Transformation. It is under AMRUT scheme and National Mission for Clean Ganga, NMCG.

By delivering critical infrastructures, we are not just building projects, but shaping a cleaner, sustainable future. Our presence spans across multiple states in India, including Gujarat, Rajasthan, Punjab, Karnataka, Haryana, Uttar Pradesh, Madhya Pradesh, and Chhattisgarh. Today, our diversified projects order book comprises of around 22 projects across India with a total aggregate value of approximately INR1,960 crores.

Our team has embraced renewable initiatives like compressed biogas, CBG plants, and solar power systems, aligning our work with India's focus on sustainable development. I would like to highlight the strengths of our company. Basically, it is in-house designing, diversified order books of projects in 11 states of India, in-house execution capability with timely delivery, use of advanced technologies, sustainability and ways to energy initiatives, experience promoters and senior management and teams.

The growth strategy, it is increasing the size of the project, expansion of geological footprint, plan to bid for more HAM projects, capitalize on government policy initiatives in wastewater treatment and water supply sector, and new initiatives towards ways to energy as a part of projects. Ladies and gentlemen, I will be pleased to share some really exciting and successful development from the three ongoing HAM projects. First HAM project, it was at Bareilly.

The total cost of the project was around INR230 crores. We are proud to announce that we have achieved commercial operation date 71 days ahead of schedule on 18th July, 2024. Further, its first quarterly annuity, which got due on 17th October, 2024, has also been released.

The second HAM project is at Mathura. The approximate value of this project is around INR190 crores. The effective date for this project has been declared with effect from 29th November, 2024. And the physical progress has also commenced in full swing. The third HAM project is at Saharanpur. The total cost of this project is around execution project, execution cost is around INR267 crores.

There has been an exciting development in this project with the support of our banker that is HDFC Bank. The term loan was sanctioned for this project on the date of signing of the concessionary agreement, which was 27th September. A timeline of four months is made available for financial closer and completing other conditions precedent.

The scheduled time for declaration of this project is 26th January, 2025. And we are ahead of time again and trying our level best to get the effective date declared before the actual scheduled date. At Enviro Infra, we are guided by a clear vision to deliver sustainability and technological advanced infrastructure solutions that address the critical water challenges of our nation.

Quality, innovation and timely executions are the pillar of our success. We are not just building infrastructure, but creating a legacy of cleaner water, healthier communities and a greener tomorrow. Now, I would like to hand this opportunity to our MD, Mr. Manish Jain for providing financial and operational information about the company. Over to Manish.

Manish Jain: Good evening, everyone. I take this opportunity to address you all today and provide an overview of the company's financial performance for Q2, financial year 2025.

For the Q2 under review, our revenue from operations stood at approximately INR213 crores, showing a significant increase by around 77.82% from the corresponding quarter of the last financial year. Net profit for the quarter stood at INR36 crores, which increased by more than 189% from the corresponding quarter of the last financial year. For the first half of financial year 2025, our revenue from operations reached at INR418 crores, which has increased by 50% from the corresponding period of last financial year.

Net profit for the period was approximately INR66.33 crores, which grew by 106% from the corresponding half of last financial year. For the half year, basic EPS rose to 4.85 from 2.61 in FY24. Our project order book stands strong at approximately INR1,960 crores for execution and more than INR750 crores for operation and maintenance. With the execution expected to accelerate in coming quarters, we remain confident of continuing with our growth pattern, which we are achieving right now.

Looking ahead, we are having a strong pipeline of prospective new bids, which are expected to be opened in the coming months, which will help us to sustain our momentum and enhance our operational outlook for the future. Our strong financial and cash flow management reinforce our position to deliver sustainable growth while creating long-term values for all stakeholders.

This remarkable performance underscores our growth trajectory and strong fundamentals. As we move forward, we remain committed to delivering excellence, strengthening our market presence and achieving new milestones. For the current quarter, our cash flow from operations has been negative. It is basically because of an increase in the unbilled revenues and a trade payable which has got reduced by around INR105 crores. So, we expect it is a temporary phenomenon and going forward, since these are the main execution months, so the cash flow from operations during the future quarter is expected to turn to positive.

With this, I hand over to moderator and open the floor for question and answer sessions.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question comes from Sagar Tanna from Alchemie Ventures. Please go ahead.

Sagar Tanna: Congratulations on a great listing and amazing numbers for the first half. I have two questions, sir. I didn't get the number of the order pipeline. Can you give us what is our order book and what is the bid pipeline?

Sanjay Jain: Mr. Sagar, the total order book position as on date is around INR1,960 crores. It is for the execution and around INR750 crores, it is for the operation and maintenance. This will be executed in the next 10 years. Basically, our revenue, if you see our balance sheet, it is around 3% to 5%. O&M revenue is around 3% to 5% of the execution value.

Sagar Tanna: So, this INR1,960 crores is the existing order and what is the bid pipeline, sir? How many projects have we already bid?

Sanjay Jain: We have bidded around INR800 crores projects and in the coming months, a lot of opportunities, as Manish has already told, a lot of opportunities are coming in many states. We are bidding a number of projects in the coming months or up to March. We are bidding a lot of projects.

Sagar Tanna: Can you give us a break up of this existing order book in terms of how much is from effluent treatment, from sewage and from drinking water supply projects?

Sanjay Jain: It's a -- Manish, could you answer this, sir?

Manish Jain: Yes. Our water supply scheme project constitutes somewhere around INR400 crores of the order book. Our common effluent treatment plant order book right now is somewhere around INR70 crores and the sewage treatment and that rest all is our EPC and HAM of sewage treatment plants and sewerage projects. Out of this, let me give a number that HAM project revenue order book is somewhere around INR450 crores on execution side.

Sagar Tanna: Okay. Thank you and all the best, sir.

Sanjay Jain: Thank you.

Moderator: Thank you. Our next question comes from Darshil Jhaveri from Crown Capital. Please go ahead.

Darshil Jhaveri: Hello. Good evening, sir. Thank you so much for taking my question. Firstly, congratulations on a great listing, sir. Hope I am audible.

Sanjay Jain: Yes.

Darshil Jhaveri: Thank you so much, sir. Just wanted to know, I think we said previously, I think Q4 nearly is 40% of our revenue, right, sir? So, on that basis, currently, what kind of revenue guidance could we give for FY'25?

Sanjay Jain: If you see the growth pattern of our growth pattern, which is visible from H1 current and the comparing it with the last financial year, it is 50% growth rate. So, if we break it into water supply schemes and the wastewater treatment projects, the ratio is currently somewhere around

55% to 60% from the water supply schemes and around 40%, 45% from wastewater treatment projects.

So, since the order book has entirely changed and it is more aligned towards wastewater treatment projects, so for FY'25 itself, the ratio of WWTPs to WSSPs is going to increase. And I think to my understanding that WWTP projects will assume that ratio of around 60% to 65% for the current financial year. And for future as well, the ratio is going to be more towards WWTP projects. So, with the number, with this growth of 50%, we are quite aligned what we had proposed and we are moving ahead in the same direction.

Darshil Jhaveri: So, could we quantify that direction? Like, aren't we done INR400 crores for H1, so INR600 crores in H2 is possible, sir?

Sanjay Jain: If this 50% growth pattern is there, then it itself speaks the numbers and we are -- we look quite aligned to achieve those numbers. So, we stay committed and we understand that we will be meeting those growth numbers again.

Darshil Jhaveri: Okay. That helps a lot, sir. I just wanted to know, in terms of our order pipeline, I think we said around INR800 crores project we are bidding for, we have INR1,960 crores order already in hand. But such a high growth rate that we have, so this will get extinguished nearly, the current order book will get extinguished in one and a half, two years maximum. So, what kind of order book are we targeting to have by the year end? And what kind of -- how do you see FY'26 panning out, sir?

Sanjay Jain: First of all, during the current financial year, because this was general election year, so the bids were not invited initially. Just in the last one month, a lot of projects under AMRUT-2, the bids have been invited. And if I quantify those numbers, that is in excess of somewhere around INR3,500 crores to INR4,000 crores.

Darshil Jhaveri: So, these are the bids where we are interested and we are bidding for these projects?

Sanjay Jain: So, a lot of work is coming up and this INR3,500 crores, INR4,000 crores, I am saying it is for two to three states only. So, all the states are coming up with the projects and we don't foresee any shortfall in the order book which can be available. So, we are expecting a fresh order book of somewhere around INR2,000 crores for current financial year. So, we seem to be on target and we are hopeful that we can easily achieve it.

Darshil Jhaveri: Sorry, sir. Fresh order book means we want additional, we want to win additional INR2,000 crores order, right?

Sanjay Jain: Right.

Darshil Jhaveri: Okay. That helps a lot, sir. And so we have been going at that 50% rate, so with a higher base, will we be able to continue this growth rate? So, in the next two years, how do we look at it, sir? What kind of growth can we expect?

Sanjay Jain: Basically, this sector is wide open. There are lots of opportunities available and a lot of work needs to be done in this particular sector. So, there are a lot of government initiatives and the works are coming up. So, the sector will continue to grow and the way the sector is growing and there are exciting opportunities, we understand that a target which we have set for ourselves going forward, we shall be maintaining a CAGR growth rate of somewhere around 35% to 40% for maybe next four, five years. At least this much growth which we can foresee at least at this point of time, so this is quite achievable.

Darshil Jhaveri: And sir, with corresponding growth in revenue, even a margin will benefit from operating leverage, right? I think we already have quite great margins compared to anyone else. So, just wanted to know that what kind of margin trajectory we could see like we have, I think, 23% plus. Can we expect that will maintain?

Sanjay Jain: We are having our own strengths in terms of our in-house designing capabilities where we are able to give the most economical and most viable solutions to our end clients. Our executions remain in-house and we depend upon the capabilities of our own company, not on the capability of our subcontractor for executing the projects. And that is, we remain ahead of time and we are executing the projects timely. So, with these initiatives, we are able to maintain those EBITDA margins of somewhere around 25%. And going forward, we don't look any downside in this and we expect that we will continue to maintain similar margins.

Darshil Jhaveri: Okay. Great, sir. Thank you so much for answering all my questions, sir. That's it from my side. All the best, sir.

Sanjay Jain: Thank you.

Moderator: Thank you. The next question comes from Dilip Kumar from Jai Arbuda Investment. Please go ahead.

Dilip Kumar: Congratulations. Those are great thing. So, my question is, as you mentioned that the order book is INR1,960 crores. So, can you let us know what is the execution time for this INR1,960 crores?

Management: The execution time in general, in the size of the projects that we are operating is 18 to 24 months. So, this entire order book is to be executed over a period of maximum 2 years.

Dilip Kumar: Okay. And sir the operation and maintenance you mentioned is INR750 crores. Is this also included in the order book or it is separate from this INR1,960 crores?

Management: This INR750 crores order book is separate from INR1,960 crores. This INR1,960 crores is for execution values and this INR750 crores is separate from this INR1,960 crores. So, this operation and maintenance is to be executed in the period varying from 5 years to 15 years. Certain projects are having operation and maintenance timeline of 15 years, certain 10 years and certain 5 years.

So, it is over 5 years to 15 years. So, you can just average it out at 10 years. So, this can be the order book and the revenues which can keep on coming from the operation and maintenance itself.

Dilip Kumar: Okay. And sir, last question is there any challenges related to manpower, I mean, are we going to increase the manpower with the order book?

Management: Yes, with the increase in the orders coming to the company, the company is continuously engaging fresh teams, company is creating the departments, the delegation of power. So, there is a rapid growth and change in the company structure itself and we are aligning with the growth trajectory so that we can deliver right on time.

Dilip Kumar: Okay. Thank you so much, sir. That's it from my side.

Moderator: Thank you. The next question comes from Alisha Mahawla from Envision Capital. Please go ahead.

Alisha Mahawla: Hi, sir. Good evening. Thank you for the opportunity. Sir just wanted a clarification. You said you're expecting INR2,000 crores of order inflow for the year or you want to end the year with an order book of INR2,000 crores?

Sanjay Jain: We will be bidding for around INR4,000 crores project and based on our success ratio, we are expecting that around INR2,000 crores project will add up in our portfolio.

Alisha Mahawla: And you're expecting that in 3 months, 4 months, we should be able to get this kind of inflow?

Sanjay Jain: Yes, we are quite hopeful depending upon our success ratio.

Alisha Mahawla: Understood. And typically, because these are EPC contracts that take some time to kick off, are we still confident that they will start contributing from FY26 to our revenues?

Management: Once a project is awarded, after that a design part is there. So, designing in itself takes somewhere around 4 months to 5 months. So, if we see for the first half of next financial year, we are having a decent order book available in our hands. These new projects will start contributing to the top line maybe after the monsoon period or maybe after October. So, that will add to the revenue in top line with effect from October. So, that can be the journey how we can move.

Alisha Mahawla: Understood. And sir our margin is 25% which we're saying that we should be able to maintain. Do you see high for the EPC companies? So, if you could just share two or three things that you do differently that help us enjoy industry-leading margins?

Management: As I have explained earlier as well, it is basically the in-house designing capabilities of our company. Sanjayji and myself, we both are chemical engineers. So, process designing has been the core domain of the company. With this, our waste-to-energy sustainability initiatives, we are able to give quite viable and economical solutions to our end clients and giving handsome margins to the company as well.

Apart from this, the execution capabilities also remains in-house. We are not dependent upon external agencies for the execution or we are not giving back-to-back subcontracting. So, that gives us an edge in completing the projects ahead of time which gives us an edge over the quality which we maintain and the timelines in which we are able to execute the projects. So, the costing remains lower. We are not parting with the profits by giving projects to the subcontractor. So, all these sectors are contributing to the EBITDA margins of the company.

Alisha Mahawla: Understood. And if you could just help us understand that for this INR2,000 crores order it is a kind of...

Moderator: Sorry to interrupt ma'am we lost your audio in between.

Alisha Mahawla: Am I audible now?

Moderator: Yes ma'am. If you can repeat the question once again.

Alisha Mahawla: Sure. Sir just wanted to understand for this INR2,000 crores order inflow that we are targeting for the balance of this year, when we win an order what kind of bank guarantees do, we have to give at the start of a project? And typically, once the project ends, what is the kind of retention lines that is typically held back? What kind of bank guarantees we need to give?

Management: Yes. The total bank guarantees remain in form of performance security and retention. So, these two combined forms 10% of the project cost. So, the performance guarantee and retention can be 5% each or a performance security initially at the start can be given which can be 10%. So, you can take it at 10% which is required for once any of the project is awarded.

Alisha Mahawla: And what is our limit currently with our banks?

Management: Our present limits are in the range of INR700 crores. We are operating under multiple banking arrangements with nine bankers. Our existing bankers are further increasing the limits and we are quite hopeful that our requirement of various working capital limits for current financial year which we proposed at INR1,000 crores.

So, we are just on target and we will be achieving that working capital limits with our various bankers. And one new banker is also expected to join us. So, the total multiple banking arrangement can be 10 banks and we are quite hopeful that we will achieve that INR1,000 crores target, which we understand which is required by us.

Alisha Mahawla: And just one last question, INR700 crores that we have credit limit, how much is utilized currently?

Management: Out of this somewhere around INR400 crores, INR450 crores maximum it is utilized. I think it will be somewhere around 400. So, there is a substantial limit which is free even now.

Alisha Mahawla: Understood. Great. Thank you.

Sanjay Jain: Thank you.

Moderator: Thank you. The next question comes from Dheeraj Ram from Ashika Institutional Equities. Please go ahead.

Dheeraj Ram: Hi, sir. Thank you for taking up my question. Sir, could you please let me know the breakup between the margin in EPC and O&M?

Management: Margin between EPC and operation and maintenance?

Dheeraj Ram: Yes, sir.

Management: Operation and maintenance margins are somewhere in the range of 30% to 35% and EPC margins ranges between 25% to 30%.

Dheeraj Ram: Okay. Understood, sir. But my focus is also on the EBITDA margins, but your competitors also have in-house designing and you are also saying that you also have an in-house designing. So, I'm just trying to understand where do we exactly separate out from the competitors which makes our EBITDA margins almost 10% to 12% higher than our competitors. Could you please throw some more light on this?

Management: It is a combination of that in-house designing, the initiative which we are taking through sustainability and waste-to-energy which are driving further higher capex and opex margins for us, our advanced technological initiatives, our execution capabilities. So, all these combining are giving us these EBITDA margins are somewhere around 25%. So, that way we are confident and we are sustaining those margins.

Sanjay Jain: Just I would like to add one more thing. I just give you an example. We did one project in Kota. There we were higher as compared to our peers. The difference was around INR10 crores in the capital cost, but when the final authority they evaluated the bid based on the life cycle cost. We were the L1 because there we have used the solar plant to lower the power consumption.

So, that way even we are higher as compared to our competitor. We are getting the project based on the life cycle cost and that gives the better margin as compared to the peers.

Dheeraj Ram: Understood, sir. So, the capex cost might be some or less the same, but the opex cost, that's where the company's forte is. So, that's where we generate the maximum of our margin?

Management: Yes.

Dheeraj Ram: Okay, got it. And just the last question. So, how do you see the growth from the industrial segment? It can be industrial water treatment or industrial desalination plant or industrial wastewater treatment plant?

Management: With the industrialization happening in India, the requirement for common effluent treatment plants is definitely increasing and we see a lot of opportunities coming up from the industrial areas as well. We are not primarily interested for individual effluent treatment plants for industries. However, we are interested in common effluent treatment plant for an industrial area.

So, the opportunities are definitely coming up and we are bidding for those projects and we are executing the works of common effluent treatment plants as well.

Dheeraj Ram: Understood, sir. Thank you.

Moderator: Thank you. The next question comes from Saket Kapoor from Kapoor Company. Please go ahead.

Saket Kapoor: And thank you for the opportunity. Firstly, sir, since we are - it is the quarterly results for the September quarter and the balance sheet you have provided. After that, we came with the equity issuance. So, correct me, we raised around INR650 crores was the book build issue and 572 was the fresh issuance that had been accrued to the company. So, taking that into account, what is the current utilization of the fund and what is the cash on books?

Just to get some sense, sir, we are eyeing a top line of say INR1,000 crores for this financial year and we raised around INR500 crores, INR650 crores in the book build issue. Is the numbers correct, sir, on my part?

Management: Yes that's correct. Your numbers are 100% correct. First of all, the objects of the issue that are quite clear, we have proposed INR120 crores, which we have earmarked for repayment of the term loans which we were having in our books. INR181 crores, it was earmarked for working capital requirement of the company. INR30 crores is proposed for the equity contribution for one of the HAM projects, which is ongoing at Mathura. So, our equity total term loan requirement is INR120 crores and equity contributions from the sponsor side is INR30 crores.

So, this INR30 crores is earmarked for this purpose. We had kept inorganic growth acquisition, which is 10% or maybe higher out of the GCP. And so, rest of the portion after this with 25%, which is GCP. So, this is how this entire breakup is. Right now, we have used this INR120 crores for the term loan, which we have repaid. And this term loan, this has come down substantially.

We intend to use the working capital as and when it will be required for the company, and there will be a judicious use. Since we are targeting another INR2,000 crores order book, so the performance bank guarantees which will be required to be submitted, that cash flow, which will be required for the execution of this project. So, as and when it will be required, only then that fund will be used, that fund is safely parked, and we will use it slowly as and when it is required.

Saket Kapoor: Sir, you mentioned GPP. Can you just elaborate, sir?

Sanjay Jain: No, GPP, it is GCP, General Corporate Purpose.

Saket Kapoor: And what percentage of the total proceed is for the General Corporate Purpose? 25%?

Sanjay Jain: Yes, it is total 35%, out of which 10% is earmarked for an inorganic growth or acquisition of a technological buyout, and balance 25% as per regulations as the GCP.

Saket Kapoor: Okay. So, just to get it right, out of the INR570 crores, INR200 crores is kept aside for general corporate purpose and the small acquisition, which we may be eyeing. Right. And currently, these are parked in our money market instruments, our proceeds.

Sanjay Jain: Can you please repeat?

Saket Kapoor: Sir, these proceeds are currently parked in money market instruments, in the liquid funds, or where are they parked?

Sanjay Jain: They are in liquid funds, the balance funds are parked in FDRs only.

Saket Kapoor: Okay. Sir, when we look at the cash flow part, I think, so we did around INR11 crores in the, I think, so the plant purchase, I think the equipment. So, what are we eyeing, sir, in terms of the capex going ahead? I think, sir, INR2,000 crores, when we create pipeline – order book, so for this, how much we have to create asset going further in terms of equipment or other things if you would like to elaborate?

Sanjay Jain: If you see the past trend, we have remained asset-like. We are having our own machinery, but that machinery, that overall machinery is somewhere around INR35 crores. Apart from this, there is office and industrial land. So, we have remained asset-like and we do not foresee that there will be any major gross block or any major capex going forward as such.

Saket Kapoor: Right, sir. And lastly, from the tax part, when we look at the cash flow, the tax component is only to the tune of INR3 crores-INR4 crores. So, if you could just explain what have been the tax outgo and we are at MAT or any tax advantages we get, any rebates from the government, if you could just explain.

Sanjay Jain: So, there are no rebates at all. This is advanced tax, which we have already deposited. So, with the advanced tax, that you will be seeing as the next net tax liability, or maybe some additional advanced tax that might have got deposited. So, that advanced tax is getting deposited from outside.

Saket Kapoor: No, sir. My point was, we made a provision for current tax to the tune of INR25 crores for the first wherein when we look at our cash flow, the amount debited for tax paid net of refund is only to the tune of INR4 crores. So, that was my, if you could just clear me my doubt, what is, how should one read this number?

Sanjay Jain: Let me ask my CFO to get in touch with you and he will clarify. It is just a clarification required. So, definitely he will be in touch with you.

Saket Kapoor: Right. So, sir, going ahead, this finance cost line element would not be, would be a net of then the FDR interest that we will be going to and it would be much ahead of that until and unless we go for any inorganic or general corporate expenses with debit. So, that should be added to the bottom line.

Our bottom line would increase substantially just on the account of the money that will be parking in increased deposit instrument. The finance cost should not be a line item. Yes, that would be net of.

Sanjay Jain: Yes, definitely. This FDR interest that will be getting accrued and it will be in form of other income to the company. So, there will be an increase. If I talk about the March '24 numbers, so the various banking facilities which we were having with our bankers in under multiple banking agreements, we were having the FDRs of INR180 crores already parked in our various banks. So, this additional FDRs definitely will have that interest getting accrued and it will get reflected in the other income.

Saket Kapoor: Okay. And lastly, sir, on the government capex part, I think so you did alluded to the fact that last month, many -- bit pipeline maybe traction. But what we have seen as the GDP numbers or the capex done by the government, I think so this is an election affected year also. So, going ahead, whether it is the Jal Jeevan scheme or the AMRUT scheme, we have been hearing from other participants, especially, sir, even people like Electric Steel Casting, who are your creditors, that there is some bit of somberness or little bit of softness on capex front. So, where do you think these – what is the outlook on government capex?

Sanjay Jain: If you just recall the contents of my speech, I had clarified that cash flow from operations has been negative. Basically, since March till November, there has been a bit slow down on the government spending. And that is 100% true.

So, the funds which were very easily coming, the moment we used to put up the bills, the funds used to be released against the bills. So, now it is taking some time. It is not that the funds are not being released, but the process has got a bit slow.

So, the government spending going forward, as we see from the news channels also, the government spending is expected to increase in the future months and a lot of opportunities which are coming up even under AMRUT schemes. So, the government spending is bound to increase and that funding, there doesn't seem to be any reason that the projects are going to be slowed down at all. So, it has been a temporary phenomenon and things are moving. Things have been a bit slow but are moving.

Moderator: Thank you so much. We'll move on to the next question. And the next question comes from Tej Patel from Niveshaay. Please go ahead. Tej Patel, your line is unmuted. Please proceed with your question.

Tej Patel: Sir, I mean, as you mentioned, probably you would take around INR120-odd crores of loans from Mathura. So, what term loans are we expecting for the Saharanpur projects? So, total, how much term loans are we expected to take for these two HAM projects?

Sanjay Jain: The total term loan requirement or the funds to be brought in by the concessionaire for Mathura project, it is INR120 crores. Out of that INR120 crores, INR90 crores is the term loan which we have got sanctioned from Kotak Bank. And balance INR30 crores is being infused by the company. For Saharanpur project, the total contribution from the concessionaire side remains at INR160 crores.

Out of this INR160 crores, INR120 crores is being -- it has been sanctioned by HDFC Bank and INR40 crores is the equity contribution which we are -- which we shall bring from our parent company.

Tej Patel: And out of this bid pipeline, which you are probably expecting about 4 more thousand odd crores which you will be bidding, how much would be HAM out of -- in this how much would be HAM?

Sanjay Jain: Probably somewhere around INR500 to INR600 crores can be under HAM and rest will be EPC.

Tej Patel: So probably more INR200-odd crores plus term loans would probably have to take more for this project, right? So total about INR400-odd crores term loans you will take for this HAM projects, right?

Sanjay Jain: Yes.

Tej Patel: And sir, I have observed, I mean, if you look at the cycle, it's looking, on the face of it, it's looking negative because what I've observed is, we are probably almost booking 10% to 15% of our revenue in the -- has unbilled revenue, right? Which is showing in other financial assets. So, so what is the reason for, booking such a high unbilled revenue?

What is the criteria when you define, let's say, your billing as unbilled revenue and out of this, let's say INR400 odd crores which have you --

which we, you have booked in the first half, how much was unbilled revenue and what's your typical working capital cycle? And the follow-up question on this.

I mean, it's quite interesting to see an EPC company making, let's say, 45%-50%, return ratios, where we have seen companies making about, let's say, 25% of these return ratios. And this is primarily because your cycle is probably too, too less and then you're also making big margins. But I'm not understanding on how…

How on such a small capital we are able to generate this kind of revenues which are resulting into this high return ratios. So, if you could just elaborate on this.

Sanjay Jain: First of all, regarding this unbilled revenue, let me first clarify what exactly is unbilled revenue. Unbilled revenue is when I am executing a project, there are stage-wise payments. So, once any of the stage gets completed, after that we take that into the monthly billing cycle. So, this stage which is not completed, so this will be a part of unbilled revenue.

This is one. Second one will be the billing cycle. As per the billing cycle, we raise a bill to our end client. Once that PI, this performer invoice, this is passed by the client, then we raise the GST invoice. So, until and unless there is a pass order, we shall not be raising the GST invoice. So, with this, the unbilled revenue, the revenue, whatever we are doing.

It will remain in unbilled revenue. That unbilled revenue gets converted to revenue with the GST invoice getting issued. So, this is the cycle. Now, what has happened is during the past, as I was explaining earlier as well, there has been a certain slowdown in the cash flow cycle for the JJM projects.

If I say in this current financial year, there has been a realization to the extent of around INR200 crores from Jal Jeevan Mission projects. However, there is an equivalent number which has got built up in the unbilled revenue also. So, this is a cycle in the -- if you see our creditor days used to be 120 for FY24.

Right now, this cycle has gone down to, this creditor cycle has gone down to 75 days. So, there is an outflow on the cash, outflow of cash from the books to the tune of somewhere around INR105 crores. So, this is all translating into a negative cash flow in operations. So, this is one part which is cash flow. The second one is the revenue.

Revenue that says the matching expenses. So, that our strength of in-house designing, our execution capabilities -- our on-time performances that is contributing to those margins. And we are able to sustain those type of margins and it is quite doable, which we have been replicating for the past three, four years on a continuous basis.

Tej Patel: But sir, I mean, it's quite, I mean, I haven't seen any company is having such a high payable days. So, I mean, what are the terms or what are you doing different, where your supplier is giving you so much high credit days?

Sanjay Jain: No, the supplier debt payable days have come down to 75. We are making payment to our creditors within, MSME vendors within 45 days and non-MSME vendors within 60-day cycle. So, our cash flow, cash flow from operations had got a bit skewed, but we are paying, we are paying to our vendors on time. We are not delaying the payments to them.

Tej Patel: Got it. If you are saying this is only because of the elections, but let's say in the previous year also, where your cycle is kind of a bit of appearing negative. And even if I include, let's say the non-billed revenue, your cycle is too short. So, I'm surprised, how is the cycle too short for an EPC player?

When I compare similar to an industry where the cycle is about, let's say, net cycle is about, let's say, 90-100 days, but our cycle is probably less than 40-50 days, right? Correct me if I'm wrong here. I'm just trying to understand how is it possible? And because of this, you're probably making very good return ratios?

Sanjay Jain: Boss, I cannot comment on others, how they are doing. I am managing this company and we are able to make payments to our vendors. We are able to make that cycle to somewhere around 40 days at least for our FY24. So, going forward as well, we are quite hopeful and we expect that we will be meeting those targets.

The execution cycle has been quite fast. So, we are making good margins. We are cash flow positive. We have remained cash flow positive. So, the cycle, that working capital gap, that has not got built up in our books.

Moderator: The next question comes from Prince Choudhary from Pinc Wealth.

Prince Choudhary: Yes, sir, I just had a little – if you could just throw some light on the cash flow statement. Sir, we have shown proceeds from issue of shares in H1 FY24. I am a little confused with that fact, sir?

Sanjay Jain: We had gone for a private placement in September 2023. The total fundraising at that point of time was INR58 crores. So, that amount is getting added to our equity and reserves.

Moderator: The next question comes from Manish Khandelwal from Brijwasi Steels Private Limited.

Manish Khandelwal: Hello Manish Ji and Hello Sanjay Ji. Sir you have already answered all my questions. Just want to congratulate for such a good listing and such good numbers. And in future also try to do the same.

Sanjay Jain: We will try. Thanks a lot for the compliments. And we will stick to the targets and we will do the best possible.

Moderator: Ladies and gentlemen, we would take that as our last question for today. I now hand the conference over to Ms. Astha Jain for closing comments.

Astha Jain: Thank you. On behalf of HEM Securities Limited, I thank Enviro Infra Engineers Limited team for giving the time we spend on this call and responding all the queries in a detailed way. I would also like to thank all the participants for joining this call. Now, I would like to hand over the call to moderator for the closing remarks.

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

Sanjay Jain: Thank you, everyone. Thank you all. Thank you.