February 13, 2023

To,

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001

SCRIP CODE: 531120
Security: Equity

The National Stock Exchange of India Limited
Exchange Plaza,
Bandra - Kurla Complex,
Mumbai - 400 051

SYMBOL: PATELENG
Security: Equity Shares / Debentures

Dear Sir/Mam,

Subject: Submission of Investor/ Analysts Meet Transcripts

In continuation of the letter dated February 06, 2023 related to the Investor Conference Call to discuss the Financial Results for the Quarter and nine months ended December 31, 2023 and pursuant to Regulations 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended), please find enclosed the Transcripts of the Company's Investor Call.

The said Transcript is also available on the website of the Company at https://tinyurl.com/4dz2hbjn

It is further confirmed that no unpublished price sensitive information was shared/discussed in the meeting / call.

We request you to take the same on record.

Thanking you,

Yours truly,

For Patel Engineering Ltd.

Shobha Ranjit Shetty
Digitally signed by Shobha Ranjit Shetty
Date: 2023.02.13 19:40:47 +05'30'

Shobha Shetty
Company Secretary
Membership No. F10047

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“Patel Engineering Limited Q3 FY-23 Earnings Conference Call”

February 08, 2023

MANAGEMENT: **MS. KAVITA SHIRVAIKAR – WHOLE-TIME DIRECTOR & CFO, PATEL ENGINEERING LIMITED**
MR. RAHUL AGARWAL – HEAD (STRATEGY & FINANCE), PATEL ENGINEERING LIMITED
MR. ADITYA BAJAJ – INVESTOR RELATIONS & MARKETING, PATEL ENGINEERING LIMITED

MODERATOR: **MR. VASTUPAL SHAH – KIRIN ADVISORS**

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY23 Results Conference Call of Patel Engineering Limited hosted by Kirin Advisors Private Limited.

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. Please note that this conference is being recorded.

I now have the conference over to Mr. Vastupal Shah from Kirin Advisors Private Limited, thank you and over to you, sir.

Vastupal Shah: Thank you. Good afternoon everyone. Thanks for joining the Conference Call of Patel Engineering Limited.

I would like to welcome Ms. Kavita Shirvaikar – Whole-Time Director and CFO of the Company. Mr. Rahul Agarwal – Head (Strategy & Finance), Mr. Aditya Bajaj – Investor Relations & Marketing. Ms. Kavita over to you Ma'am.

Kavita Shirvaikar: Good evening, ladies and gentlemen, a very warm welcome to all of you for attending this Q3 FY23 Earning Call of Patel Engineering Limited. We have uploaded the investor presentation on the stock exchange and I hope you all would have got a chance to look at the numbers.

Without getting into all details of the presentation, let me brief you on the key highlights of Q3 FY23 post which we can take your questions.

Let me take you all through the key financial numbers of the quarter and 9-month period:

On a consolidated basis, revenue from operations for Q3 FY23 is at Rs. 10,369.77 million which is up by 18.11% from Rs. 8,779.43 million in the corresponding quarter in the previous year. Revenue from operations for 9 months FY23 is at Rs. 29,039.37 million which is up by 28% from Rs. 22,686.43 million in 9 months FY22. On a standalone basis, revenue from operations for Q3 FY23 is at Rs. 9,293.89 million up 20.17% from Rs. 7,734.16 million in Q3 FY22. Revenue from operations for 9 months FY23 is at Rs. 26,249.43, up 31.2% from Rs. 19.998.06 million 9 months FY22. Operating EBITDA on a consolidated basis for Q3 FY23 is at Rs. 1,637.48 million, a margin of 15.79% and net profit at Rs. 194.83 million.

Our 9 months, net profit has more than doubled to Rs 704.4 million as compared to Rs. 335.62 million as corresponding period in previous years. On a standalone basis, operating EBITDA for Q3 FY23 is at Rs. 1,307.12 million, a margin of 14.06%. Net profit at Rs. 213.97 million, up by 32.2% as compared to a profit of Rs. 161.74 million in Q3 FY22. Nine months profit is up 178% at Rs. 717.17 million from Rs. 257.98 million. The revenue for the quarter is higher as compared to the previous year given the increase in order inflow in the last year.

The sector wise revenue breakup let me give you the sector wise revenue break up. Revenue from hydro is 52%. The tunnel sector is 21%. Irrigation sector is 13%, from road and other sector is 14%.

Now coming to the order book of the Company:

Our order book as on 31st December 2022 is Rs. 16.8094 million which is Rs. 16,809 crores. Coming to the composition 66.47% is coming from Hydro sector, 14.11% from irrigation sector, 12.56% tunneling sector and rest is 7%. Out of this 75% of our order book is from the Central PSU which is AA, AAA rated and have a healthy balance sheet. Current year, current 9 months we have received order book of Rs. 36,085 million. Revenue for these new projects and corresponding profitability shall commence in Q4 and next year revenue. So, going forward you will see there will be an improvement in the margin. Given the focus on infrastructure we expect a huge pipeline of our going forward, we expect our order book to cross Rs. 2 lakh million in the coming quarters.

As you are aware our order book mainly 66% comprises from hydro sector, we have a very positive outlook inside the sector. Speaking about hydropower, hydropower generation is a highly capital incentive mode of electricity generation but being renewable source of energy with no consumables involved. There is a very little recurring cost, hence no high long-term expenditure. Hydro power supplies at least 50% of electricity production in 66 countries and at least 90% in 24 countries. With a large part of rivers and water bodies, India has enormous potential for hydropower generation. Around 26% of hydropower potential has been exploited in India. So, there is a huge opportunity available. Now as regards the budget for the infrastructure sector, increase in the proposed expenditure for infrastructure to Rs. 10 lakh crores for FY24. Out of the same railways will receive a capital outlay of Rs. 2.4 lakh crores, the highest allocation ever since. 2013-14. Investments totaling Rs. 75,000 crores will be made in 100 vital transportation infrastructure projects. The creation of the new infrastructure finance secretariat will increase opportunities for private infrastructure investment. Due to their strong pedigree, Patel Engineering Limited is well poised to take advantage of this growing industry.

Now I would like to mention some key highlights:

Our execution key highlights of this quarter. The Company was awarded the Top Challenger 2022 Company at the 20th Construction World Global Awards, 2022. Our Chairman and Managing Director Mr. Rupen Patel was featured in the CEO magazine sharing his views on transforming India's infrastructure. At our AMT 2 project site located in Mumbai, Maharashtra, we completed an entire tunnel of 5.5 km by customized TDM ahead of schedule. Our one of the project in Jammu T2 tunnel was substantially completed in the last quarter, which is also we completed ahead of schedule.

The Company has filed its letter of offer for a right issue to raise Rs. 3,250 million which will help the Company to reduce the borrowing and meet its working capital requirements. The promoters have already infused their share of Rs. 1,300 million in the Company. The net debt of the Company on a consolidated basis is Rs. 19,718.08 million. The same is expected to further come down with the help of rights issue and monetization of noncore assets. Q3 FY23 has been overall good for the Company and in line with our expectations. The Indian economy is exhibiting promising signals with lending institutions balance sheet getting stronger, robust tax collection, growth in GDP and decline in inflation rate with sturdy investment intentions various new projects are expected to be introduced by the government and infrastructure space and trend is likely to continue. We expect continued growth in terms of revenue and profitability going forward. The surplus generated from projects and from monetization of non-core assets shall be utilized to reduce the debt and improve the profitability further and unlock shareholder's value.

That was a small brief from our side and now I would like Vastupal to take over and our team here shall be happy to answer any further questions which you all may have. Thank you very much.

Moderator: Thank you ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Rushabh Shah from RS Capital. Please go ahead.

Rushabh Shah: I just want to clarify, again we have seen some sort of selling from the promoter entity in the December quarter as per disclosures and now again we are raising funds for right issue. I'm trying to understand, promoters will be participating in this?

Rahul Agarwal: Yes, promoters are participating.

Rushabh Shah: Okay. How much more capital do you think you require apart from this raising now for growth or whatever? How much further capital you require after this?

Rahul Agarwal: So, Rs. 325 crores right issue which we have proposed is based on whatever order book we have received and we expect to receive in the next year or so. Going forward when we get more orders then we'll decide capital requirement.

Rushabh Shah: Going forward, will the promoter be selling more shares or what? Because there has been some incessant selling in the last six months around Rs.140 crores of approximately value has been sold by the promoter entity that is not giving some confidence.

Rahul Agarwal: Mr. Rishab promoter has sold shares and put money in the Company itself which for the working capital requirements of the Company and that Rs. 130 crores which they put is going to get converted into equity shares under the right issue and of their share allotment.

Rushabh Shah: At what price will that be converted?

Rahul Agarwal: Right issue price, it's done at right issue price.

Rushabh Shah: I am just clarifying, does the promoter need to sell to bring more capital or on that I just want some clarification on that.

Rahul Agarwal: No, so I'll tell you, the promoter sold shares because the Company requested promoters to put in money in the Company. We didn't want to borrow it from lenders and incur more interest costs. Promoters sold some shares and put in the money and then now in right issue, all shareholders are getting the right to subscribe. They would have also got and now what they have already put in the money so that their portion will be converted.

Rushabh Shah: Okay. Is there any update on the land sale renewals or any other noncore asset that we have? Any update, any significant development?

Rahul Agarwal: We are in discussions with various land sales, some portions we have done also now we are looking to sell more land parcels but then it depends upon how the transaction goes forward.

Rushabh Shah: For the last six months has been any development because the last six months we've been talking so much. Is there any significant development, maybe next one or two quarters anything happen?

Rahul Agarwal: Yes, we have been in discussion, around Rs. 60 odd crores funds we have received from sale of land parcels.

Kavita Shirvaikar: But Rahul we have already sold around Rs. 47 crores, around 50 crore value of land parcel and reduce the debt actually.

Rahul Agarwal: Right, that's what I'm saying. Already sold so much land parcel and now we expect to go forward further as and when the transactions will happen.

Rushabh Shah: That will be much higher than 50-60 crores, what you're saying?

Kavita Shirvaikar: Yes, correct.

Rushabh Shah: Okay. There's some JV, there are some loss in the console. What is that exactly? In one of the JV there is some loss that you have booked exception or something.

Rahul Agarwal: No, I'll tell you, exceptional items we had sold one project, Raichur-Sholapur Transmission Company where we have 33.33% stake. So, upon sale of that asset, whatever balance, because there was some foreign currency ECB loan out there, although the transaction took one year to complete. So, during that period, based on the agreed price mechanism, we had to incur a loss of around Rs. 6 odd crores. So, that has been taken as an exceptional item.

Rushabh Shah: Going forward further, all of the associated JV companies any transactions are you expecting or to get rid of for something?

Rahul Agarwal: Nothing as of now.

Rushabh Shah: Okay. Just other expenses you have seen an increase, if you just compare year on year sequentially, what is the reason for that?

Rahul Agarwal: Not any specific reason. The overall revenue size, everything is increasing. We have to expand in terms of the employee base, in terms of administrative overheads, so that is only there.

Rushabh Shah: Just last question, demand scenario, what is the outlook? Because in Q3-Q4 are good for infra companies normally?

Rahul Agarwal: Right. We had given an outlook of around 15% year on year in terms of revenue. I think we are in line with that.

Moderator: Thank you. The next question is from the line of Ashok Lodhha from Sanmati Consultant. Please go ahead.

Ashok Lodhha: Can you tell us what is the position of the order bid by the Company which is pending and where and how much Company is L1 in the orders? How many orders Company has further bid for hydel and infra?

Rahul Agarwal: Sir so at any point of time we keep on bidding and more than 10-20,000 works of are always there in pipeline. So, hopefully let's see what orders we can receive when we can receive.

Ashok Lodhha: Anything out of that orders bid, anything in L1 any amount Ll?

Rahul Agarwal: L1, we can't comment right now unless LOA is received.

Kavita Shirvaikar: No, but there is L1, we expect to receive LOA shortly.

Ashok Lodhha: No, no amount cannot be specified.

Rahul Agarwal: Right now we cannot give the amount because we can give only after LOA is received.

Ashok Lodhha: Whatever you are earning you are paying Rs. 100 crores interest and you are taking too long in monetizing your fixed assets. You're talking since last four years to monetize the assets. Management is sleeping on the assets and they're paying Rs. 100 crores interest in the quarter what is the sense sir?

Kavita Shirvaikar: Sir, may I, last 3-5 years we have paid 1,200 crores as prepaid by monetizing, now another one more asset and one more claim monetization is in process, the current quarter which is not last quarter, December. The Q4 you will see some more monetization which is in pipeline and which will materialize and you will see further debt coming down.

Ashok Lodhha: Interest liability has not come down. You are saying it is already Rs. 100 crores, whatever you are earn you are paying in the interest, what you will give to the shareholders?

Rahul Agarwal: Sir our business is such that we need funds for working capital so we need to take advances from clients plus we have borrowings, so both combined we have to pay interest plus we also have to pay Bank Guarantee commissions for Bank Guarantees taken for projects. But if you see considerably we have reduced debt and that is what our focus is to keep on reducing debt and as and when revenues are increasing and the debt is reducing, our profitability will improve.

Kavita Shirvaikar: Sir because of that we are coming right issue which will further help us reduce the debt.

Ashok Lodhha: Madam right issue has been cleverly planned. Why you are not bringing the right issue at Rs. 28? Why are you bringing it Rs.16?

Kavita Shirvaikar: It is based on the market Sir.

Ashok Lodhha: Not based on the market, based on the unethical means of the intention of the management.

Rahul Agarwal: But it is offered to all shareholders right?

Kavita Shirvaikar: Yes.

Ashok Lodhha: No, the question does not arise. If you sold share in the open market 6%, then you lend that money from your private Company to the Company then, same money is being utilized in the acquiring the share is Rs12, this is the story, don't you agree with me?

Kavita Shirvaikar: No sir, we don't agree with you.

Moderator: Thank you. The next question is from the line of Yashwanti Khedkar an individual investor. Please go ahead.

Yashwanti Khedkar: I wanted to continue with this debt part of this Company. What is the current cost of the debt which you are paying?

Rahul Agarwal: Cost of debt is around 11-11.5%.

Yashwanti Khedkar: Financial institution to have the reduced rate or negotiating on the rate?

Rahul Agarwal: We are constantly working with rating agencies to improve our rating. Our rating was at the start of the year was around BBB- and now we are at BBB-Stable. After March results we expect to go for review and then hopefully our ratings will improve further. If you see in the market the rates, interest rates have been increasing but because our rating has been improving, our interest rates have not gone up.

Yashwanti Khedkar: Okay, and can we expect it to further reduce this?

Rahul Agarwal: Yes, I mean post March results when our rating is reviewed then we'll touch base again with the latest.

Yashwanti Khedkar: Coming on financial performance we have seen 100 basis point decrease in the operating margin which is around 16% odd. Is it because of any change in the product project mix or it is due to purely because of the cost? Because I see there is a cost improvement costs increase in the employee cost. How it is?

Rahul Agarwal: So, I'll explain, it is twofold. One is if you see we always say that our margins will range between 14% to 15%. It's only quarter on quarter basis, it's not exactly comparable because it means a quarter of what kind of portion of work is executed based on that it will determine, plus this year we have got a lot of new orders. For the new orders in the initial mobilization phase there is no profit booked, maybe up to 8-10% of the work executed. Unless now Q4 onwards maybe that threshold will cross and the profitability booking will start.

Yashwanti Khedkar: What kind of guidance, what kind of margin you foresee even for closing for FY 23 and going forward? Because we are getting margin projects coming in portfolio?

Rahul Agarwal: So, we expect our margins to between 14% to 15%.

Yashwanti Khedkar: Okay. Out of this price issue offering 325 crores, what portion you are planning to repay as a debt?

Rahul Agarwal: I'll tell you the mix is such that out of the total right issue size, around 25% is kept for general corporate purpose and the rest amounts is for payment of debt, interest, everything.

Yashwanti Khedkar: Okay. The budget has been positive with the 10,000 crore of capital outlay for the whole infrastructure, but as we are basically into the hydroelectric and tunneling any specific positive can we see from the budget perspective going forward?

Rahul Agarwal: I'll tell you; the budget says 10 lakh crores of CAPEX expenditure for infrastructure obviously I mean a large share will have to go for renewable energy, hydropower being a large renewable energy sector, we expect lot of works coming in hydropower and we get lot of work. Apart from hydropower we also have other sectors where we are working, other water works, irrigation, roads, railways so when we expect a good chunk of quarters coming in from all these sectors as well.

Yashwanti Khedkar: Thank you for all the information and all the best for future. We expect this debt which is major concern to come down going forward. Thank you so much.

Moderator: Thank you. The next question is from the line of Rahul Shah from Strategic Partners. Please go ahead.

Rahul Shah: I would like to ask you on the margin front, with the increase in the order book I guess order book is at the peak and how we are expecting net profit margin to plan out in the coming years? There's a huge growth in margin in the current quarter. Can you put some light on that?

Rahul Agarwal: Our main cost, our EBITDA margins around 14-15% so as and when the revenues will grow the EBITDA in absolute terms will grow. Now the interest cost because we are taking so much measures to not increase the debt, so we are trying to manage the interest cost at current levels or reduce it from there, so that delta will always be there and the profitability will improve.

Rahul Shah: Okay sir, that's it I guess other questions have been asked already. Thank you for the result and all the best.

Moderator: Thank you. The next question is from the line of Raaj from Arjav Partners. Please go ahead.

Raaj: How your FY24 is going to look like? Regarding sales and PAT.

Rahul Agarwal: We expect around, we had given a guidance of 15% year on year growth for revenue so we should maintain that.

Raaj: Earlier analyst he alleged you about fraud and everything, so you didn't have answer about that. So, it gives a very wrong impression.

Rahul Agarwal: I'll tell you, we answered already, that the promoters sold the shares and put the money in the Company. There is nothing wrong in that, because the Company needed money they sold the shares and put the money in the Company. Now when we came out with the right issue which is open to all shareholders, the rights issue when we come out it has to come out based on the market what is there currently and accordingly and the price, whatever is offered in the rights it is offered to all. It's not that promoter stake is going to go up or anything like that and promoter is trying to do I mean anybody can blame anything but that is not a fact. The fact is that promoters do not come out with a preferential allotment. It is very clear the date when we announced the rights the pricing was around Rs. 17 odd. So, some considerable discount from there based on market past right issue sizes we have seen, accordingly we have gone ahead.

Moderator: Thank you. The next question is from the line of Sanjeev Kumar Damani from SKD Consulting. Please go ahead.

Sanjeev Kumar Damani: I know that through the difficult periods we are coming out of such a mess of situation. I really appreciate the patience of the management and their efforts in taking out the Company, sailing it out from all the difficult times. Now, coming to my question, I'll be very happy to gauge the proper strength of the Company if I can know an approximate amount of real estate or land, buildings and properties that Company own which is having a reasonable market value as x today, which we can either realize or may or may not realize but we hold these many assets, which are Company's assets not related to the current business of the Company. Can I get any such approximate amount or by a better understanding of the Company?

Rahul Agarwal: Yes. In the last quarter conference call also, we said that we have a land bank of approximately Rs. 1,000 crores value. So, these land banks are non-core assets which we are slowly trying to monetize. I mean, everything can't be monetized immediately. This is the assets which we have, which will help to monetize apart from normal business, whatever we can get from past claims and arbitration awards, because we have done a lot of projects of the government in the past and we have arbitration awards and claims. So, whatever money gets realized from that, all combined we are trying to reduce debt as much as possible.

Sanjeev Kumar Damani: Agree sir. So, I was coming to the second question also that, if this can be classified very clearly that the arbitration awards already received, then how much we have got against those awards, how much real cash has come into the Company, how much amount as claimed by us is still under arbitration or dispute. If all these things can be very clearly classified, one can understand the inner strength of the Company much better. My last question is about the same first question that only 1000 worth of land parcels we have got, or we have got many other assets which are not part of the operations of the business. Like various sites are there where we are working. But suppose we have offices, we have go downs, we have some clear land bank for real estate development. The sum total will come to only 1000 or will it go up, now I expect a reply, sir.

Rahul Agarwal: So, I'm talking to you about major land parcels which we have. Now if you're talking about site offices and all that sort of working we have not done. Obviously, each site will have a site office, some portion of land, some quarries all those land parcels will be there, some are rented out, that analysis we have not done.

Kavita Shirvaikar: No Rahul, over and above that land parcel we have another claim like arbitration award and work and there also we expect going forward around 1,000 crores realization, 1,000 crores from claim and 1,000 crores from land sales.

Sanjeev Kumar Damani: Okay. Can I take it this way that awards already given in our favor are 1,000 crore work or they are much more and our rest of the matter which are still disputed.

Kavita Shirvaikar: Around 700-800 award is in our favor and around 1,000 crores which is claim under pipeline.

Sanjeev Kumar Damani: Okay. That's the total thing that we have made a claim of and what maximum we can realize is 1800 crores in due course of time.

Kavita Shirvaikar: No, 1800-2000 crore from claim and 1,000 crores from land parcels we are saying.

Sanjeev Kumar Damani: This much what we can realize in due course of time. You hinted just now that in this quarter only you are trying to realize something.

Kavita Shirvaikar: Around 100 crores we expect to realize in this quarter.

Sanjeev Kumar Damani: So, only 100 crores might come out of all that.

Kavita Shirvaikar: Land sale around 60-70, so around 200 crores we expect in this quarter Sir. 150 to 200 crores in this quarter sir.

Sanjeev Kumar Damani: Very nice. Thank you very much and all the best for future of our Company. Thank you.

Kavita Shirvaikar: Thank you sir. Thank you.

Moderator: Thank you. The next question is from the line of C K Bhartia an individual investor. Please go ahead.

C K Bhartia: My question is regarding the rights issue, out of 325 crores what I understand 130 crores has already been infused by the promoter is it correct?

Rahul Agarwal: Correct.

C K Bhartia: It means only 195 crore is to be received in this right issue.

Rahul Agarwal: I'll tell you, 325 is the size. Promoter is holding around 40%. Their share comes to around 130 crores that they have already infused. Balance we are expecting to receive from other shareholders.

C K Bhartia: 200 crores. Now you have just said 25% will be used for corporate purposes, 75% will be used for the repayment of interest and loan.

Rahul Agarwal: Correct.

C K Bhartia: Can I assume that out of the right, it should proceed of net 200 crores, entire amount will be repaid towards debt?

Rahul Agarwal: No say 130 crores promoter fund which is received is already received as debt. That will be repaid from this, balance amount total issue size 25% is general corporate purpose and rest will be used for repayment of debt and interest. The general corporate purpose also will help in way of reduction of debt because then we don't need to avail working capital facilities to that extent.

C K Bhartia: The net-to-net cash inflow to the Company will be Rs. 200 crores.

Rahul Agarwal: Correct.

C K Bhartia: Because 130 you have already received.

Rahul Agarwal: Right.

C K Bhartia: Now tell me the next question considering the price difference between the present price and your right price is about Rs. 3-4 only, in case the public does not take their part, will the promoters are ready to take up more share?

Rahul Agarwal: We don't know Sir; we'll have to check with them. Right now, we've got through this 130 crores.

C K Bhartia: Have you got any commitment from the promoter, in case right issue is not taken up by the public, will they be subscribing or there is no commitment on this?

Rahul Agarwal: They have given commitment up to their share of the issue.

C K Bhartia: Okay, in case the public does not take in that case you will let that be unsubscribed, isn't it?

Kavita Shirvaikar: Sir with the positivity in the current infrastructure sector and our Company performance we are positive issue get subscribed.

C K Bhartia: Madam you are already, this is there but we have seen your prices coming down from 28-29 level to 15, even this environment when there is positivity in infrastructure and your performance continues to be good. But prices are falling because of the promoters have interest here. Isn't it? So, I believe that in this circumstance there is a possibility that promoted public may not take up the share. That is what I just was wondering. Another question let it be, if you want to, another question that I have seen in the consolidated performance your margins in this business as come down from 40 crores to 30 crores in this quarter. What is the reason? Consolidated if you see, because most of the EBITDA is from real estate. If you see the segmental, your civil construction is down by 50, from 51 crores to 30 crores.

Rahul Agarwal: So, you can’t compare quarter on quarter. If you see last year comparable, this quarter was around 31 crores only. So, we are in line with that.

C K Bhartia: Your top line has also gone up from 8,500 to 10,000, from 853 to 1019.

Rahul Agarwal: Correct.

C K Bhartia: Your margins are down.

Rahul Agarwal: So, margins are, that's what I'm saying our current margins is around 1-2% down from that quarter but on an overall basis we maintain 14-15% and it depends upon what portion of work is getting executed in this current quarter.

Kavita Shirvaikar: It all depends on the bids we execute during the quarter.

C K Bhartia: Okay thank you. That is from my on my side. Thank you very much.

Moderator: Thank you. Next question is from the line of Varun Mehta from Wealth Link Investments. Please go ahead.

Varun Mehta: Hi sir, I just want to understand that you said the cost of borrowing is 11% for us..

Rahul Agarwal: Correct.

Varun Mehta: And total debt is 2000 crores, 1900 something is mentioned?

Rahul Agarwal: Right.

Varun Mehta: So, why we are paying 100 crores a quarter which makes it 400 crores for a year.

Rahul Agarwal: I'll tell you; the finance cost consists of three main components. One is the interest which is payable to the lenders which is around 11-11.5% on this 2,000 odd crores. Then we have advances from clients for projects, so on the advances also we have to pay interest. We have advances of approximately 1,100 crores, also we have to pay interest. Some are interest free, some are at lower interest costs, but still there is an interest cost of around 9-10% on that and apart from that we have to give performance BGs, advance BGs so we have to pay BG commission, BG/LC commissions on the non-fund-based component, so that is also around 60 to 80 crores per annum. All combined you will see a 400-crore interest finance cost.

Varun Mehta: And how much is the accumulated losses for income tax and total losses what we have in our books?

Rahul Agarwal: Accumulated losses? No, we don't have accumulated losses as such because we have been earning profits every year.

Moderator: Thank you. The next question is from the line of Sandeep Mane from FM Research. Please go ahead.

Sandeep Mane: My first question is can you tell me what are your future plans for business growth?

Rahul Agarwal: So, future plans for business growth, there are a lot of projects in pipeline and we expect the order book to go up. Currently we are around 16,800 crores and we expect it to go up to post execution around 20,000 crores in coming quarters. From there we expect at least 14% to 15% growth top line basis.

Sandeep Mane: Can you tell me which sector will be the focus area?

Rahul Agarwal: We are focusing on all segments, but our majority order book comes from hydropower and underground tunneling. Hydropower, underground tunneling, railways, water works these are the sectors which we are focusing on.

Sandeep Mane: Your total order books show 168094 million.

Rahul Agarwal: Right.

Sandeep Mane: Can you tell me sector-wise contribution for the same?

Rahul Agarwal: Yes. Around 66% is hydro, around 14% is irrigation, 12.5% is tunneling, underground tunneling and the rest is roads, urban infrastructure and others.

Sandeep Mane: Roads and others?

Rahul Agarwal: Roads, urban infrastructure.

Sandeep Mane: How many contribution roads and others?

Rahul Agarwal: 26% balance whatever is there.

Sandeep Mane: In hydro sector and tunneling what is the opportunity size in India?

Rahul Agarwal: I tell you, in hydro segment the opportunity size there's a huge potential, around we can say more than 50,000 odd crores of work is expected to come in hydro segment itself. Now railways have been allocated 2 lakh crores this year, 2.4 lakh crores. Railways if you see a railway line in India, lot of scope is there to expand in the Northeast and J&K where they have to construct through making tunnels. We are already making two, three tunnels for railways and border road organization in Arunachal and J&K. There is a lot of scope coming up Sir.

Sandeep Mane: Are you planning railways?

Rahul Agarwal: We do work for railways but mostly for tunneling works.

Sandeep Mane: My last question is what about the debt reduction? Any progress on that?

Rahul Agarwal: We are focusing on reduction of debt. We are looking for the sale of certain non-core assets, realization of certain arbitration awards. As Kavitha Ma'am was saying some time back, we will be using these funds to reduce the debt plus via rights issue also some funds are expected so that will also help in reduction of debt.

Sandeep Mane: Okay. In this quarter, can we have received any fresh order right now?

Rahul Agarwal: This quarter, not anything yet.

Moderator: Thank you. As there are no further questions, I now have the conference over to Mr. Vastupal Shah for his closing comments.

Vastupal Shah: Thank you, everyone for joining the conference call of Patel Engineering Limited. If you have any queries, you can write us at info@kirinadvisors.com. Once more many thanks to the management team and participants for joining the conference call.

Kavita Shirvaikar: Thank you.

Rahul Agarwal: Thank you all. Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of Kirin Advisors Private Limited, that concludes this conference call, we thank you for joining us and you may now disconnect your lines. Thank you.