



PATEL ENGINEERING LTD.

CIN: L99999MH1949PLC007039

May 24, 2024

To,

BSE Limited

Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001

The National Stock Exchange of India Limited

Exchange Plaza,
Bandra - Kurla Complex,
Mumbai - 400 051

SCRIP CODE: 531120

SYMBOL: PATELENG

Dear Sir/Madam,

Subject: Submission of Investor/ Analysts Meet Transcripts

In continuation of the letter dated May 13, 2024 related to the Investor Conference Call to discuss the Financial Results for the Quarter and Year ended March 31, 2024 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/ym9t79ut>

It is further confirmed that no unpublished price sensitive information was shared/discussed in the meeting / call.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 Shetty
Company Secretary
Membership No. F10047**

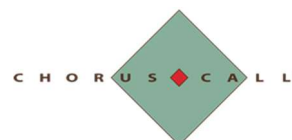
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“Patel Engineering Limited
Q4 FY'24 Earnings Conference Call”

May 21, 2024



MANAGEMENT: **MS. KAVITA SHIRVAIKAR – WHOLE-TIME DIRECTOR
AND CHIEF FINANCIAL OFFICER – PATEL
ENGINEERING LIMITED**
**MR. RAHUL AGARWAL – HEAD, STRATEGIC FINANCE
– PATEL ENGINEERING LIMITED**
**MR. ADITYA BAJAJ – INVESTOR RELATIONS – PATEL
ENGINEERING LIMITED**

MODERATOR: **MS. VAISHNAVI AMBOKAR – KIRIN ADVISORS**

Moderator: Ladies and gentlemen, good day, and welcome to Patel Engineering Limited Q4 FY'24 Earnings Conference Call hosted by Kirin Advisors. 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. Vaishnavi Ambokar from Kirin Advisors. Thank you, and over to you, ma'am.

Vaishnavi Ambokar: Thank you. On behalf of Kirin Advisors, I welcome you all to the conference call of Patel Engineering Limited. From management side, we have Ms. Kavita Shirvaikar, Whole-Time Director and CFO; Mr. Rahul Agarwal, Head Strategic Finance; and Mr. Aditya Bajaj, Investor Relations.

Now I hand over the call to Ms. Kavita Shirvaikar. Over to you, ma'am.

Kavita Shirvaikar: Thank you, ma'am. Thank you. Good evening, everyone. We welcome to the Q4 FY'24 Earnings Call of Patel Engineering Limited. We have uploaded the presentation along with the results on the stock exchange for your ready reference.

First, let me give you some insight on the Indian economy and the industry scenario in which we operate. India's journey towards becoming a developed nation by 2047 hinges significantly on improving its infrastructure to drive economic growth. Continuous efforts by the government to make the business environment convenient to operate and streamline the regulatory processes will support the growth of the infrastructure segment.

Now speaking about the power sector. The government has reiterated India's commitment towards the Panchamrit goals set at the COP26 forum, which includes meeting 50% of the energy requirement through renewable energy by 2030, achievement of net zero emissions by 2070 and setting up 500 gigawatt non-fossil fuel capacity by 2030, among others.

To meet the country's energy demand at a faster pace and achieve the targeted 500 gigawatt of renewable energy, there needs to be an increased focus on hydropower generation. The total exploitable potential of hydropower in India is around 133 gigawatts, of which around 42 gigawatts has been harnessed so far and 18 gigawatts is under development.

So there is tremendous potential in this sector yet to be exploited. Out of the 18 gigawatt of hydropower project under construction in India, we are happy to share that our company is involved in executing work in projects of around 8 gigawatts, which is around 45% of the total projects currently under execution.

As per the update by the Ministry of Power, around 19 gigawatts of hydropower projects have been concurred by the CEA and are ready to be taken up for construction, and another 18 gigawatt of hydropower projects are under the survey and investigation. These projects are

expected to come up for bidding within next 1, 2 years. We can aim to complete by same by 2030.

Apart from traditional hydropower projects, various steps have been taken by the government in order to ensure that pump-storage projects get commissioned on a fast track, as per the Ministry update. There are 39 hydro PSP of 47 gigawatts being pursued to be commissioned by the year '29-'30.

Now coming to the irrigation sector. Government of India has been focused on increasing the share of irrigated land to increase efficient use of water resources and improve crop rate. To boost the irrigation sector, the government has implemented various schemes under the Pradhan Mantri Krishi Sinchayee Yojana, like per drop more crop; Har Khet Ko Paani under the Pradhan Mantri Krishi Sinchayee Yojana for 2021 to '26. There has been outlay allocation of INR93,068 crores, which would benefit about 22 lakh farmers.

Further, the Ministry of Jal Shakti got the major chunk from this year's project outlay as Finance Minister allocated INR98,000 crores in the interim budget for 2024 to '25. Also, the upcoming projects for interlinking the rivers across the country has huge potential and relate to further works in irrigation sector to come up and shall lead to reduction of droughts in various areas across the country.

Moving to the tunnelling sector. Tunnel construction in India has picked up pace in the last decade given factors like, upgrading the water supply and sewage system, expanding the road and rail network, constructing underground crude oil storage, apart from the traditional tunnelling for hydropower projects, with maximum tunnels have been built.

There is huge pipeline of at least 875 tunnels, spanning a length of around 2,600 kilometres. So we see an enormous potential in the coming few years in this segment of infrastructure development that the company has a dominating presence. Order inflow was a bit subdued FY'24 as was expected due to the election. But we expect large number of orders to be announced in the FY'25, post the elections ending June '24. Hence, our company is geared up to take advantage of these upcoming opportunities. And recently, we have raised INR400 crores via QIP. The funds generated through the QIP will bolster the financial position of the company and not only help in debt reduction but also support working capital requirement for ongoing and future projects.

Now let me throw some light on the operational highlights for the year. Firstly, this is a historical year of our company, as we complete 75 years of being in existence. Secondly, we are happy to inform you all that recently on 9th March, our Honourable Prime Minister, Mr. Narendra Modi inaugurated the Sela Pass Project, which is the world's longest bi-lane tunnel located in altitude of over 13,000 feet above sea level. Few days ago, the Sela tunnel was officially recognized as the highest tunnel in India by the International Book of Honour England.

I would like to take a moment to thank and congratulate all my colleagues, who have worked in extreme weather conditions to overcome challenges and complete these projects. The project is of national importance, as it will benefit both strategically, as our troops and machinery can now

reach the border, as well as self-economic progress of the region. With this, we are committed to working on many more projects, which are of national importance and doing our part to improve the infrastructure landscape of the country.

Now let's move to the order book position of the company, which currently stands at around INR18,000 crores -- INR18,600 crores as of March -- 31 March, 2024. In the last quarter, we received a letter of award for INR525 crores irrigation project located in Telangana, which has been executed in JV. And our share in this project is around 51%, which is around INR260 crores. The project involves construction of RCC protection wall of 8.5 kilometres each along both the right and left flanks of the Munneru river.

Apart from this, it also involves construction of amendment of 2-kilometer each on either side of the river. The project is located in Khammam District in Telangana and will be executed over the period of 2 years. The project was received from Irrigation and CAD Department, Government of Telangana. During the year, we received the new orders amounting to INR4,000 crores.

Coming to the composition of the order book. Around 61% of order book comprises of hydropower projects, around 21% from irrigation sector, around 11% from tunnelling sector and 2.7% in road and rest from other segments. Out of that, 62% is from Central Government PSUs, which are AA, AAA rated entities, and around 35% from State Government, and balance 3% for projects in Nepal. With the outlook and focus of the government on infrastructure and increase in budget allocation for this year, we expect a large number of projects to come up for bidding in FY'25 post the election, and expect our order book to grow at a good pace in the coming few quarters.

Let me now take you through the financial performance of the company in the quarter, which has been good, and we have continued the good momentum on a year-on-year basis. On a consolidated basis, revenue from operations for Q4 FY'24 is INR1,343.18 crores, which is up by 11.5% from INR1,205 crores in the corresponding quarter in the previous year. This is due to strong order book growth and well execution of projects across eight sites. Operating EBITDA for the quarter is INR237.6 crores as against INR167 crores in the corresponding period last year.

Net profit is up by 46% at INR123.37 crores for the quarter as compared to INR84.37 crores in the corresponding previous year. On a consolidated basis, full year FY'24 revenue stands at INR4,544.11 crores, which is up by 17% from INR3,891.15 crores in the previous corresponding period. Operating EBITDA is up by 22.9% at INR690.3 crores as against INR561.56 crores. Net profit at INR264.10 crores, which is up by 71%, from INR154.81 crores. On a stand-alone basis, revenue from operations for Q4 FY'24 is at INR1,256.9 crores, which is up by 5.5% from INR1,192.18 crores in Q4 FY'23.

Operating EBITDA is up by 6.58% at INR187.58 crores as against INR176 crores in the previous year. Net profit is at INR73.18 crores as compared to INR84 crores in the corresponding previous period. Full year FY'24 revenue on a stand-alone basis stands at INR4,412.04 crores, which is up by 16% from INR3,817 crores in the previous corresponding period. Operating EBITDA is

14.7% up to INR620.11 crores at INR540.48 crores, and net profit at INR288.18 crores, which is up by 85% from INR155.85 crores in the previous corresponding full year period.

Sector-wise revenue breakup on a stand-alone basis. From hydro, it is 47%; from irrigation sector, it is 30%; from tunnelling, 11%; road 3% and others, 9%. For the full year, it is hydro, 50%; irrigation, 24%; tunnel, 15%; road, 5% and others, 6%. Now moving on to the debt position. The consolidated gross debt as on March 31, 2024, stands at INR1,885.49 crores against INR1,740.78 crores as on 31st March '23. Total advances from client as on March 31, '24 is INR760.09 crores as against INR1,235.78 crores as on 31st March '23.

Further, cash balance as on March '24 is INR338.7 crores as against INR208.3 crores as on 31st March '23. Hence, net serviceable debt has reduced from INR2,976.56 crores in March '23 to INR2,645.58 crores in March '24, a reduction of INR330 crores. The consolidated debt-to-equity ratio has improved from 0.61 as on March 31, '23 to 0.6 as on 31st March '24.

Now coming to the breakup of the debt. Working capital debt is around INR1,100 crores and balance is down at INR700 crores, which is expected to be repaid over the next 3 to 4 years or so from monetization of noncore assets and surplus from operations. The finance cost for Q4 FY'24 on a consolidated basis is INR93 crores, which has reduced as compared to Q4 FY'23, where finance cost was around INR103 crores. Also on a full year basis, finance cost is INR362 crores as compared to FY'23, where finance cost was INR412 crores. Our gross work of plant and machinery as on 31st March '24 is around INR1,100 crores.

Total employee base is about 4,500 employees. The company has filed for various settlement amounts under the Vivad se Vishwas Scheme, which was launched for the settlement of pending disputes related to government contracts, which were under ongoing arbitration. In the last quarter, we have realized around INR130 crores through settlement of arbitration claims. Receipts from this scheme have helped us lighten the balance sheet and also augment working capital requirements for upcoming fresh orders.

On a consolidated basis, our diluted EPS from continuing operation has improved from 2.23 for FY'23 to 3.54 in FY'24, and debt to operating EBITDA has improved from 2.8 to 2.42 year-on-year basis. We remain positive on the outlook of the sector and enhance government spending thus expecting steady growth in our revenue.

We expect our revenue to continue to grow by around 10% to 15% in the coming year. However, in FY'26, we should witness a higher growth rate of at least 20% to 25%, as new orders are expected to be received in FY'25, which will start generating revenue in FY'26, post the initial mobilization phase of 6 to 9 months in the current year. And also, existing ongoing projects will be at their peak execution stage. That was a small brief from our side. And now our team here shall be happy to answer any further questions, which you all may have. Thank you.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Shyam Garg, an individual investor.

- Shyam Garg:** Thank you for the opportunity and Congratulations on a great set of numbers. My first question with respect to the realization of credit receivable. So how do we see the realization of huge credit receivable of INR554 crores in our books in this year?
- Management:** So out of INR554 crores, around INR250-odd crores is current receivables, which will be realized within -- 45 days is the cycle for realization. Around INR300 crores is for arbitration awards, which we expect to realize over a period of 3, 4 years.
- Shyam Garg:** Okay. And sir, my next question is with respect to the projects that you have mentioned in the investor presentation of around more than INR18,000 crores. So that is with respect to our portion of INR18,000 crores or that is cumulative?
- Management:** No, order book is our portion.
- Shyam Garg:** Okay. And sir, what amount of order book we expect to get completed in this year?
- Management:** So see, I think almost some 4, 5 projects are within the 90% to 100% range that may get completed this year, but depends upon some additional works comes then that is the separate case.
- Shyam Garg:** Okay. And sir, like you had mentioned in investor presentation that few projects are under different range of completion. So the value that has been shown is the amount that has been pending or that is the total value of the project?
- Management:** What is balance of what that has been shown there?
- Shyam Garg:** Besides each project, there is an amount mentioned of the order. So that is the balance amount that you have to be realized by the company over the period or that's the total orders of the particular project...
- Management:** Balance work. That is the balance work.
- Shyam Garg:** Okay. Okay. And sir, what is our bidding success ratio in terms of the orders that we bid for government or -- central government or state government?
- Management:** Around 20% to 25%.
- Shyam Garg:** And sir, what is the amount of orders we are expecting to bid this year, post election?
- Management:** So there are some -- in the pipeline, around INR80,000 crores to INR1,00,000 crores worth is there in pipeline.
- Shyam Garg:** Okay. So we can really rely around INR20,000, INR25,000 crores of order book. And the execution time line for the same would be somewhere around for 5 years -- 2 to 5 years?
- Management:** Yes, 4 to 5 years. And see, out of INR1 lakh crore, how much we will bid in this year that will decide based on project to project.

- Shyam Garg:** And sir, what is the amount of that we are expecting to pay this year?
- Management:** So we are expecting to reduce debt of around -- the term debt of around INR700 crores, INR800 crores over the next 3, 4 years, so maybe around INR200 crores this year.
- Shyam Garg:** And sir, what about the working capital loan, the essential allotment that we have done, will you utilize that money for working capital and reduce the working capital on as well?
- Management:** Yes.
- Shyam Garg:** So that's the working capital loan reduced by INR400-odd crores, if I'm correct?
- Management:** So what will happen is the QIP money, first, we will go for parking in working capital limits. And then when the new projects will come in, we'll have to redraw for our new projects. So that's how it will be a mix of reduction of debt as well as working capital requirements for new projects.
- Moderator:** The next question is from the line of Viraj Mahadevia from MoneyGrow India.
- Viraj Mahadevia:** Congratulations on excellent numbers. Two questions from my side. Ma'am, you mentioned that your peak execution for projects will be reached. Is that in FY'25 or FY'26 for existing projects that you're running?
- Kavita Shirvaikar:** FY'26, we are expecting to reach to the peak.
- Viraj Mahadevia:** Okay. And my second question is regarding the sale of non-core assets. So we have arbitration claims of, I think, in your presentation of about INR4,331 crores, and you said we received INR130 crores in the last year.
- Management:** Yes.
- Kavita Shirvaikar:** Yes.
- Viraj Mahadevia:** Okay. And we're expected to receive INR200-plus crores going forward every year?
- Management:** Yes. This year more funds will come under Vivad se Vishwas Scheme, so that is somewhere around INR150 crores, INR200 crores.
- Viraj Mahadevia:** Okay. Any progress in your land bank monetization, last question?
- Management:** The land bank monetization, last year, not much has moved in that. This year, maybe post-election then -- when everything is clear, then we can start looking at some interest coming in from investors.
- Viraj Mahadevia:** Okay. But you're actively pursuing that?
- Management:** Yes, yes.
- Kavita Shirvaikar:** Yes.

- Moderator:** The next question is from the line of Narendra from RoboCapital.
- Narendra:** Congratulations on a strong set of numbers. So my first question is what kind of order inflow are we looking at for the next couple of years, if you could throw some light on that?
- Management:** See, what we are looking at is our order book to reach around INR25,000 crores by end of FY'25, so post execution of this year. So that gives us -- if we -- last year, our revenue was like INR4,500 crores so between 10% to 15% growth in revenue. So around INR10,000 cores to INR15,000 crores of order inflow this year.
- Narendra:** All right. Understood. And what kind of margins are we looking to make on that?
- Management:** We expect to maintain our margins of around 14%, which is there.
- Narendra:** All right. And regarding the debt, so as you said INR700 crores to INR800 crores in the next 3 to 4 years so will it be -- can we assume INR150 crores, INR200 crores every year, right?
- Management:** Right.
- Kavita Shirvaikar:** Right.
- Moderator:** The next question is from the line of Dhananjay Mishra.
- Dhananjay Mishra:** Yes, congratulation on very strong set of numbers. Sir, can you give the breakup inventory? We have INR3,791 crores of inventory. So what is the raw material? What is the working progress? Or any unbilled revenue also part of inventory?
- Management:** Yes. So based on percent completion, it is there. So see, our inventory breakup -- broad breakup is such that it has land bank also around 30-odd days. Then we have amounts which will get realized through arbitration and claims also, that is around 100 days. Then 30-odd days is for stores and spares. And rest is work in progress based on percentage completion, which comprises of 2 components, one is the balance of initial mobilization costs incurred to be realized over the next 4, 5 years, and around 70, 75 days would be for work done and to be built, because our normal working capital cycle is between 3 to 4 months.
- Dhananjay Mishra:** Okay. If you could give absolute numbers in terms of growth, all these breakups you said you're [inaudible 0:23:48]?
- Management:** Actually, I have that in front -- with me in terms of number of days in front of me right now. We can send you a separate e-mail.
- Dhananjay Mishra:** Sir, number of days you covered on revenue or on cost?
- Management:** Revenue.
- Dhananjay Mishra:** On revenue only?
- Management:** Yes.

- Dhananjay Mishra:** Okay. And this year -- I mean in the presentation you have mentioned that you will be bidding for INR50,000 crores to INR55,000 crores for FY'25? Or -- this is correct?
- Management:** So there is a pipeline of INR82,000 crores to INR1 lakh crores. Now how much will bid this year, we have not yet identified.
- Dhananjay Mishra:** Okay. And what is the current bid already submitted, which will be maybe results you will announce from July onwards?
- Management:** So current bid submission out of that is around INR10,000-odd crores.
- Dhananjay Mishra:** Okay. So you are expecting some orders to be announced in Q2, right, from those bids?
- Management:** Yes. Obviously, something -- when it opens -- depends upon the time line when it opens.
- Dhananjay Mishra:** Okay. And thirdly, in terms of this land monetization, are you looking only for selling this land upfront? Or are you also exploring to do tie ups with some developer for real estate thing?
- Management:** Right now, we are looking to sell upfront only. We are not looking to tie up with any developer.
- Moderator:** The next question is from the line of Bhupendra Tiwary from ICICI Direct.
- Bhupendra Tiwary:** Yes. So I had this one question. The amount that we received out of arbitration, can I just point out which quarter did we receive? Or was there any kind of flow through in the P&L for that?
- Management:** So we received that money in this quarter itself. And in consolidated financials one of the SPV what we got, around INR50 crores has come in P&L in this quarter. That's why this quarter's EBITDA for consolidation is higher than stand-alone.
- Bhupendra Tiwary:** Fair point. And you said that your expected margin is largely 14%, right? So if I net off that, so you won't -- you expect that to be maintained. Do you think that newer categories, say, for example, you get into hydro pump -- hydro kind of segment -- I mean, do think the newer category can give you more margins? Or do you think that the margin is something that you have kind of this is perfect or the best possible margin for a company like us operating at the 10%, 15% EBITDA?
- Management:** See, from guidance, you would say that we would maintain a 14% on a blended basis. If we are able to improve, that is better for us.
- Bhupendra Tiwary:** Fair point. And the -- regarding the pure -- how much debt is coming for the repayment this year, specifically FY'25, in terms of long term debt?
- Management:** See, this year may be around INR150-odd crores. I'll have to check that -- INR200 crores.
- Moderator:** The next follow-up question is from the line of Viraj Mahadevia from MoneyGrow India.
- Viraj Mahadevia:** Is there a target net debt to EBITDA in mind for the management over the next, say, by FY'26?
- Management:** Net debt to EBITDA, see, right now, we are at...

- Viraj Mahadevia:** About 2.8 or 3.5 plus.
- Management:** Yes. So see, what we expect is that overall debt -- term debt will go down, so that will keep on going down. We've not kept a separate target in terms of EBITDA. But then with considering client advances and all, right now, we are at 2,600, 2,700. So that may be maintained even though the revenues are going up.
- Viraj Mahadevia:** Okay. So can you give us a rough net debt-to-EBITDA target on that basis for the next FY'26? Even if it's a range, it will be helpful.
- Moderator:** The next question is from the line of Payal Lad from Progressive Shares.
- Payal Lad:** Just one question from my end. If you could please help us understand more on the increased stake, which has been undertaken during the year for the tunnelling business. Like what sort of prospects are expected from the same?
- Management:** See, we have invested in a start-up, which is around a 10% stake for the start-up. This is into tunnelling business more of into servicing of tunnel boring machines. So because we expect a lot of projects coming up for TBMs in India, as we were talking about various working coming in tunnelling segment, so we see a lot of opportunity in this segment. And this is an ancillary business to our existing EPC operations. So that's why we have taken a strategic stake of 10% there.
- Payal Lad:** Okay. So like do you anticipate your overall tunnelling order book percentage to increase from year on? Or would it continue to remain in the range of 10% to 11%?
- Management:** So it may be there in the range of 10% to 15%. But then this entity may take servicing business of other tunnelling companies also. And what we expect is that the other question was net debt to EBITDA, maybe somewhere in the range of 3, 3.5 only.
- Kavita Shirvaikar:** Around 2, 2.25 over debt-to-EBITDA -- debt to EBITDA will be around 2.25.
- Moderator:** The next question is from the line of Nikhil Malik from Whale Investments.
- Nikhil Malik:** Yes. Ma'am, congrats on a good set of numbers. So my question is basically, things are looking pretty good and future guidance is also pretty good, I would say. But just one concern, which is that in the past 5 years, there's been 2 rights issue. And after the rights issue, we see that the promoter has been constantly reducing the stake. I mean, there's been equity dilution.
- We understand that we are in the business where we need to raise capital consistently, I would say. But that is when we have noncore assets worth of INR1,000 crores and we haven't been able to do -- probably we haven't been able to monetize it. So shouldn't this be taken more -- I mean at a more faster pace so that there's no further dilution in equity?
- Management:** We are working on that as well. See, 5 years, 6 years back, our debt was around INR5,500 crores...

- Kavita Shirvaikar:** If you see last 5 years, we have been consistently reducing the debt. From INR5,500 crores, it is now INR1,800 crores. So now balance noncore asset is INR1,000 crores. We already sold in the past is around INR1,500 crores. And claim also, INR2,000 crores. So INR3,500 crores, we already sold and reduced the debt, and balance is INR1,000 crores. And like dilution also, we have no further plans to raise equity -- more equity in near future.
- Nikhil Malik:** Okay. And my -- ma'am my second question is regarding the arbitration, which is related to Slide 68. So out of this INR4,000 crores, I mean, how much time does this take to -- I mean, is there a faster process because we've also gone through the Vivad se Vishwas Scheme so -- because there's a lot of capital which is blocked over here. So something we can do to speed up this, I'm sure you would be working on it, but some thoughts on these?
- Kavita Shirvaikar:** So like current year, we have received around INR130 crores from Vivad se Vishwas. Next year, also, we expect to receive INR150 crores to INR200 crores from Vivad se Vishwas. And rest is at different stages. Like something is in District Court, something is in High Court, something is in Supreme Court, so at various stages. So we expect to realize like on an average per annum INR200 crores to INR300 crores continuously.
- Moderator:** The next question is from the line of Herzel from Wealth Premier.
- Herzel:** My question was regarding the promoter pledge. So is there any plan to reduce the pledge or counter pledge this year?
- Management:** See, the pledge has been given for borrowing, taken by promoters on -- when they are infused funds in the company. So as the progress of the company has been going up, now we will touch base with the lenders to reduce the pledge cover.
- Herzel:** Yes, because the pledge is in the range of some 80%-odd now, what is the current pledge percentage now?
- Management:** The pledge is for 80% of the shares held by the promoters.
- Herzel:** Yes. Because that will be reason that would be a very good sign also that way.
- Management:** Right.
- Moderator:** The next question from the line of Yashwanti from Kojin Finvest.
- Yashwanti:** Congratulations for the great set of numbers. It is very impressive to see margin currently. I just wanted to understand the 15% margin will be maintained with the kind of order book and the segment in which we have present? It's not only for FY'25, but even going forward?
- Management:** So what we expect is the margins will be maintained, 14% odd, operating EBITDA margins would be maintained.
- Kavita Shirvaikar:** Yes. We expect to maintain the margin at same level.

- Yashwanti:** Okay. Considering the size of order around INR18,000 plus crores and we have the working capital intensive, so currently, our debt stands at around INR1,000 plus, as you mentioned to my previous comments. So what are the likely chances that this ratio will again go and then again, this should not be a burden on company financials?
- Management:** So our working capital cycle has been reducing considerably over the years. Last year also, it was around 250-odd days, which has come down to 180 days, the net working capital cycle this year. So that has been consistently improving. And because the collection cycle has improved drastically, the government is also focusing on clearing up all the payments faster. So we don't see a challenge in elongated working capital cycle.
- Yashwanti:** Okay. And sir, you also mentioned that you've increased your stake in one of your projects. So what is the rationale behind it as you mentioned that it is a startup and you want to invest in it, but what is coming as a bottom line to the company?
- Management:** So it is just a start up. We have taken a 10% stake. So they will start doing business now. And because we see a lot of business coming in infrastructure segment, where tunnel-boring machines will be required so this entity was specialized in servicing of the tunnel-boring machines.
- Yashwanti:** Okay. And this would be a strategy even like a binders stake in a couple of projects going even in the future if..
- Management:** No, nothing decided as of now.
- Moderator:** The next follow-up question is from the line of Viraj Mahadevia from MoneyGrow India.
- Viraj Mahadevia:** The net debt to EBITDA is 2.25 for FY'26?
- Management:** Yes. That is excluding the client advances.
- Moderator:** The next question is from the line of Pritesh Chheda from Lucky Investment.
- Pritesh Chheda:** Sir, what is the part of this other income line -- other income reporting that we have for FY'24? And second, with the -- incrementally, how should we look at your interest expense, if you could just break up the interest expense into financial cost-related expense and pure borrowing-related expansion? And how do you see the trajectory?
- Management:** Firstly, we have the interest expense this year was around INR360-odd crores, out of which INR70 crores is other borrowing costs, which will be BGLC cost and everything. Around INR75 crores is interest on client advances, and the rest is on borrowing debt.
- Pritesh Chheda:** Okay. So basically, out of INR360 crores, INR150 crores, so INR200 crores is your interest on borrowing roughly?
- Management:** Correct.
- Pritesh Chheda:** And on borrowing number...

Management: The cost is up to 11.5%.

Pritesh Chheda: At 11.5%?

Management: Right.

Pritesh Chheda: Okay. And the non-fund limit is what would be a part of the charges of INR70 crores, right?

Management: Right.

Pritesh Chheda: So how much the non-fund limit that you have?

Management: We have around INR4,000 crores on non-fund basis.

Pritesh Chheda: And my guess is it will be fully utilized?

Management: No. We have unutilized limits as well, around INR800 crores to INR1,000 crores.

Pritesh Chheda: And what is the margin money on this INR4,000 crores that you have to get the limit?

Management: There's no specific requirement, that depends upon bank to bank. There are various banks where we have no margins.

Pritesh Chheda: Okay. And incrementally, this particular line item, how do you see it moving with the expected revenue growth that you expect to have?

Management: We don't expect the interest to overall the finance cost to go up. We expect that this will be in similar lines even with increased projects, with increased working capital taken, because we will consistently be reducing debt. So overall, serviceable debt plus client advances may remain in the similar range.

Pritesh Chheda: And what's the debt at the end of FY'24?

Management: Around INR1,880 crores of debt, around INR760 crores of land advantage.

Pritesh Chheda: And the incremental orders that you're taking, vis-a-vis, the past orders which is there in your backlog, what is the difference in the working capital size on that because -- go ahead, sir.

Management: So basically, the amounts which are expected to be realized through arbitration awards and claims, that amount is consistently reducing because there are no incremental amounts getting added there. So my working capital cycle to that extent is reducing. My net normal working capital cycle is just 3 to 4 months, which is there for the new projects as well.

Pritesh Chheda: New projects is how much?

Management: 3 to 4 months.

Pritesh Chheda: 3 to 4 months is your net working capital cycle on new projects?

- Management:** Right.
- Pritesh Chheda:** And the pace of arbitration awards and claims that you've experienced so far is?
- Management:** So that is moving fast because of various schemes introduced by government...
- Kavita Shirvaikar:** See, now -- I will just address this. Now the government has made a lot of changes to appoint an independent engineer at the beginning of the project itself. So these are the variation extra item can be resolved during the tenure of the project itself. Further, there is Vivad se Vishwas. As per NITI Aayog also, around 75% we can withdraw against submission of bank guarantee.
- And if independent engineers does not sort out, then conciliation committee -- also various committee also. So government has also taken various initiatives where the claim settlement can take in place during the tenure of the project itself.
- Pritesh Chheda:** Okay. So how much arbitration award did you -- or how much cash flow on account of arbitration award you've received in FY'24?
- Management:** Around INR130 crores.
- Kavita Shirvaikar:** INR130 crores.
- Pritesh Chheda:** Okay. So the pace is about INR100 crores, INR150 crores. So the major change is basically from the fact that the incremental business is at 3 to 4 months of working capital, which is bringing down your overall number of the reported working capital?
- Management:** Right.
- Pritesh Chheda:** Okay. And what's the corresponding growth in revenue or growth in execution that you are expecting?
- Management:** This year, around 10% to 15%, FY'25. FY'26 may be higher.
- Pritesh Chheda:** Okay. How much would be '26?
- Kavita Shirvaikar:** 20% to 25%.
- Moderator:** The next question is from the line of Divya Bhagwat from Quantum Strategic Advisors.
- Divya Bhagwat:** So my question was as we are considering the acquisition of Shail Tunnelling and Infra Private Limited, can you please provide insights on how you foresee the acquisition impacting our company's overall growth strategy, and also the market positioning in tunnelling and infrastructure sector?
- Management:** So this is only a strategic stake of 10%, which we have acquired. And we don't see any major cash outflow or anything happening for this acquisition. So no impact on the balance sheet. It is only an ancillary business where the servicing of tunnelling -- tunnel-boring machines. It will help to help our projects as well as we will take up some works for other companies as well.

- Moderator:** The next question is from the line of Manoj, a retail investor.
- Manoj:** I compliment all stakeholders for a good set of numbers. I've got one question. Our CAGR for order book is around 13% until March month and our expected growth in the order book is around 30%, whereas our projected revenue growth for this year is between 10% to 15%. So I see the difference between the order book and the execution percentage. So the situation within our order book will keep on rising, whereas our revenue growth will not be in the same line.
- Management:** Sir, so this year, because of elections, the order inflow was lower and that's why -- because the orders are such, which is 4 to 5 years, the first 6 to 9 months goes into site mobilization. So whatever orders we get this year, the maximum revenue impact will come in FY'26. That's why we said the revenue growth in FY'26 is estimated between 20% to 25%.
- Manoj:** But we already have order book of INR18,000 crores, which we must have received...
- Management:** Correct. So that has a book to bill ratio of 4.5. So that's why we expect revenue to be growing by 10% to 15% this year. Suppose from INR4,500 crores base, increased 10% to 15%, it crosses INR5,000 crores.
- Manoj:** I agree. But given situation, wherein we have a lot of debt, and in that situation, if we could increase our order execution rate, so probably, it will be useful because our project execution cost will also reduce, our interest cost will also reduce and our net profit will also improve. So is it possible to have target slightly higher than 15% so that we match it with the order book rate?
- Management:** We'll see what order inflow comes with segments, because again hydropower is 4 to 5 years execution. If we get pump-storage projects or other projects, then the execution cycle may be lower. So that will depend upon that...
- Kavita Shirvaikar:** Sir, for hydropower projects for 6 to 9 months goes for mobilization of the site, and it will start giving revenue -- peak revenue at the third year. Second year, it will start picking up -- giving of the revenue. So this is the cycle for the hydro sector. And considering that, we are projecting the growth of 10% to 15% for the current year, FY'24.
- Manoj:** Okay, madam, but we have orders in our hand from last 3, 4 years. This year, we got INR4,000 crores order. Before last year, we got -- must have got around INR4,000 crores. Before that, must have got around INR4,000 crores. That's what my point was. So if you could increase your...
- Kavita Shirvaikar:** No, no -- right, sir. But some of the projects got completed. Like last year, we handed over Sela Pass tunnel and Prime Minister inaugurated the tunnel. We completed almost T-15 tunnels. Some of the projects, which were on the peak cycle got completed. And some of the cycle -- some of the projects, which we got last year, will get at the peak in FY'26. So that's why we are saying FY'26 at 20% to 25% growth revenue.
- Moderator:** The next question is from the line of Prashant Kshirsagar from Unived Corporate Research Private Limited.

- Prashant Kshirsagar:** I just wanted to ask you, you mentioned about the growth rate for FY'26 at 20% to 25% of the revenue. Is there any assessment done for '26, '27 by any chance, by the management what the growth rate one should expect? Because your projects, subject to the political situation, which you are expecting more projects to be coming up for execution, the projects are of the -- in the range of 4 to 5 years. So is there any assessment for '26, '27 for the growth rate of revenue?
- Kavita Shirvaikar:** As per our current estimate, it will be around 20%.
- Prashant Kshirsagar:** 20%?
- Kavita Shirvaikar:** Yes, year-on-year.
- Prashant Kshirsagar:** Year-on-year, okay. And second question is you have been awarded the contract for the Dibang hydroelectric project. Just wanted to ask you when should you start the work -- when do you expect to start the work on the ground for the project?
- Management:** It is in the mobilization phase. The revenue will start coming in this year.
- Kavita Shirvaikar:** This year. From FY'25, you will see -- some revenue will start coming in. And FY'26, it will be -- give more -- it will start giving more revenue.
- Prashant Kshirsagar:** So which month of '25 you expect some revenue to come?
- Management:** So it depends. See, right now, we are in mobilization phase. So post monsoon, the revenue...
- Kavita Shirvaikar:** Q3 onwards, you can see. I think.
- Prashant Kshirsagar:** Q3 onwards Okay. And the last question is, in an irrigation contract which you received -- a project which you received for execution, what should be the average time length for the project so that just for understanding purpose?
- Kavita Shirvaikar:** Irrigation is around 3 to 4 years.
- Prashant Kshirsagar:** 3 to 4 years for any project or slightly simpler projects or complex...
- Kavita Shirvaikar:** It depends on the project to project. Some of the projects, 2, 2.5, 3 years also.
- Prashant Kshirsagar:** 2.5, 3 years. So on an average, 3 years, we should take for our modelling...
- Kavita Shirvaikar:** Yes, irrigation on an average 3 years we should take.
- Moderator:** The next follow-up question is from the line of Chirag from White Pine Investment Management.
- Chirag:** Just wanted to pick your thought process. We have a land bank of INR1,000-odd crores that you have put across. And how should one look at monetization of that? The reason I'm asking is you are willing to dilute the equity of the company, but not looking to monetize the land bank even if you have to compromise on some part of retail value.

So is there -- you are expecting a sharp jump in the retail value because of development happening in that area? Or how should one -- and why I'm asking this question is while you have raised capital, which will take care of near term, given the way the order flow is expected in hydro, and I'm putting PSP as a part of hydro as well as irrigation, you may again need capital. So how are you thinking about this monetization of assets? If you can just help us understanding that would be great.

Management: So post the elections, we will -- we expect a lot of traction to come in real estate sales as well. So we will look at selling a lot of land parcels in the next 2 years or so, if we get the right values.

Chirag: Because we are hoping to monetize this in a reasonable time and that is the question that you should relook at your internal metrics, at least you start monetizing some part of the assets so it gives you the cash when you need for the next leg of growth? That's a humble suggestion. Sir, second point is I just logged in a bit late, sorry for repetition. Is there any one-off in the sharp margin expansion that we have seen, which is at 17% in the quarter?

Management: So there was a INR50 crores Vivad se Vishwas, arbitration income.

Chirag: Okay. So that is accounted over. Okay, great. And one last question, if I can. So this 10% stake in this tunnel-boring company, because your capital investment is not significant, why didn't you think of taking a bigger stake in the company? You are not putting any major capital, right, in that company. And if it is a good ancillary part, you could have gone for at least 25%, 30% stake in the company, which is a significant strategic stake.

Management: Right now, we have taken a 10% strategy stake. Depending upon how that will perform, we'll see in the future.

Moderator: The next question is from the line of Jay Shah from Arihant Capital.

Jay Shah: Liked the performance of the company's financials and all. So my question is like I've seen that you have received a total of 9 projects in the last quarter. Could you provide a total order book value for this project?

Management: Sorry, come again? I didn't get your question.

Jay Shah: So basically, I have seen that you have received a total of 9 projects in the last quarter. So can you provide...

Management: That's last financial year, that is around INR4,000 crores.

Jay Shah: Okay, INR4,000 crores. So what is the company's projected top line and bottom line growth for the upcoming quarters then?

Management: So on a full year basis, we expect 10% to 15% growth in the top line. And bottom line, I mean, around same percentage we should be able to maintain.

Moderator: The next question is from the line of Yashwanti from Kojin Finvest.

- Yashwanti:** Sir, my question is like last year, from FY'19 to FY'23, we have been continuously on the upswing on the order book, sir. This year, we have seen a little slowdown or little downturn in the order book. Is it because of the election year or anything in delay in the project award?
- Management:** No, mainly because of the election year, orders have kind of shifted and may expect it to receive this year.
- Yashwanti:** So can we assume that once the elections is out, maybe by the next 2 to 3 months, 4 months, we can see a good surge in the order book -- the award in order book?
- Management:** Yes, we also expect the same, lot of orders to come in postelection.
- Yashwanti:** Okay. Sir, what is your outlook or what is your view on this government project on Har Ghar Jal, then irrigation projects and hydropower focus. So what kind of a surge you can see for the next 2 to 3 years?
- Management:** We expect a lot of works to come in. I mean there are lakhs of crores of works. It's like how much projects we will identify to take on our own.
- Yashwanti:** Okay. Sir, any -- have you noticed or how you seen any competitors focusing on hydropower, giving us very stiff competition view in the last 6 months or 8 months considering the award from the projects coming from the government as the lucrative sector of the hydropower segment as a part of the infrastructure?
- Management:** We don't see any new companies coming in. There are existing companies who are executing.
- Yashwanti:** And sir, currently, what will be our share in the hydro project infrastructure segment?
- Management:** So on a traditionally, it has been around 25%. Current execution project, we are doing around 45% of the existing projects.
- Moderator:** Thank you. Ladies and gentlemen, we'll take this as a last question. And I'll hand the conference over to Mr. Vaishnavi Ambokar from Kirin Advisors for closing comments.
- Vaishnavi Ambokar:** Thank you, Neha, and thank you everyone for joining the conference call of Patel Engineering Limited. If you have any queries, you can write us at research@kirinadvisors.com. Once again, thank you, everyone, for joining the conference call.
- Kavita Shirvaikar:** Thank you.
- Management:** Thank you.
- Moderator:** On behalf of Kirin Advisors, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.