PATEL ENGINEERING LTD.

CIN: L99999MH1949PLC007039

August 16, 2023

To,

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

SCRIP CODE: 531120

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

SYMBOL: PATELENG

Dear Sir/Mam,

Subject: Submission of Investor/ Analysts Meet Transcripts

In continuation of the letter dated August 7, 2023 related to the Investor Conference Call to discuss the Financial Results for the Quarter ended June 30, 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/ps4tr87j

It is further confirmed that no unpublished price sensitive information was shared/discussed in the meeting / call.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: 2023.08.16 18:35:58 +05'30'

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"Patel Engineering Limited Q1 FY2024 Earnings Conference Call"

August 10, 2023

ANALYST: **MR. GOPAL CHANDAK – KIRIN ADVISORS**

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 RELATION - PATEL ENGINEERING LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY2024 Earnings Conference Call of Patel Engineering Limited 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 "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms Gopal Chandak from Kirin Advisors. Thank you and over to you sir!

Gopal Chandak: Thank you. On behalf of Kirin Advisors I welcome you all to Patel Engineering Limited Q1 FY2024 Concall. From the management side, we have Ms. Kavita Shirvaikar whole time director and chief financial officer, Mr. Rahul Agarwal Head Strategic Finance, Mr. Aditya Bajaj Investor Relation. Now I hand over the call to Ms. Kavita Shirvaikar. Over to you Mam!

Kavita Shirvaikar: Thank you. Good evening, ladies and gentlemen. A very warm welcome to all of you and thank you for attending this earning call for Q1 FY2024 of Patel Engineering Limited. The presentation summarizing the performance of Q1 FY2024 and the press release along with the result has been uploaded on the Stock Exchange and I hope you all have had a chance to look at the numbers. As usual, instead of going through the entire presentation, I shall be giving you all the short brief of key highlights of the performance of the company in this quarter and then we will be happy to answer any questions which you all may have.

Now coming to the overall global economy, has been showing signs of recovery, although coupled with persistent inflation and intermittent financial problem. The April 2023 World Economic Outlook updates anticipates a moderation in global growth to 2.8% in 2023 from 3.4% in 2022, followed by a rise of 3% expected in 2024. However, this forecast indicates a notable rebound from the challenges faced during the pandemic. Despite the global uncertainty and volatility, India is witnessing its economic activity gaining momentum. The GDP growth in the first quarter has pushed up to full year GDP growth of FY2022-2023 to 7.2%. Infrastructure is a vital enabler in India's journey towards becoming a $5 trillion economy. The government strategic focus on infrastructure spending is expected to not only stimulate economic activity but also foster innovation, ultimately building a society that is more resilient and connected, ready to tackle future challenges. India is committed to achieve net 0 emission by 2070 and by 2030 India plans to achieve half of its energy generation requirements from renewable. The government has set an ambitious target of establishing a renewable energy capacity of 523 gigawatts by 2030, which currently stands at 417 gigawatts, including a substantial 73 gigawatts from hydro sources. Currently, install capacity of hydropower in India is at 46 gigabytes. So around 27 gigawatts of hydropower is expected to be added in the next seven years. According to CEA, the incremental outlay for revocation of the renewal power is in Rs.2,44,000 Crores in next few years. Of this, the addressable opportunity for EPC player is likely to be

Rs.150,000 Crores. Hence the growth outlook for EPC company is strong with continued growth in infrastructure spend especially in the renewable energy segment. A major pie of our order book comprises of hydropower projects and today hydropower remains a crucial player in the renewable energy sector providing nearly half of the world's low carbon electricity. India currently has the fifth largest hydropower production capacity in the world with a large availability of water bodies, India has enormous potential for hydropower generation. Hence we will see a lot of work coming up in the hydropower sector in the coming few years and since our majority order book comes from this segment, we are likely to get a quite a few orders from this sector. Also the Indian government acknowledges, the vital role of irrigation projects, especially micro irrigation projects with agriculture being a key component of the economy investing in irrigation has become a crucial to address challenges like water scarcity and irregular rainfall patterns. The government is actively promoting irrigation initiatives to mitigate extreme weather effect, enhance profiles and reduce farmers vulnerability to drought sensors, initiatives like Pradhan Mantri Krishi Sinchayee Yojana for 2021 to 2026. There has been an outlay allocation of around 93,000 Crores, which would benefit about 22,00,000 farmers. This is one sector where we have increased our footprint in the last two to three years. rigorous monitoring at the highest level of administration and bureaucracy is leading to better implementation of the project, leverage remains comfortable and gives leeway to participate in available growth opportunities. Now let me come to details of our company. But before I get into the details of financial, I would like to share a few important highlights for the quarter. As a part of its asset monetization plan, the company has sold 41% stake in one of its subsidiary companies, Michigan Engineer Private Limited, for a consideration of Rs.70 Crores. This has enabled company to derisk itself from the corporate guarantee of around Rs.175 Crores. The company still also strategic stake of 10% in the company for any future upside. Further in this quarter, the company based on consistent improvement in its performance over the last few quarters, reduction of debt and a healthy financial position. We have received an upgrade in its rating to Triple B Plus. On the operational front at our KWAR project which is located in Jammu and Kashmir, the company achieved a breakthrough at diversion tunnel having a total length of 698 meter. Also at Arun-III project which is located in Nepal, the company achieved a breakthrough at HRT having a length of 3513 meter. More importantly, in this quarters, the company received a letter of award for three irrigation projects and received for CIDCO water tunnel project which is in Maharashtra. The total value of this project is around 1320 Crores. With this let me now take you through the order book of the company. The current order book of the company stands at around 20,000 Crores. This includes L1 around 1800 Crores. Coming to the composition and breakup of the order book, 61% of order book from hydro sector, 21% from irrigation, 12% tunneling and 4% of our order book in the road and other segment. Also, around 54% of our order book is from central government, which is double AA, AAA rated. Around 42% is from state governments and balance 4% in Nepal. Now I will now go through the financial performance for Q1 FY2024. Q1 FY2024 was a quarter of healthy performance for the company. On a consolidated basis, revenue from operation for Q1 FY2024 is Rs.1118.6 Crores, which is up by 24% from Rs.901 Crores into corresponding quarter in the previous year. This is on account of strong order book growth and well execution of projects that across all sites. Previous period numbers have been restated basis the impact of discontinued operation due to disinvestment in our subsidiary Michigan Engineer. On a standalone basis, revenue from operations for Q1 FY2024 is at Rs.1090.7 Crores which is up by 23.79% from Rs.881.09 Crores in Q1 FY2023. Operating EBITDA on a consolidated basis for Q1 FY2024 is at Rs.170.56 Crores, a margin of 15.25% and net profit is at Rs.38.28 Crores, which is up by 22.5% from Rs.31.25 Crores in the corresponding in previous years. However, profit from continuing operation for the quarter is at Rs.55.37 Crores, which is up by 71.87% from 32.2 Crores in Q1 FY2023. On a standalone basis, operating EBITDA for Q1 FY2024 is at Rs.152.2 Crores, a margin of 13.95% and net profit is at Rs.130.76 Crores which is up by 273.39% as compared to a profit of Rs.35.02 Crores in Q1 FY2023. Coming to sector wise breakup, on a standalone basis, hydro contributed 55%, irrigation 19%, tunnel 14%, road 6% and other 6%. Moving on the debt position, the consolidated debt as on 30th June 2023 stands at 1955.67 Crores. The consolidated debt to equity ratio is increased from 0.62 Crores as on 31st March 2023 to 0.67 as on 30th June 2023. Although the debt seems increase from March quarter, the same is on account of replacement of high-cost client advance on one of our projects of 252 Crores which are borrowing from financial institution which gives us a saving in interest cost of approximately 4% per annum. The client advances in March 31 was Rs.1236 Crores, which has now reduced to 955 Crores as on 30 June 2023, hence an overall basis, the advances plus debt has reduced from 2988 Crores to Rs.2910 Crores in Q1 FY2024. Now coming to the breakup of the debt. Working capital debt is around 1114.29 Crores and balance is term loan which is expected to be paid or repaid over next two to three years. The finance cost for Q1 FY2024 on a consolidated basis is Rs.88.42 Crores, which has reduced as compared to Q1 FY2023 where finance cost was Rs.99.23 Crores. On a consolidated basis, our diluted EPS from continuing operation is improved from 0.56 as on 30th June to 0.60 as on 30 June 2023 and debt divided by annualized operating EBITDA has improved from 4.2 to 2.87 year on year basis. Speaking about our arbitration claim, the government has launched various schemes for realization of arbitration awards under the Niti Ayog guidelines and also has recently announced Vivad Se Vishwas 2 scheme for settlement of pending disputes related to government contracts. We are exploring our options under Vivad Se Vishwas 2 scheme and with this scheme in place, we expect some claims to be realized in shorter period of time than earlier anticipated. Both these things will help de-leverage the balance sheet and realization of funds would help the company to augment working capital requirement and reduce debt. With the focus of the government on infrastructure development, we are positive and expect steady growth in our revenue and order book. That was a small brief from our side and now I would like to take a pause and 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 Yashwanti Khedkar from Kojin Finvest. Please go ahead.

Yashwanti Khedkar: Good evening, ma'am. I just wanted to ask. You have performed very well in the first quarter. What is the outlook for the rest of the year?

Kavita Shirvaikar: Thank you Maam. As earlier we had given guideline for a growth of around 15 to 20%. We would like to maintain the same.

Yashwanti Khedkar: Okay and as you mentioned, there is a huge opportunity in the hydropower where do we stand as an EPC player?

Kavita Shirvaikar: So we are fully geared up to take the advantage of the situation. We are ready, we have strong prequalification's, we have resources and so we are ready to take advantage of the opportunity available.

Yashwanti Khedkar: Are we in a current bidding process for any other project? Is it the right time or the right place to disclose about it?

Kavita Shirvaikar: We have identified certain projects which we are planning to bid. So we see the around Rs.1,00,00,000 Crores opportunities available. So we are targeting few selected project.

Yashwanti Khedkar: Mam, you just mentioned about the three irrigation products. What is the quantum of it?

Kavita Shirvaikar: So total project, irrigation project, we received around 1300 Crores.

Rahul Agarwal: Right? So this was all what was L1 as of March that has been converted to LOA in this quarter.

Yashwanti Khedkar: Okay and how much of the arbitration award we have received in current the quarter passed by?

Rahul Agarwal: In this quarter, we have not received any arbitration award.

Yashwanti Khedkar: Okay. Thank you so much. I will come back in a queue.

Kavita Shirvaikar: Thank you, ma'am.

Moderator: Thank you very much. The next question is from the line of Tejas Shah from Laser Securities. Please go ahead.

Tejas Shah: Hi. About the arbitration awards and the land monetization, I think what we have shown is around 5000 Crores sorry, I think 3000 Crores we are expecting or more.

Rahul Agarwal: Sorry. I did not get your question. What is your question?

Tejas Shah: You mentioned that our investment side, we are expecting some 4000 Crores of total arbitration and 1000 Crores of the total land parcel which is available to as a noncore assets, out of which you have shown a breakup in where you are already what you say, realization or it is in the final stages of awards around 1200 Crores odd. So when are we expecting that arbitration funds and what is the timeline of disposing of the noncore assets and land parcel that we have?

Rahul Agarwal: So it will happen over a period of time. It will take 3-4 years to realize the arbitration awards and the land parcels again, there are few land parcels will sell and the few land parcels will hold for future upside. But yes, this year we are expecting around debt reduction of 200 Crores.

Tejas Shah: Debt reduction of only 200 Crores.

Rahul Agarwal: Yes,

Tejas Shah: What is the pipeline looking for in this quarter, for any current quarter for the order winning?

Kavita Shirvaikar: We have identified certain project which we are going to be bid. Last year we got the project worth Rs.7700 Crores. This year also we are targeting around 5 to 10,000 Crores new orders adding to our order book, but it is a timeline like whenever the bidding bulk comes, so most likely we expect to get the project in Q3 and Q4.

Tejas Shah: But the elections will not hinder it.

Kavita Shirvaikar: Yes, there might be possibilities. See, right now our order book is 20,000 Crores, book to bill ratio it is four to five times. So we have sufficient orders in our hands and we have identified certain projects which are going to come for bidding in Q3. So most probably we should be able to achieve our target like 5 to 8000 Crores which we are targeting this year.

Tejas Shah: Okay thank you.

Kavita Shirvaikar: Thank you.

Moderator: Thank you. The next question is from the line of Viraj Mahadevia an Individual Investor. Please go ahead.

Viraj Mahadevia: Hello, Congratulations on the stable results. Two questions. One is with regard to, given your order book has moved up meaningfully, are we likely to see a step up in execution in the quarters ahead because I think given the order book, the Q1 results were not probably what one would have expected.

Kavita Shirvaikar: We had given the guidance; our order book is mainly in 61% is coming from hydro sector and around 21% is coming from irrigation. If you see hydro sector it is a tenure, on an average tenure is five years. So we say that 20,000 Crores is its book to bill ratio is four to five times. So then considering that last year we had for this year we had given the guidance of 15 to 20% and we are in line of our projection. Like currently the growth is around 24%.

Viraj Mahadevia: Maybe the growth is a little low in Q1, but it picks up in the back end of the year. So we look forward to seeing that. Second question is regarding the asset or non core asset monetization, has there been any progress because we talk about this land bank, have we put them out for sale, have we put up our Tamil Nadu land bank on MSC portal for sale, I mean electronic city is readily realizable why we are not selling that, 200 Crores seems a pretty small target for the financial year FY2024 in terms of noncore asset realizations.

Rahul Agarwal: Sir so as I said that we are not looking at selling all the land parcels together. There are some land parcels we would like to hold for future upside. Then again, we are in talks for some of the land parcels, but eventually it takes time and that is why we have given a target of 200 Crores this year. So we would like to be conservative in our targets.

Viraj Mahadevia: Okay. Sure. All the very best.

Kavita Shirvaikar: Thank you, Sir.

Moderator: Thank you. The next question is from the line of Yashwanti Khedkar from Kojin Finvest. Please go ahead.

Yashwanti Khedkar: Thank you once again for the opportunity. I just wanted to understand what is the rate you expect going forward with having such a huge order book in hand?

Rahul Agarwal: You are talking about revenue growth?

Yashwanti Khedkar: No trade for the business or the execution risk.

Rahul Agarwal: Execution risks of see we are doing business with government and we have a monthly billing. So and obviously during monsoon it is the little seasonal, so it goes down and then picks up in Q3, Q4. Apart from that we do not see any risk.

Yashwanti Khedkar: Okay. So with the increasing order size, how much workforce count you have increased in the current year?

Rahul Agarwal: Last year only we had increased the last 2-3 years post COVID, we increased our workforce from around 1500 to 4500. So we are all geared up to execute this.

Yashwanti Khedkar: Sir we have strong order book and we have started reporting good numbers. Are you planning to reward shareholders?

Rahul Agarwal: So Madam, we had done a debt restructuring few years back. So we have little some restrictions with the lenders. So maybe after couple of years we can look at that in terms of dividends, if you are asking.

Yashwanti Khedkar: Thank you from my side.

Kavita Shirvaikar: Thank you.

Moderator: Thank you. The next question is from the line of Arushi Shah from Sushil Finance. Please go ahead.

Arushi Shah: Hello, am I audible?

Kavita Shirvaikar: Yes, ma'am.

Arushi Shah: Yes, hi. Thank you for the opportunity. I have two questions for you. Like you know the arbitration awards which have been awarded actually like in our favour where does not exactly appear that the balance sheet does not fit in any of our portfolio now.

Rahul Agarwal: So all the arbitration awards are not there. There are few arbitration awards which are reflecting in receivables or in inventory, but the majority of them are still not in books.

Arushi Shah: Ok. And you would be able to give out of what would be sitting in the balance sheet?

Rahul Agarwal: Say almost 50:50.

Arushi Shah: 50:50 ok and what this number would be.

Rahul Agarwal: Sorry. Your voice broke in between.

Arushi Shah: Yes. Going further also this number would prevail, like we would have a 50% arbitration in our balance sheet which we consider more than in our favor in terms of probability.

Rahul Agarwal: It depends upon you know, not under terms of accounting policy. So there are some awards which are in JV's and all which are not there on books that is right. So it cannot be maintained as the same ratio.

Arushi Shah: Okay and sir few more questions. Generally do the orders for the central government, state government, so why do you have so many claims pending So what kind of you could give some idea like? You know.

Rahul Agarwal: So in the past due to change orders, delay in handing over of the projects idle machinery and all idle time. So these claims are built up and that is why it is there but it is all we expect that the claims are recoverable through arbitration.

Arushi Shah: Okay, and so just one small question. There is a drop like about 10 plus or is it like maintainable or like do we have some suspension going forward for the drop in our other expenses?

Rahul Agarwal: Sorry, actually your voice again broke in between.

Arushi Shah: Yes, so are other expenses from the Q4 FY2023 to Q1 FY2024 drops approximately 12 Crores is that a maintainable other expense or do we have a specific situation because of which we have seen this dropping?

Rahul Agarwal: So it's actually, we talk more generally about the maintenance of the margins. So we maintain EBITDA margins of 14, 15% and the expenses and all will depend upon the type of work done in that quarter.

Arushi Shah: Okay so there is no special situation where we in some major savings or anything?

Rahul Agarwal: No, no.

Arushi Shah: Thank you so much, Sir. Best of luck.

Moderator: Thank you. The next question is from the line of Hiren Ved from Alchemy Capital. Please go ahead.

Hiren Ved: Yes, hi. I just have two questions. One is that our margins have been in the range of 13.5, 14%. Is there scope to improve the margins from here on to let's say around 15, 16%? That is my first question. The second is we hear that there is a large opportunity in the pump hydro sector. Are we participating there?

Rahul Agarwal: So in terms of EBITDA margins, it will actually little depend upon the mix of the work executed in the quarter. Right now they are based on the order book mix we have around 60% hydro. We expect the margins to be in similar range unless in a particular quarter some additional execution is there.

Kavita Shirvaikar: And as regard to pump hydro, yes we are looking for that opportunity also past also we have done Ghatgar pump storage project. Currently we are executing Kundah project, so we are looking out that opportunities.

Hiren Ved: And is that already a part of your hydro order book or you think that SNA over and above the normal hydro projects there could be a bigger opportunity in pump hydro?

Kavita Shirvaikar: Yes. over and above this normal, we see the big opportunity available in pump storage hydro.

Hiren Ved: Okay. Thank you.

Kavita Shirvaikar: Thank you.

Moderator: Thank you. The next question is from the line of Kishan Tosniwal from Polar Ventures LLP. Please go ahead.

Kishan Tosniwal: I have the two questions to the management. One is how much debt we are sitting on right now in the books as on 30th of June?

Rahul Agarwal: Rs.1955 Crores,

Kavita Shirvaikar: As a consolidated.

Kishan Tosniwal: As a consolidated and do we intend to reduce this debt only by paying only by monetizing through the noncore asset or are we planning to pay this off through our cash that we generate during the quarters through our cash flows also or are we only going to pay off this debt as and when we get monetization of assets.

Kavita Shirvaikar: No it the mix, partly paid through operations and partly through monetization. We prepay and we expedite early payment through monetization and the rest we pay from operation, we expect to pay from operation.

Kishan Tosniwal: Continuing on the last participants, he said that he asked about the EBITDA margin that you are talking about, which you are people are saying that it will be stable in the range of 14 to 15%, right?

Kavita Shirvaikar: Right.

Kishan Tosniwal: So, so I am not looking at from next two, three quarters, but 2-3 years down the line then when we see this company retiring the debt completely getting debt free and all, what is the kind of EBITDA margin that we can expect in the future, maybe two years down the line, maybe that period is too long maybe one year or two years down the line, what is the expectation that the management has or what operating leverage can kick in and take this EBITDA margin to the level, if you can explain?

Kavita Shirvaikar: Currently the kind of project we are having in order book, our expectation is 14 to 15% and with the reduction of debt interest is going to reduce and we expect to improve our net profit margin but as regards. Right now it is around 4 to 5% and we expect to increase eventually it is eight 10%.

Kishan Tosniwal: Ok and my final question is the noncore assets that we are sitting on, you just mentioned that you are waiting for the right time to exit from those noncore assets. That means are you saying that you are going to get a better price in the future or you are saying something that we are not right now able to see because the electronic city in the Panvel project land that you are showing 15 acres and 11 acres, those are very easy to get rid of if you want to sell, but are you seeing a growth there or a price rise in the noncore assets that you are having because of which you are waiting?

Rahul Agarwal: Yes, in few land parcels we may see that in future.

Kishan Tosniwal: Okay. Because of that you are waiting, right?

Kavita Shirvaikar : Yes, Some of the land parcels, yes.

Moderator: Thank you. The next question is from the line of Tushar Sarda from Athena Investments. Please go ahead.

Tushar Sarda: Thank you and congratulations on good set of results and good work on revising the company. My question is most of our EBITDA is actually going in interest payment. So while optically 15% makes a good margin, the interest cost and especially if you include bank guarantee charges integral part of being the business. Then the actual surplus available to us is very small. So you know what that would mean is that generating operating cash flow especially growth is going to be there and you need working capital for growth is going to be difficult. So how do you look at it and you know is this understanding of mine right or what you think it should be?

Kavita Shirvaikar: Thank you, Sir. See if you see current quarter we have started, there is a reduction in interest cost because last year we reduced the debt by 500 Crores. This year also we have a plan to reduce by 200 Crores and eventually next three years if you see we have a plan of reduction of debt of around to Rs.500 - 700 Crores. So eventually that is going to come down and my net profit margin we expect to increase.

Tushar Sarda: No, I agree with Summet. Debt reduction is happening through sale of noncore assets, right. Actually operating cash flow generation if we take working capital requirement for growth into account. I think it is going to be very small, marginal sums, so that is that I am trying to understand.

Rahul Agarwal: So Sir, The way we work is we take client advances and we fund our mobilization and all from client advances. Some portion is funded from our surplus we generate. So that is how our model is and I mean we do not see a challenge in getting new orders and execution and growth and there on.

Tushar Sarda: Yes, I am at the different point. You know from stock market point of view, we look at free cash flows and even if you take client advantage, you are paying interest on it, right. You are paying interest on mobilization advances. So how does the company does not freak and therefore create value for shareholders? That is what I am trying to understand? Ultimately market will start asking these questions and therefore 14% EBITDA margin while it is look good, probably needs to go to 17, 18%.

Rahul Agarwal: So sir it will happen on multiple grounds. So one is we are obviously looking at cost control measures and improving our margins always and the other is reduction of debt then now reduction of debt that is why we focus on noncore asset monetization also as and when money gets realized we can reduce the debt and the surplus from the business can we put it in the working capital for existing projects or new projects and if you do not increase debt for that purposes.

Tushar Sarda: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Aashka Trivedi from Kedia securities Pvt ltd. Please go ahead.

Aashka Trivedi: Hello, Sir. Am I audible?

Kavita Shirvaikar: Yes mam.

Aashka Trivedi: Mam my question is that we have a current order of about 20,000 Crores and as you said that our book to bill ratio is 3 to 4 or 4 to 5 times from here and in the last financial year we posted a top line of 3800 Crores. So I just wanted your guidance that four to five years from now, how much percentage of 20,000 Crores are we expecting to translate in the form of top line?

Kavita Shirvaikar: So we expect growth next two years is around 15 to 20% in revenue for next two years.

Aashka Trivedi: And a long-term point of view like 4 to 5 years from now, what top line are you envisioning?

Kavita Shirvaikar: Out of this 20,000 Crores, we expect to our order book to continue grow at around by 10%. We expect in next two to three years our order book to take to around 25,000 Crores and our turnover to around 4000 Crores, sorry, 5000 Crores.

Aashka Trivedi: OK and any broad guidance like five years top line guidance?

Rahul Agarwal: We are looking at actually not on that same sense, but if our order book keeps on growing as we are, so we can see a growth of 15, 20% year on year.

Aashka Trivedi: Okay sir. Thank you so much.

Kavita Shirvaikar: Thank you.

Moderator: The next question is from the line of Pratap J Makwana from Forbes Marshall Pvt ltd. Please go ahead.

Pratap J Makwan: Good afternoon and congratulations for the excellent result to the Patel Engineering team. My question is actually from the 20,000 Crores total order book, how much we are expecting that to realize in the form of the order closure and money received in the form of Q3 and Q4 and continued how much is the recovery because majority order from the government agency so how much is the recovery we are expecting in this Q2 and whether we are expecting on any LD on this recovery or any quality acceptance level or penalty side?

Rahul Agarwal: So there is no issue about quality or penalty or anything. We have a monthly billing to the clients and there is no risk of recovery getting stuck. So all projects whatever we are billing we are, we are having a net working capital cycle of around three to four months, but then we get that generated churning is happening and as we have said that this year we are expecting a revenue growth of 15 to 20%.

Pratap J Makwan: Ok. Sir, can you throw some light on the quarter wise revenue actually Q3, Q4 and as this is August month going on July also has been executed things and few of the order are under the closure also in this month also next month also so if you can provide some approximate value break up that will give us an idea and whether any LDs. affecting on that that you have already covered that that no LD so can you give some backup on this sir.

Rahul Agarwal: Sir, so it is difficult to give a quarter wise break up like that. It will depend upon what sort of work is executed in the quarter but generally we our past trend so based on because we are in construction business. Monsoon is a little lower compared to the other three quarters and then Q3 and Q4 are the best quarters of the year.

Pratap J Makwan: Okay, right. But any because from the 20,000 Crores order book any relooking on the order or revalidation of the order or again maybe there is a chance of again establishing the order value on the higher side due to the time period, whether the execution from two- or three-years execution down the line from the 20,000 Crores.

Rahul Agarwal: No, no. It is all under execution, there is no such risk.

Pratap J Makwan: Okay. So all of them we can say that after Q4 and maybe next one year this orders are under all of them will be under the recovery in the next 1 or 1-1/2 year of time, correct, sir?

Kavita Shirvaikar: Sir our order book is 20,000 Crores which is to be on an average period is four to five years, so it will be executed in four to five years.

Pratap J Makwan: Yes. Four to five years is a longer time in terms of we can say from the recovery and the closer point of view. That is the reason I emphasize the people?

Kavita Shirvaikar: No sir this is the original period let say because 60% order book is coming from hydro sector where the original tenure is four to five years.

Rahul Agarwal: Yes.

Kavita Shirvaikar: But recovery is whenever we execute we bill monthly to the client and we get recovered that payment month on month. So there is no such issues of recovery.

Pratap J Makwan: Yes. So I am coming from that because you are emphasizing on 20%, but there may be chance that the growth can be higher also because of, once the monsoon is over, correct, sir?

Kavita Shirvaikar: Correct, correct. Once, once the monsoon over, it can be higher. On a conservative side, we are giving guidance of 15 to 20%.

Pratap J Makwan: Great. Thank you. Thank you, that covers my answer.

Kavita Shirvaikar: Thank you.

Moderator: Thank you. The next question is from the line of Ananya Swaminathan from P-square. Please go ahead.

Ananya Swaminathan: Hello, am I audible?

Kavita Shirvaikar: Yes mam.

Ananya Swaminathan: First of all congratulations with the numbers.

Kavita Shirvaikar: Thank you, ma'am.

Ananya Swaminathan: Yes. So I just wanted you to know that we have strong order book giving revenue visibility for next three to five years. So when the shareholders would be rewarded?

Rahul Agarwal: So ma'am, right now we cannot declare dividends. Maybe after couple of years till then we will deploy the money in the business itself and then after that once our debt positions also reduce, we start looking at something.

Ananya Swaminathan: Okay alright with increasing order size, how much workforce count has increased?

Rahul Agarwal: So we have increased our workforce almost three times in our post COVID when our workforce for around 1500, today we are at around 4600.

Ananya Swaminathan: Alright. And do the company benefit from any government incentives or any grants?

Rahul Agarwal: No, nothing as such.

Ananya Swaminathan: Okay, alright sir, that is it from my side. Thank you.

Moderator: Thank you. Next question is from the line of Aman Kawad from Aman Investments. Please go ahead.

Aman Kawad: Yes, yes, ma'am, I think I am I audible. Mam first of all congratulations on achieving the top line numbers. Mam just a follow from the previous question just to get a three to five year like the 20,000 Crores order book comes majorly comes from the infrastructure hydro projects. So these projects what is the vision of our Patel as in four to five years and 4000 Crores you mentioned it is per annum right?

Rahul Agarwal: You are talking about revenue?

Aman Kawad: Yes, revenue sir.

Rahul Agarwal: Yes, yes.

Aman Kawad: And the 5000 Crores vision is for which year we can expect that to happen?

Kavita Shirvaikar: In the next two years. We expect to like everyone expecting 15 to 20% CAGR year-on-year basis. If you count that, if today, last year it was 4000, after two years it is like to reach to 5000 Crores.

Aman Kawad: And the major order book comes from recently launched Jammu Kashmir. So when are we seeing it to realize completely? When is that project, which projects are coming to be seen in the revenue stream?

Kavita Shirvaikar: No it is not regularly like the as we explained month on month we bill and we realize the money, we executive continuously. Last year also we completed our Jammu one tunnel project T2 we completed another tunnel project in which we are targeting to complete by this financial year majority complete by these financial year. So it is ongoing project.

Aman Kawad: Okay mam also just to highlight, how do you feel the tunnel selected in all over India as is it a booming sector how do you feel that sector overall? Not just Jammu Kashmir other states of India as well?

Kavita Shirvaikar: So other states also we see there is huge opportunity available in the sector and government is also spending a lot of money for infrastructure development. So our outlook is positive like there are huge opportunity coming up that is in Arunachal, then Jammu, other states also like Madhya Pradesh, Tamil Nadu, irrigation sector also there is huge opportunity available in the sector.

Aman Kawad: OK, ma'am. just can you just give me the revenue pool of this tunneling sector to be specific because they have already done 380 odd kilometers of tunneling. So can you just give me a revenue pool going forward one or two years which can be created from this sector alone?

Rahul Agarwal: So tunneling sectors covered approximately 12% of our order book right now. And so we expect to orders coming in for railway tunnels or you know other water tunnels in the future as well and the similar range of order book will maintain percentage terms for tunneling sectors.

Aman Kawad: And just wanted to know as the beginning question from my last investor call also, what is the vision going forward for Patel Engineering as to just be like we are currently an infrastructure company and supported with a legacy, what is the future going forward during the setting of Patel news has come. So what is going forward, any change we are seeing in the business scopes or diversification or the same business just explaining this horizon?

Kavita Shirvaikar: Right now our focus is hydro irrigation and tunneling sector and going forward we want to expand our, we want to expand in water segment also we are looking for some of the opportunities and like pumped storage we are evaluating the opportunity, so there also we would like to explore and our vision is to one of the best infrastructure company and contributing value to our stakeholders.

Aman Kawad: Okay. And just again I just wanted to know the total debt as on 30st June what was the number mentioned?

Rahul Agarwal: 1955 Crores.

Aman Kawad: 1955 Crores. Ok sir. Sure. Thank you.

Kavita Shirvaikar: Thank you.

Moderator: Thank you very much. We take the next question from the line of Deepen Shah from Individual Investor. Please go ahead.

Deepen Shah: Yes. Good evening and thank you for the opportunity. I just had one question on the subsidiary which we are selling the stake in. You just said that there could be some working capital benefits, but could you just run us through the logic on selling out the subsidiary and what advantages would you over the next couple of years or maybe in the future?

Rahul Agarwal: So we had already decided that we will focus on our own business and you know, monetize all investments and assets, whatever noncore assets we have. We sold 41% and realized 70 Crores of funds which we put in for our working capital in the company. Anyways, you are not getting dividends from that entity and because they had non-fund-based limits, we had given corporate guarantees for that so that stands released. So our contigent liability is reduced from that extent.

Deepen Shah: Ok. Because as I seeing the numbers, it actually contributed about 18 Crores of profit which was our share, so it is probably about more than 10% of our consolidated profits last year. So maybe you know while we were not receiving dividends, but at that point of time obviously we have benefited from higher dividend or some cash flows from the subsidiary I am I right?

Rahul Agarwal: Yes. So that is why we have 10% for an upside. So although we have realized 41% money, we have kept at 10% for upside there that in case tomorrow that company grows then we can get the upside. But we can in parallel concentrate our own company own business.

Deepen Shah: Yes, because, just sorry to take it up, but sacrificing 18 Crores of profits for a 70 Crores payout, looks slightly surprising to me. So that is the reason why I actually asked you about this okay so that is one part. And the other part is the noncontrolling interest which we have this quarter of about 4-1/2 Crores of loss. So this is obviously our share from subsidiaries. So any one of there or should we expect this kind of noncontrolling interest loss to continue?

Rahul Agarwal: So it is not a loss. So we have a subsidiary where KNR is 40% in that subsidiary. So that is a profit share of that in that subsidiary of that minority interest that is the noncontrolling interest.

Deepen Shah: Yes. So should we expect this number over the next few quarters or this is the one off because?

Rahul Agarwal: No, no, this is this is the one off in this quarter because they had received some funds in this quarter and that is why the proportionate share was gone for the minority.

Deepen Shah: Ok. Thank you very much and all the best. Thank you.

Kavita Shirvaikar: Thank you.

Moderator: Thank you. The next question is from Suryarogers an Individual Investor. Please go ahead.

Suryarogers: Hello, am I audible?

Rahul Agarwal: Yes.

Suryarogers: If I'm not wrong, in the last quarter the management mentioned that our debt on the books is 1750 Crores and now you are telling that it is 1955 Crores and not understanding.

Rahul Agarwal: Yes. So we have in this quarter we have converted one client advance into a borrowing from a financial institution to save 4% of interest rate on that. So that is why our debt stand increased but corresponding client advances stands reduced.

Suryarogers: Ok and in the next 2-3 years which you mentioned that we are going to be debt free, so are we looking to only pay off term debt or total debt in the next two to three years?

Rahul Agarwal: term debt. Working capital debt of around 1100 will have to continue for running business.

Suryarogers: Ok, And also one thing. Two days back Tata Power, the company signed a project deal in Maharashtra for 2800 MW hydro storage project. So are we looking at that area because the deal size is very big, approximately 13,000 Crores?

Kavita Shirvaikar: Yes we are also looking that area addressing.

Suryarogers: So it is included in the order book which you mentioned that 80,000 Crores both coming up in the next two three years hydropower is it including in that or it is separate?

Rahul Agarwal: So it is part of that only.

Suryarogers: Okay, it is part of that only and also to given such a strong future outlook, why are we targeting such a low growth rate of only 10 to 15%?

Kavita Shirvaikar: So on a conservative whatever current or based on the current order book on a conservative basis we are giving guidance of 15 to 20% and given the opportunities available it may increase eventually.

Suryarogers: Okay and one last question. Sawalkot project is coming up for bidding?

Kavita Shirvaikar: Yes, it is likely to coming at further bidding.

Suryarogers: Yes when expected?

Kavita Shirvaikar: Maybe we expect it will take another six months time.

Suryarogers: Okay and where should we look for these bids. Is there any website or what?

Rahul Agarwal : It was there on the respective website of the, central PSU which comes up with the order.

Suryarogers: Okay. Thank you. Thanks a lot and congratulations.

Kavita Shirvaikar: Thank you, Sir.

Moderator: Thank you. The next question is from the line of Dinesh Jain an Individual Investor. Please go ahead.

Dinesh Jain: Yes. Thanks for the opportunity and congratulations on good set of numbers. My question is like hello, you are able to hear me?

Kavita Shirvaikar: Yes, we can hear.

Dinesh Jain: Yes, so this Vivad Se Vishwas scheme for recovery, what I understand is we have, this claims of around 4300 Crores approximately, right out of which claims under arbitration is on 1300 Crores and arbitration award in our favor is 1200 Crores. As per the scheme if the code awards passed before some 30th April then you can get 85% of all. So I just wanted to know what kind of visibility we have to recover all these claims?

Rahul Agarwal: So we have to look on a case-to-case basis that we have because we have as you said we have to give certain discounts. So we will see which claims we can otherwise realize faster and accordingly we will take a call. So we are still evaluating that part.

Dinesh Jain: Ok, but one thing is, is it certain that we are going to take a benefit of this scheme, because this is a very good scheme, basically and comes at a right time when we are thinking of reducing our borrowings, right.

Rahul Agarwal: Right. So we are looking at that positively.

Dinesh Jain: Okay. And one more thing I wanted to ask, like client advances you said approximately like our debt has gone up because one of the client advances was converted into a financial loan at a lower rate of interest. So I wanted to know what is the amount of client advances on our books as that 30th June 2023 and can you start showing client advances along with other financial liabilities in your presentation from going forward?

Rahul Agarwal: So we have added that details in the presentation I think and 950 Crores is the client advances.

Dinesh Jain: 950 Crores. So is there any hope to convert further client advances into these kind of loans where we can save interest?

Rahul Agarwal: Actually no because our average rate of interest and client advances is around 8 to 9% where are borrowing rate is around 11% only one advance was at a higher rate so we converted that.

Dinesh Jain: Thanks for answering my questions. Thank you.

Kavita Shirvaikar: Thank you.

Moderator: Thank you. The next question is from the line of Aman Kawad from Aman Investments. Please go ahead.

Aman Kawad: Hello. Yes sir. Thank you again. I just want to understand the utilization of cash which I have on the balance sheet. How are we going to plan on financials going forward s a raised money or how?

Rahul Agarwal: So we are not looking at raising money as of now we have enough limits in terms of working capital limits and cash balance for our project to execute and if we get new projects, we obviously take some client advances. So we do not expect to raise any funds?

Aman Kawad: But how is this amount going to utilize that?

Kavita Shirvaikar: This cash and bank balance is going to utilize for working capital.

Aman Kawad: Working capital ok, also just wanted to understand this because the land parcel is still stands at 1000 Crores and arbitration 1300 Crores odd right or has there been any reduction or any recoveries happened during the quarter?

Rahul Agarwal: No recoveries in this quarter.

Aman Kawad: No recoveries. Thank you.

Kavita Shirvaikar: Thank you.

Moderator: Thank you. The next question is from the line of Deepen Shah from Individual Investor. Please go ahead.

Deepen Shah: Yes, thanks for the opportunity. I just want to understand this 11.9 Crores loss which you discontinued operations, so once again coming back last year we had a profit of 18 Crores on the subsidiary so which number should we go with like 11.9 Crores of loss should be continued in this current year and that is why we are selling off or what exactly is the discrepancy here Sir.

Rahul Agarwal: No Sir last year there was a profit, but this year, till May when we have sold. So there was some contingent liabilities on that balance sheet which have to be accounted for before sale to arrive at the fair value and that is loss is there from that sale of subsidiary.

Deepen Shah: OK. Thank you so much.

Moderator: Thank you. The next question is from the line of Tejas Shah from Laser Securities. Please go ahead.

Tejas Shah: Hi sir. I had a question on arbitration only. Now when you say arbitration our favor is 1254 Crores, so how can you explain that in detail when is the arbitration is there?

Rahul Agarwal: Sorry, are you saying 1254 Crores is the arbitration awards in our favor? Is that I think?

Tejas Shah: Yes.

Rahul Agarwal: Yes. So that is there in our favor. That is correct.

Tejas Shah: No that is great. I am saying that say if it is in our favor so how much time that amount takes it to get credited in our account? So how much time will it take to recover that money?

Rahul Agarwal: Sir it will recovered over next 3-4 years.

Tejas Shah: You say processes all needs work. How does the process work so that is what we wanted to understand, why do you fix it that much of time?

Rahul Agarwal: so once an arbitration award in our favor sir, then it goes into various levels of court, the client challenges it in district court and then high court and then finally it goes to Supreme Court.

Tejas Shah: So that takes, so let us say if you are paying around 11% per annum on interest then why does not a small amount go into the larger scheme and give 20% discount, take the money upfront in 3-4 years?

Rahul Agarwal: Sir so the award also gets an accrual of interest on that. So there is no interest loss per say in terms of numbers, but in terms of cash flow, if we need cash first we can go into the Vivad Se Vishwas scheme and that is I said we are looking at it positively which one we can go in that and which one we should not take and not going to that scheme.

Tejas Shah: Okay. Understood. Thank you.

Moderator: The next question is from the line of Arushi Shah from Sushil Finance. Please go ahead.

Arushi Shah: Yes. Thank you. So I just wanted to know if you do any kind of maintenance capex from our end or any sort of other kind of capex if at all what would be the run rate yearly or quarterly? If you could give some idea?

Rahul Agarwal: So yearly our capex run rate is between 100 to 150 Crores, these are all new equipments which we purchased for the projects which we get.

Arushi Shah: And this is usually the case, every year like every year we happen to purchase upgraded and new equipment?

Rahul Agarwal: It depends on upon what kind of projects we get, but that is an average number which we are saying and again we get it fund it from client advances.

Arushi Shah: Okay. Thank you so much for. Thank you.

Moderator: Thank you very much. We will take that as the last question. I would now like to hand the conference back Mr Gopal Chandak for closing comments.

Gopal Chandak: Hello, Thank you everyone for joining the conference call of Patel Engineering Limited. If you have any queries you can write us at research@kiriniadvisors.com. Once more thank you very much for joining the conference.

Kavita Shirvaikar: Thank you everyone.

Rahul Agarwal: Thank you.

Moderator: On behalf of Kirin Advisors that concludes the conference. Thank you for joining us ladies and gentlemen, you may now disconnect your lines.