Date: February 18, 2025

To	To
BSE Limited	**National Stock Exchange of India Ltd**
Corporate Relationship Dept.,	Exchange Plaza, Plot No. C/1, G Block,
Phiroze Jeejeebhoy Towers,	Bandra-Kurla Complex,
Dalal Street, Mumbai 400001.	Bandra (East), Mumbai 400 051.

Scrip Code: 544280 **Symbol: AFCONS**

Subject: Transcript of Q3 FY25 Earnings Conference Call

Pursuant to Regulation 30 and 46 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the Transcript of the Q3 FY25 Earnings Conference Call held on Friday, February 14, 2025.

The aforesaid Transcript is also available on the website of the Company at:

https://www.afcons.com/en/investors-meet

Your are requested to take the aforesaid information on records.

Thanking you,

Yours faithfully,

For Afcons Infrastructure Limited

GAURANG MAHESHCHANDRA PAREKH

Digitally signed by GAURANG MAHESHCHANDRA PAREKH
Date: 2025.02.18 10:47:17 +05'30'

Gaurang Maheshchandra Parekh
Company Secretary and Compliance Officer
Membership No.: F8764
Encl : as stated above

"Afcons Infrastructure Limited

Q3 FY '25 Earnings Conference Call"

February 14, 2025

MANAGEMENT: **MR. SUBRAMANIAN KRISHNAMURTHY – EXECUTIVE VICE CHAIRMAN – AFCONS INFRASTRUCTURE LIMITED**
MR. PARAMASIVAN SRINIVASAN– MANAGING DIRECTOR – AFCONS INFRASTRUCTURE LIMITED
MR. RAMESH KUMAR JHA – CHIEF FINANCIAL OFFICER -- AFCONS INFRASTRUCTURE LIMITED
MR. HITESH SINGH – HEAD CORPORATE STRATEGY – AFCONS INFRASTRUCTURE LIMITED

MODERATOR: **MR. VINEET PRASAD – INVESTEC CAPITAL SERVICES INDIA PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Afcons Infrastructure Q3 FY25 Earnings Conference Call hosted by Investec Capital Services India Private Limited. As a reminder, all participant lines will be listed in 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 a touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vineet Prasad from Investec Capital Services, Private Limited. Thank you and over to you, sir.

Vineet Prasad: Thank you, Muskan. Good afternoon, everyone. A warm welcome on behalf of Investec India to Q3FY25 earnings call of Afcons Infrastructure Limited.

Today, we have with us the senior management team represented by Mr. Subramanian Krishnamurthy, Executive Vice-Chairman, Mr. Paramasivan Srinivasan, Managing Director, Mr. Ramesh Kumar Jha, Chief Financial Officer and Mr. Hitesh Singh, Head Corporate Strategy.

Now I would like to hand over the call to Mr. Subramanian sir, Executive Vice Chairman for his opening remarks. Thank you and over to you, sir.

Subramanian K: Good afternoon, ladies and gentlemen. I am pleased to welcome all of you to the Q3FY25 earnings conference call of Afcons Infrastructure Limited. Our financial results and investor presentations have been uploaded on the exchanges and I hope you had a chance to review them.

Joining me today, Mr. Paramasivan Srinivasan, Managing Director, Ramesh Jha, Chief Financial Officer and Hitesh Singh, Head Corporate Strategy.

Let me start by giving you all of you some business updates. Afcons total income was INR3,332 crores in Q3FY25 as compared to INR3,182 crores in Q3FY24. For nine months of FY25, the corresponding figures stood at INR9,635 crores compared to INR9837 crores in nine months of FY24.

Let me turn to our profitability metrics. In Q3FY25, our EBITDA stood at INR448 crores, making a 14.1% year-on-year increase compared to INR393 crores in Q3FY24. EBITDA margins expanded by 111 basis points to 13.5% during the quarter. For the nine-month period, EBITDA reached INR1,247 crores, growing 13.3% year-on-year while maintaining a healthy margin of 12.9%.

Moving to PAT, we delivered a 35.7% surge in Q3FY25 with profits rising to INR149 crores from INR110 crores in the same period last year. This translates to a PAT margin of 4.5%, up from 3.4% in Q3FY24, reflecting improved cost management and higher profitability. Similarly, for nine months of FY25, PAT grew 23.3% to INR376 crores, reinforcing our ability to sustain momentum even in a competitive environment.

I am happy to share with you that CRISIL Ratings have aligned AA- with a stable outlook for long-term and A1+, with a stable outlook for short-term ratings to the Bank Loan Facilities and Commercial Paper Programme of Afcons Infrastructure Limited. This is an upgrade from the earlier rating of A+ for long-term and A1 for short-term. The rating reflects the strong business profile of Afcons, demonstrated by its established track record and ability to execute complex infrastructure engineering projects in India and overseas.

Additionally, Afcons has been included in the MSCI India Domestic Small Cap Index, which will be effective from 28th February 2025. Speaking about infrastructure sector updates and growth prospects, we see strong continued growth in the infrastructure construction space, evident from Government's clear vision of becoming a developed nation by 2047.

As highlighted in the recent economic survey, India must sustain an annual growth rate of 8% for at least a decade to attain developed nation status by 2047. Also, as aptly mentioned, infrastructure is a key enabler of this goal, with significant scope available for improving multi-modal connectivity, public transport and disaster resilience in urban areas.

Infrastructure development, particularly in the segments we operate, are key to achieving this growth. Various policy initiatives by the Government will ensure efficiency in the Government's infrastructure investments. Strategically, we continue to leverage our expertise in delivering large-scale, complex infrastructure projects across India and globally.

Our unique ability to execute projects across diverse infrastructure segments, be it marine, industrial, metro, underground or elevated, bridges, highways, tunneling or hydro, sets us apart in the industry. Over the decades, Afcons has demonstrated the ability to successfully deliver across all major infrastructure verticals. This makes us a formidable and differentiated player in the Indian infrastructure space.

We are also continuing to build on our core strengths which we have developed over time, such as knowledge management, risk management and operational excellence through innovation. Our commitment to these areas has been recognized through multiple prestigious awards, most recent being the Most Innovative Knowledge Enterprise MIC Award of 2024, recognized for a seventh consecutive year at both global and India level, reinforcing our leadership and knowledge management. IEI Industry Excellence Platinum Award 2024, this is our fourth consecutive year of recognition for innovation and operational excellence in construction.

We remain committed to investing in technological advancements, digitization, cutting-edge engineering capabilities to improve efficiency, execution timelines and overall project delivery. In conclusion, Afcons infrastructure remains dedicated to creating value for our stakeholders, customers and all our shareholders.

Thank you for your support and trust. I will now hand over the call to our Managing Director, Mr. Paramasivan Srinivasan, to offer a deeper understanding on the developments and our future path. Thanks a lot. Thank you.

Paramasivan Srinivasan: Good afternoon, everybody**.** It is my pleasure to welcome you all to Afcons Q3 '25 earnings call. We appreciate your continued interest and support in our journey. I will just give a broader business landscape, business procurement and important updates.

In the recent budget, despite significant measures to boost consumption and the associated pressures on fiscal consolidation, which is an excellent step taken on the fiscal consolidation, the government has allocated INR11.2 lakh crore per capital expenditure, a 10.1% increase over the revised estimate of the last year.

This underscores the continued commitment of the government to infrastructure development, which is once again reiterated by FM's statement yesterday. It will be a middle class focused and an infrastructure focused approach towards reaching Viksit Bharat by 2047. The government's alignment with this perspective is evident in the healthy allocation for roads, railways and metro projects and special push through state governments.

This will be very significant in many states, a INR1.5 lakh crores 50 year interest free loan that I think many states can use to raise resources using this fund, further using the resources that will go a long way in terms of infrastructure development. And national monetization plan, the phase one has been hugely successful, hardly INR20,000 crores is the shortfall in the phase one.

And in the phase two now, whatever is announced, I am pretty sure with the three year pipeline what is made will go -- the national monetization pipeline will go a long way in terms of improving the finances. And there is a revised PPP model being attempted and there is a three year, along with a three year project pipeline and all, that I think will be a work in progress as you look at it in this thing. Because PPP in India, PPP has moved to HAM and again moving back to PPP, how it is going to work, we need to see.

And the government has announced the establishment of export promotion mission, which is very positive. This is something which I must say government has acted based on feedback by many exporters as some of the areas of improvement required. And also government's own push to see that top Indian companies become top global players as well.

So from that angle, they have created an export promotion mission, mission to address non-tariff barriers, facilitate credit access and provide other forms of support to enhance exports. This initiative is also expected to focus on project exports, including those funded by the government. And as I conveyed earlier, the government is developing a strategy to elevate select Indian project exporters to compete with global peers.

Afcons along with other leading project exporters are engaged with key ministries and also with NITI Aayog to advocate for supportive policies in this regard and the initiatives required in this regard. If implemented, these recommendations could drive a substantial expansion in India's project export footprint.

Overall, the government's continued focus on infrastructure development will provide a strong impetus to this sector. This positions large diversified EPC contractors such as Afcons to capitalize on emerging opportunities and contribute meaningfully to the nation's infrastructure development. And internationally with the export mission and also our continued focus with some strong private clientele like ArcelorMittal gives us better revenue visibility.

The LOC projects by the government of India has seen a slowdown from its impact. And however, there are select geographies, as we have been mentioning, wherein there is a good visibility in terms of wherein the competition is restricted to some European players, Turkish, Indian players like that. And Eastern Europe and some of these countries. And also as we indicated as a part of our strategy, bigger projects in Middle East with local partners that is also taking shape from the futuristic angle.

In terms of business development, Afcons continue to strengthen its position. And as of 31st December, we have a INR38,000 crores of pending order and which excludes about INR10,662 crores of L1 and INR14,603 crores is the amount of order we have booked in the first nine months.

And in the first month of the current financial year, now before the first 45 days, we have already received INR1,283 crores from DP World. And with that, our order book is almost at INR16,000 crores as of now. With INR10,662 crores further L1, I think we are slated to achieve about 30,000 plus in the current year, with some more tenders expected to be opened shortly.

With this, we would say we would have reached the highest ever order book in terms of for the year. And at the end of the year, we will be somewhere between INR45,000 crores to 50,000 crores order book giving us more than 3x visibility for the future period. And this will clearly give revenue visibility for the next couple of years.

And as we conveyed earlier, while the current year we expect ourselves to be the flat or marginally higher growth, next year we expect 20% to 25% growth from that of current year, more towards 25%. That is what we are looking at. And Afcons continues to set the benchmark in the infrastructure sector with notable achievements and the industry at close.

As per latest engineering news record 2024 rankings of USA, we are ranked 139th in the Top 250 international contractor list, reaffirming our global presence. In terms of marine, we are rated as the 14th largest. In bridges, we are the 12th largest. In transportation, 45th largest. In aquatics, 12th largest. And in water supply, 38th largest.

In marine, we are the highest ranked Indian contractor. In bridges, we are the only Indian contractor within the top 25. In transportation, we are the only Indian contractor within the top 50. And these are very, very happy tidings in our international presence.

And our Delhi-Meerut rapid rail project is inaugurated by our Honorable PM. Of course, it's not entirely our stretch. Partly our stretch is also included over there. And we have won several awards, IT infrastructure leadership awards for our Calcutta Metro and Maharashtra Samruddhi Package 14 Excellence in Transportation Infrastructure. National Safety Council has awarded five-star rating and a shield for our Liberian projects.

So, unwavering commitment to innovation, execution, excellence and safety is continued to be given, accredited by various agencies. This reinforces Afcons position as a leader in delivering world-class infrastructure. In conclusion, Afcons remains strongly positioned to capitalize on emerging opportunities in the infrastructure sector with a robust order book.

We are confident with a robust order book, a strategic approach to business development and a strong track record. We are confident on delivering sustained growth and value for our stakeholders.

Thank you all once again. While I conclude my remarks, I'll hand over to our CFO for providing review of the financial results.

Ramesh Jha: Good afternoon, everyone. Before I get into the numbers, first I'll just talk about the rating upgrade we have got done. We are very happy to inform you that we have got our credit rating upgraded to AA- for long term and A1+, which is the highest rating for short term from CRISIL. Moving into AA category, we'll open up the money market instruments like CP, NCDs to us. This will give us a lot of interest saving arbitrage opportunity. This should also help us bring down the interest rate going forward.

Now, on the numbers, we have talked about last time also. I would just like to recreate. The company is into the business of construction. The margin in a quarter varies based on the nature, type and quantum of what we execute. So quarterly results may vary in different quarters and may not be indicative of annual results or trend.

Now, moving to specific numbers, during Q3, we have done a top line of INR3,332 crores as compared to Q3 in the previous year, INR3,182 crores. And the previous quarter, Q2 '25, we had done INR3,090 crores. And if you look at the top line number for 9 months, we have done INR9,635 crores, as compared to previous year 9 months, INR9,837 crores.

Now, during this quarter, we had a growth of around 5% year on year and around 8% quarter on quarter. Because of the acceleration in the turnover during Q3, this has narrowed the YoY gap to 2% in 9 months from the previous 9 month period because in Q2, we were 5% down from the previous year number. Since there is an increased pace of execution now we are seeing in recent months, so as things stand, we should close the year on a similar top line or a nominal growth for this financial year.

As far as revenue guidance is concerned, this year we are looking at a flat growth or maybe a nominal growth. This is because of our muted order booking in last 2 years which we had talked about earlier. But since this year, we have already backed close to INR26,000 crores-INR27,000 crores of order including the projects where we are L1 which we are quite hopeful that we should be getting very shortly.

All these projects will mature for construction in next financial year where we are looking at a growth of 20%-25% more towards the upper trajectory. On a medium to long term horizon, we would like to sustain our CAGR which we have achieved over a longer period of time, say last 10 years. So we should be around those numbers which is around 15%.

Now moving to EBITDA, during this quarter we have done INR448 crores of EBITDA. As against Q3-24, we had done INR393 crores. So in terms of percentage, this quarter we have done 13.5% and this is up by 111 basis points from the previous year. In the 9-month period, we have done INR1,247 crores of total EBITDA which is 12.9% and this again is up 175 basis points from the previous year wherein we had clocked 11.2%.

Now in EBITDA, I would just like to clarify that in our EBITDA calculation, we have considered BG Commission as part of our operating expenditure. So EBITDA that we are talking about is after removal of BG Commission as an operating expenditure. Whereas we understand that the street considers BG Commission as part of interest or finance cost. Hence if you consider it that way, then the EBITDA will increase to the extent of INR125 crores which we have excluded.

Also in our EBITDA calculation, we have included other income as part of revenue. Here we have explained earlier also that our other income needs to be understood in the perspective of our business. Arbitration interest, foreign currency exchange gain and miscellaneous incomes are recurring and very integral to our business. Hence this needs to be considered as other operating income.

So for the 9-month period, the INR311 crores of other income we have considered as operating income while calculating the EBITDA. So this EBITDA percentage what we have achieved for the 9-month 12.9% for this financial year up till the 9-month. This year as things stand, we expect the number to be higher than what we have been given a guidance.

We have always talked about that we are going to maintain our EBITDA 11% plus. Reason being we are maintaining this that construction is full of contingencies. Our endeavor will be to save on those contingencies or optimize it. But many a times we may not be able to save those contingencies. Hence our guidance will remain at around 11%.

Now moving to profit after tax. But you know I again reiterate that this financial year we will be having an elevated EBITDA margin since we have already achieved 12.9%. Moving to profit after tax. We have done for this quarter INR149 crores as against INR110 crores we have done Q3 last year. This again is 102 basis points up in terms of percentage point.

For the 9-month period we have done INR376 crores of profit after tax. This is 3.9% of the top line of the total income. This again is 80 basis points up than the last year number. In finance cost we have seen the kind of optimization we were expecting. So there is a saving in interest cost because of the IPO proceeds we used towards debt repayment. But this got negated because of change in mix of interest free versus interest bearing advances.

Usually in the total portfolio of advances we were having 75% used to be interest free. And 20-25% used to be interest bearing advances. But this time around the projects we have bagged we are seeing 70%-75% projects are interest bearing. So that's where we have saved on the bank interest but interest from client advances have increased. So that's where we are not seeing any benefit on the interest cost front. But the projects have been tendered in such a way that these aspects have been factored in the projects. So our margins are going to remain intact.

We have also continued to account for accelerated depreciation on our TBMs. Of the total INR367 crores of depreciation around one third is on account of accelerated depreciation in that. So the trend continues.

Now moving on the return ratios. For the 9 month period we have clocked ROCE of around 16.6% and ROE of around 12%. So here again I would like to clarify that the capital infusion has increased the capital base. But operations are yet to elevate. Hence returns in short term are showing some dips. Right indicator for the return ratios are annual numbers. Even though we have clocked in excess of 16% ROC and around 12% ROE. If we factor in the accelerated depreciation our ROE will be at a very high level. Also these returns need not be looked into isolation. This needs to be looked in the perspective that it is over and above the impact our projects are creating on the society.

Moving to the debt. We have closed the 9 month period. Debt has come down to the level of INR2,692 crores. On gross basis and on the net basis it is around INR1,788 crores. On the net basis the debt equity is working out around 0.35 times of the net worth. Order book we have already talked about.

So on behalf of Afcons Infrastructure Limited I thank everyone for attending this call. Now I request moderator to open the floor for Q&A.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line on Jainam Jain from ICICI Securities. Please go ahead.

Jainam Jain: Thank you for the opportunity. So sir my first question was what is the order flow guidance for FY26?

Paramasivan Srinivasan: FY26 order flow guidance is INR25,000 crores.

Jainam Jain: And how are we seeing the order pipeline currently like what is the order pipeline?

Hitesh Singh So the prospective as you understand our projects are long gestation projects. So our order pipeline we generally monitor on a rolling basis of around 2 years. So currently we have a visibility of around INR3.46 lakh crores of orders. And they are spread across the segments where we are visible.

As rightly so the largest visibility we have in Afcons infrastructure which is close to a lakh crores. Surface transport which is our road and rail business. There also we expect good number of orders to come. Around INR90,000 crores is the visibility in that area. Hydro underground which includes dams, pump storage schemes, tunnels that is around INR80,000 crores. And marine is around INR60,000 crores. So that is the visibility we have for the next 2 years.

Jainam Jain: Okay. And sir what is the project value for which we have bidded currently? Like for the tenders which are yet to be opened and we have bidded for?

Hitesh Singh On a rolling basis around INR40,000 crores to INR45,000 crores of tenders are being bid by the company across verticals. And that it keeps on I mean some projects we won, some projects we lose. But around INR40,000 crores to INR45,000 crores is on a continuous basis.

Jainam Jain: Okay. Are there any major projects which we are expecting the tenders to be floated in the coming months in terms of metro or urban infra projects?

Hitesh Singh Sorry your voice was not clear. Can you please repeat the question?

Jainam Jain: Are there any major projects which we are expecting the tenders to be floated in the coming months in which we are planning to bid?

Paramasivan Srinivasan: There are quite a number of projects. Two specific projects which we can mention is one is Dubai municipality where there is a big sewage tunnels are coming up by tunnel boring machines where we are already pre-qualified. That is in this thing in consortium with couple of others.

It is about $3.5 to $5 billion each. That is coming up by the next 3 to 4 months. And in domestic in Maharashtra we have the Bhayandar-Virar connectivity which is coming up which is about INR75,000 crores of jobs split into 6 packages JICA funded job. So that is something which is again a marine project, a marine bridge which will be a specialist project. So there also this is another big project.

The third big project which is coming up is a tunnel under Brahmaputra in north east where in Assam. That is also in the pipeline. There are number of other projects. Vadhvan port is coming up with two projects breakwater and desalting tank. Andaman port is coming up with projects. And there are number of other bridge projects are in the pipeline. I am just giving the flavor of big projects where limited pre-qualification possibilities and other.

Jainam Jain: Okay. And anything in metro segment?

Paramasivan Srinivasan: In metro segment? Metro segment already we have bid for indoor underground metro. We have bid for Patna underground metro. And it is on a continuous basis. Recently government has announced expansion of NCRTC where we have done one elevated and one underground. So they are going to be a big investment coming up. They were already sanctioned long back. But now it is put into action. So that is coming up.

And everywhere the expansions are taking place in the metro projects. In Bombay has announced expansion of metro. And Delhi has announced. And Chennai has announced expansion in Chennai and also extension to Coimbatore and Madurai. So number of places metro expansions have been announced.

Jainam Jain: So we expect all the segments to book order?

Paramasivan Srinivasan: And in terms of urban infrastructure we expect continued growth. And that is something where the government is also pushing quite a lot. And in marine we find a good opportunity currently in the domestic market which was not there for the last few years. Because of Vadhvan port, Andaman port and similar.

And this thing in terms of surface transport I think it will be left more to the specific states. As NHAI projects as you mentioned that it has become very crowded. Therefore it depends on more state specific projects which number of states have come up with proposals. And with the government also giving in 50 year interest free loan which they can use as equity towards raising funds.

So that will go a long way for state level related development. Therefore in terms of project pipeline we don't find much issues. That's on the domestic market. International market as I told you Dubai is there. Saudi we have a focus currently. And Africa is slowly coming back, reviving back after post COVID. That gives an opportunity to us. And some of the European markets which you mentioned earlier as well. We have been focusing on, we are submitting our bids. So that will open up opportunities for us. All these are funded projects by multilateral institutions.

Jainam Jain: Okay. And sir I wanted to know, so the numbers on inventory, trade receivables, unbilled revenue, trade payables and mobilisation advance?

Ramesh Jha: So if you are looking for number for December. So you are looking at any specific number?

Jainam Jain: So I think inventory, trade receivables, unbilled revenue, trade payables and mobilisation advance. These numbers will help us to analyze the working capital.

Ramesh Jha: Yes, so trade receivables, see I will tell you. As far as the net working capital is concerned, net working capital is still at an elevated level. Because we still see delays in certification of the work done and release of payments in some projects. This has led to the increased uncertified work done receivables, leading to jump in working capital requirements.

Generally this trend remains during the year wherein bill certification and payments are not up to date. So we see the elevated working capital requirements and borrowings in Q2, Q3. And this gets sorted out by Q4 and that's what we are expecting this time around also. Now to give you the specific numbers, the trade receivables are INR3,140 crores. The inventories are INR1,576 crores, unbilled revenue is INR6,134 crores and advances from customers is INR2,383 crores.

Jainam Jain: And trade payables?

Ramesh Jha: Trade payables are INR4,024 crores.

Jainam Jain: 4,024 crores, okay. That answers my questions. Thank you so much for the opportunity and all the best.

Moderator: Thank you. The next question is from the line of Mahesh Bendre from LIC Mutual Fund. Please go ahead.

Mahesh Bendre: Hi sir, thank you so much for the opportunity. Sir, I heard that the guidance for next year is around 20%-25% revenue growth. Is it right what I heard?

Ramesh Jha: Yes, that is right.

Mahesh Bendre: Okay, okay. And sir, some of our peers were indicating that there is some kind of payment delay happening from the state governments and many agencies in terms of construction projects. So have we witnessed anything like a similar situation?

Ramesh Jha: See, it again depends from company to company with which counterparty they are working. So as we have in past said that we are very focused when we approach any project and the risk management practices the company has put in place, not only helps us in selecting the project but at times it helps to remove some of the bad projects.

So we have not had a similar experience but to mention, we also had Jal Jeevan Mission and there the bill certification and payment issues are there.

Mahesh Bendre: Sure. Thank you so much, sir. Thank you.

Moderator: Thank you. The next question is from the line of Bhavin Chheda from Enam Holdings. Please go ahead.

Bhavin Chheda: Good afternoon, sir. Overall good set of numbers and a very strong order intake and a very strong guidance for next year. So just a few questions. I think you mentioned in first 45 days of this quarter, you have received fresh orders of around INR1,100 crores. That's the number you mentioned. I missed that number.

Paramasivan Srinivasan: INR1,283 crores is a marine project from DP World in Gujarat.

Bhavin Chheda: Okay. So you mentioned there is INR10,600 crores L1 plus this INR1,200 and already our order intake for line 1 was INR14,600 crores. So for the entire fiscal, we would be crossing an order intake of over INR25,000 crores, right sir?

Paramasivan Srinivasan: Yes. With L1 already considered, we are already at about INR27,000 crores. We do expect another one or two orders to flow into the company. With that, we will be closer to INR30,000 crores.

Bhavin Chheda: Closer to INR30,000 crores. And for FY26 order intake you mentioned is INR25,000 crores fresh. That is as of now you are estimating?

Paramasivan Srinivasan: Yes.

Bhavin Chheda: Okay. The other question was on the higher interest cost. The reason you mentioned was the client advances now almost 75% of the advances we have to pay interest versus earlier where 75% of the advances were interest free. So has this happened on a specific segment or specific orders received now or now this has been the general phenomena across all orders?

Ramesh Jha: No, sir. This is not a general phenomena across. It actually depends that in which segment we have booked the order. So if you see the order booking we have done, generally in metro, in high speed, overseas projects are interest free. So these projects recent past we have not backed but as MD was explaining and Hitesh also explained that the projects we are targeting or in the pipeline are in the segments where interest free advances are available. So the percentage I have talked about is for the projects we have backed this financial year.

Now as things stand on an overall portfolio the composition may undergo a bit change which earlier used to be 75% interest free and 25% interest bearing. Maybe that number might be around say 50-50 at the moment. But with a fresh influx of orders we are quite hopeful that we will get back to a similar situation.

Bhavin Chheda: Okay, so interest cost may slightly subsidize going forward as the order mix changes.

Ramesh Jha: Yes.

Bhavin Chheda: And the last question on the accelerated depreciation, we appreciate your accelerated depreciation policy to write it off as versus the other companies in the sector. The number you mentioned was one third of the depreciation amount is still on the accelerated part on the TBM.

Ramesh Jha: So what I said is in 9 month period we have INR367 crores of total depreciation cost. Of that around one third is towards the accelerated depreciation we have accounted.

Bhavin Chheda: Okay, thank you sir and best of luck.

Moderator: The next question is from the line of Ayush Sabo from Choice Equity Broking Pvt. Ltd. Please go ahead.

Ayush Sabo: Sir, can you give some guidance regarding the debt picture for the next two years? How much is the amount which is the debt coming down?

Ramesh Jha: Ayush, your voice was not very clear but what I could hear about was, you wanted to understand the debt profile moving forward for the two years. Is that correct?

Ayush Sabo: Yes, yes, exactly.

Ramesh Jha: So see, what we have talked about, the company is on a year on year basis generating a very positive cash flow from the operations. And the orders we have banked are quite good orders, very quality orders. So going forward we are looking at the business generating sufficient amount of cash flow. We will be generating positive cash flow and the debt on a continuous basis in terms of say debt equity, in terms of debt to EBITDA will keep coming down.

In terms of absolute number, maybe it could be in the range what we have indicated for the year end, say around INR2,000 crores. But I think we should look at improvement from there going forward for the future period.

Ayush Sabo: Thank you.

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

Nidhi Shah: Thank you so much for taking my question. So I wanted to ask about the advance that we have accrued over the years. So last quarter also you mentioned the L1s that were in a similar range. I wanted to know how much of the L1s that you have mentioned this quarter are carry forward from the beginning of the year and how much are new. And the ones that have carried forward from the beginning of the year, when do we expect these to convert into LOIs?

Paramasivan Srinivasan: At the beginning of the year we had zero carry forward of L1. Whatever is the carry forward is during the year only. And we do expect all these orders to fructify before the end of the financial year. A couple of things could come up earlier. Maybe the Rajasthan Water Project and the Pune Ring Road Project. Quite likely it could come in the month of February itself. And the Nagpur-Gondia could come towards March. That's what is our expectation as things stand now.

Nidhi Shah: Alright. And my second question would be on, you mentioned that you would be also moving to some developed countries for bidding for projects. I wanted to understand what the margin profile would be like in those countries. Typically what we have seen for other EPC companies is that margins are lower abroad, especially in developed countries. With the projects that you are bidding for as well or is it the opposite?

Ramesh Jha: Our experience in the overseas market is quite positive. And in fact we generate a very high margins in the overseas market. So overseas continues to be a good margin generating segment for us. And we are quite focused on working in the overseas market.

Nidhi Shah: Even in the developed countries where the margins tend to be lower, you are positive about those countries as well?

Ramesh Jha: So see in the overseas market, it's difficult to put developed and all, but we are not working in say a place like America, Northern America or Southern America, those places we are not working. And the places we are working is neighboring countries. We are working in Africa. And we are targeting markets like Eastern European markets, Saudi Arabia and some projects in Dubai.

Nidhi Shah: Alright. Thank you so much.

Moderator: Thank you. The next question is from the line of Parvez Qazi from Nuvama Group. Please go ahead.

Parvez Qazi: Hi, good afternoon everyone and thanks for taking my question. So the first question is that of our INR38,000 crore order book, what is the quantum of projects where we are yet to receive the appointed date?

Paramasivan Srinivasan: INR38,000 crores is the order book which is already there in the books. Apart from that, we have another INR1,300 crores, INR1,283 to be precise. With that, it's about INR40,000 crores pending order book, plus INR10,000 and odd crores we have L1 status.

Parvez Qazi: Sir, I was asking about the appointed date and for the INR38,000 crores order book, have we got the notice to proceed from our client or are the projects already in?

Paramasivan Srinivasan: All the cases, including that INR1,283 crores, we have received in all the cases notice to proceed.

Parvez Qazi: Yes. The second question is, did I get it right that we expect our debt level to reduce to about INR2,000 crores by the end of FY25?

Ramesh Jha: Yes, that's what the target is.

Parvez Qazi: Sure. And lastly, what was the capex that we have incurred in nine months?

Ramesh Jha: The capex we have incurred in the nine months is around INR250 crores.

Parvez Qazi: And of that portion, what would have come in Q3?

Ramesh Jha: Come again? I'm not clear on the question.

Parvez Qazi: Sir, what was the capex in Q3?

Ramesh Jha: In Q3, it was around INR125 crores odd.

Parvez Qazi: Sure, sir. Thanks and all the best. Thank you.

Moderator: Thank you. The next question is from the line of Prateek Bhandari from Art Ventures. Please go ahead.

Prateek Bhandari: Hi, sir. Thanks for the opportunity. If you can give a sense of what typically is our bid success ratio and what is the current bid pipeline?

Hitesh Signh: So our bid success ratio is typically in the range of 18% to 20%. And the pipeline, as I have just mentioned, we have a very healthy pipeline. For around 2-year visibility, we have close to INR3.4 lakh crores of pipeline spread across segments. So on the availability of projects, we don't see any challenge. And that's why the guidance is given for FY26 that we are targeting INR25,000 crores of fresh order booking.

Prateek Bhandari: Okay. And of the total quantum of debtors you mentioned, which are INR3,140 odd crores, how much of them would be 6 months older?

Ramesh Jha: You see, last time also I had explained that generally in our debtors, the number we are giving you is distributed in three parts, roughly one-third, one-third, one-third. One is normal receivables, which will be, say, around 30 to 40 days kind of normal receivables. One-third is towards retention money, which we receive as per the terms of the contract. And around one-third is towards arbitration debtors.

Those arbitration debtors of that around INR1,200 crores, we have already received around INR668 crores by giving bank guarantee under the NITI Aayog guideline. But since the accounting standard requires that the gross amount of arbitration receivable needs to be shown in the books as gross receivable and the amount we have received as liability, so that's how it gets reported in the books. So to answer you, this arbitration receivables could be more than six months.

Prateek Bhandari: More than six months?

Ramesh Jha: Yes, older.

Prateek Bhandari: That one-third you mentioned about the arbitration debtors, right?

Ramesh Jha: Yes, because it takes time. Unless those matters are settled in the court, even though we have received more than 50% amount, but it needs to be classified as gross amount as receivable. And unless those are settled, it remains in the books. Those are generally older cases.

Prateek Bhandari: Okay. And what would be the quantum of contingent liability on the balance sheet as on December '24?

Ramesh Jha: So contingent liability as on December '24 will be around INR1,400 crores.

Prateek Bhandari: 1,400?

Ramesh Jha: Yes.

Prateek Bhandari: And of this, what would be the quantum of claims?

Ramesh Jha: So are you asking about the claims or the variations we have to receive from our customers?

Prateek Bhandari: Yes. I'm talking about the claims. If you can give a split of this INR1,400 crores.

Ramesh Jha: So this INR1,400 crores we have talked about is contingent liability which is in our books. Of this, around INR480 odd crores, so say close to INR500 crores, is towards one of the royalty claim which has been put on us. So this has been set aside by Nagpur High Court and then the same matter, the party had gone to Bombay High Court wherein they have actually put the case against the government of Maharashtra.

So that is one item. Ideally, this should have gone up but since they have again gone into litigation, so the amount is outstanding. Closer to INR500 crores is various disputes or the claims put by our subcontractors against us. So those are around INR500 crores. And close to INR400 crores will be pertaining to some of the tax-related litigations we are fighting.

Prateek Bhandari: Okay. So INR500 crores of the royalty claim and INR500 crores is for the subcontractor dispute and the remaining INR400 crores in the form of taxes and others?

Ramesh Jha: Yes.

Prateek Bhandari: Okay, sir. Thanks for answering my questions.

Moderator: Thank you. The next question is from the line of Vineet Prasad from Investec. Please go ahead.

Vineet Prasad: Yes, thank you. So just I had a couple of questions. The first one being on the oil and gas sector. In the previous conference call, we spoke about us having or the industry having presented to government and ONGCs changing the project terms, etc. So how is it? Any progress on that front which is made?

Paramasivan Srinivasan: As of now, no, not much progress in this. Efforts are still on to get the contracting methodology and the implementation of contract administration improved. And so we have been resisting from quoting to ONGC till such time they make it.

Vineet Prasad: Understood. And if you can share some update on Bangladesh orders, where are we? Has the execution commenced again or we'll be dropping those orders? Where are we on that?

Paramasivan Srinivasan: On Bangladesh, both the governments are insisting that we do the work, both Indian government and Bangladesh government. One particular project is in the process where we have not commenced as yet. We have conveyed earlier also Package 3 of a road project, WP3, where they awarded the contract 19 months later than we submitted the bid.

And where we said unless rate revision is done, we will not commence the work. That project is probably going towards cancellation and that is something which will be about INR600 crores. About INR600 crores value. So that is likely to go out. The other two projects we are just waiting for the variations and others to be approved for doing the work. We have put a skeletal team there. We have not started the work. The government of India has started paying the money now. Either two they were not paying.

Now they have started paying the money. Government of Bangladesh wants us to work and we are just working around to see that in both the cases, both the railway project and one of the road projects, both the cases the variations have been approved and recommended by the government of Bangladesh to the government of India which is yet to be approved. We are just waiting for the approval to go full hog on that.

And in railway projects there are three parts. Part 1 has been already handed over. Part 2 they have given the land now. Part 3 they are yet to give the land. And in package 1 of the road project, last 600 meters is something which they are yet to hand over to us. And there is a likelihood of discussion and settlement that 600 meters will be removed from the scope because already two years since the project deadline is completed. They have given extension though but this will prolong. They are not able to acquire that part of the land because it is a more crowded place.

So we are working with both the governments, both the government of Bangladesh and the government of India to see things are settled to the mutual satisfaction.

Vineet Prasad: And sir, last question from my side. We spoke about maintaining 11% EBITDA margins. Now I understand 11% is after including other income layers of BG expenses. But we have done a lot higher, probably closer to 13% for the three consecutive quarters now in the nine months, this quarter as well. So do you think this 11% EBITDA guidance is slightly conservative and we can still do much better? Not saying that we may still continue to deliver 13% or so, but is it slightly on the conservative side?

Paramasivan Srinivasan: Our construction industry, as we keep always telling, has a lot of contingencies happening continuously. While our guidance will continue to be 11+. For the current year, it could be well crossing 12. And for the subsequent years or otherwise, we would say 11+. Could happen higher, but we would not like it to fall below 11.

Vineet Prasad: Understood. Thank you so much, sir. Thank you.

Moderator: Thank you. The next question is from the line of Bhoomika Nair from DAM Capital. Please go ahead.

Bhoomika Nair: Yes, sir. Sir, you spoke about the margin profile and the interest-bearing advances which has actually increased. As we move ahead, given that interest costs will kind of stay elevated because of this interest-bearing advances, would the margin profile in what we've seen in the nine months actually continue to remain on the higher side with PBT margins being more stable and the correct way to look at things?

Ramesh Jha: What we have talked about that even going forward, we should see improvement in our PBT margin. Gradually, even our PBT margin should improve.

Bhoomika Nair: Okay. Any which way, the PBT margin has also improved in the nine-month period. And would that be a more correct way to look at it as what we've seen in the nine months to kind of sustain as we go ahead?

Ramesh Jha: Yes. See, the EBITDA margin, if you see, year on year has improved and so is PBT margin. Now, I mean, it's up to the investors or individuals how they want to look at it. But generally, people look at the operating margin and people also look at, say, PBT margin or a PAT margin.

Bhoomika Nair: Sure. So the other thing is in terms of capex, if you can just tell what is the status of the TBM machines? And while we've done some INR200 crores- INR250 crores of capex, what are we looking at for this year? And is that number, how does it look like for the next year as well?

Paramasivan Srinivasan: With respect to TBM machine, at the highest level, Railway Minister convened a meeting calling the machine manufacturers as well. We had a very good meeting. Alternatives are being attempted to bring in the machine. And while there has been a delay of a few months on account of border-related skirmishes between India and China. And the things are, I think, more or less getting resolved. Subsequent to the meeting, Foreign Secretary also visited China, all that. And I had also met Foreign Secretary in this connection. With that, I think things should find a resolution with respect to TBM. Regarding capex funding details, Ramesh will brief.

Ramesh Jha: For this financial year, we expect to close the full capex somewhere around say INR450 crores to INR500 crores. And this is much lesser than what we had budgeted for the year. Now, last time also, we had discussed that some of the project awards got shifted. So we have aligned our capex procurement in line with the project awards. And also the tunnel boring machines also got shifted to subsequent period.

As this has reduced in this financial year, next financial year, we are looking at from the number what we had budgeted, we'll have to revise the number. So for next couple of years, we'll be having a higher number what we had budgeted earlier. But since many projects, recently we have completed a couple of projects and maybe say next six, eight months we are also looking at completion of some of the projects, so many equipments are going to get free.

So we will recalibrate the requirement and as things stand we are looking at there could be a slight reduction. If we see three years period, say 25, 26, 27, the total quantum of capex what we had planned, there is a possibility that there could be some reduction in the overall capex requirement. So 26 and 27, there will be an elevated number but if we consider three years, the number will come down. The overall, gross number.

Bhoomika Nair: Understood, sir. So just one follow-up on the TBM, given the delay in receiving it, will there be any challenges on execution of any project for which the TBM was planned and there could be some elongated one-off project which could get impacted?

Paramasivan Srinivasan: In general, the government had taken things seriously and had talked to the people and all the projects where TBMs are involved, there have been some delays. There is also fresh initiative from Government of India jointly with the Government of Germany to have a manufacturing base set up in India.

The existing Chennai facility of Ericnet is being expanded. The first such TBM assembly entirely had happened in India very last week only. So therefore, there is more attempt towards indigenization of overall scheme of things. So temporarily, whatever projects which have been awarded in the last about one year plus, wherever TBMs are to come in, there have been some amount of delays and the delays could impact the project to an extent. But once the TBM starts arriving and the project commences, there will be no issues.

Future projects, I think people will plan accordingly. They would not like to get even some parts from China or anything to avoid such kind of delays, they will accordingly price it. That is what our belief is.

Bhoomika Nair: Understood, sir. Thank you very much.

Moderator: Thank you. The next question is from the line of Garvit Goyal from Nvest Analytics. Please go ahead

Garvit Goyal: Good afternoon, sir. Congrats for decent execution in this quarter. While most of my questions are answered, I just want to get your view on like we all know like everywhere there are talks regarding the slowdown happening in the economy level in terms of execution. But your numbers are saying a different story, right? So how are you seeing right now in Q4 the execution, the kind of execution of the kind of government demand that you are seeing in the project to the government initiative towards execution of these projects?

Paramasivan Srinivasan: Towards as you would have seen, highest ever order book in the history of Afcons is being achieved in the current financial year. So while everyone has talked about slowdown and so our own requirement being on a comparative scale much less, we don't find any problem. In terms of government itself, government is very focused on infrastructure development.

The priorities could shift as we told earlier also that while probably for some time roads had been focused for nearly 25 years and now the focus gets shifted to railways, to hydro segment and some of these areas and road kind of activities being shifted to state level development instead of centrally developing the roads. They are probably looking at developing roads through the states by the state level initiatives by special funding mechanism to the states for the equity portion or whatever.

And similarly border related connectivity there have been a lot of focus and some under developed states it does appear that there is going to be a lot of focus. And also it appears there is a significant focus on agriculture, irrigation related infrastructure. So that would be a very significant river linking project or the various levels of irrigation projects those are taking a proper shape.

And the very fact that even with all these the government has found a way with the tight fiscal controls also, a 10.1% increase over the revised estimate of the previous year should convey government's continuous focus on infrastructure. And for us it is not only India, we are looking at overseas market as well. Therefore that gives an opportunity in some of the markets which is opening up. And that gives an additional opportunity.

Therefore we don't believe any perpetrated slowdown is not going to impact us in the near future. And in terms of slowdown also there is no real slowdown. There has been shift in segments which in the process which are one segment two segment focused contractors may get impacted. But not a diversified contractor I would put it.

Garvit Goyal: Got it sir. That is it from my side sir. All the best for the future.

Moderator: Thank you. The next question is from Disha Shah from RR Investments advisors. Please go ahead.

Disha Shah: Thank you for this opportunity. So I have two questions. One is we are saying that bidding pipeline we have of INR3.5 lakh crores. So could you please highlight that will it be just domestic or will it include domestic and international both. Could we have a split of it in terms of percentage?

Hitesh Singh: It includes both domestic and overseas. And close to 30% of this is overseas and 70% is domestic. Out of the INR3.46 lakh crores I have mentioned.

Disha Shah: Okay. Thank you. So my second question would be out of the current order book of INR38,000 crores, how much percentage is under completion stage which we can recognize as revenue in the near future for the next 2-3 fiscal years?

Ramesh Jha: As far as revenue recognition is concerned, the revenue recognition happens on a percentage completion basis. And as per the accounting standard prescribed under IND AS 116 we recognize this revenue. So of this INR38,000 crores if you are looking at what percentage should get completed over a period of time. So our average execution period should be 2.5 years. So that should give you an idea what we are talking about.

Disha Shah: Okay. Thank you so much. That's it from my side.

Moderator: Thank you. Ladies and gentlemen, that was the last question for the day. I now hand the conference over to Mr. Vineet Prasad for closing comments. Over to you, sir.

Vineet Prasad: Thank you. I would like to thank the management team of Afcons for giving us a chance to host the call. Thank you so much. Thank you everyone for joining us. Sir, would you have any closing remarks?

Paramasivan Srinivasan: We would only like to say that Afcons continues to hold its value. We continue to do a strong technologically complex and innovation-led project. And it would not be out of place to say that in terms of construction technology, we could well be the leader. And Afcons will continue to focus the way we are focusing on the risk management framework and knowledge management which helps the company to grow significantly.

And we believe that we are poised for a continued growth for the next few years as advised earlier, 15% to 16% CAGR over the next few years as we had achieved a similar number over the last 10 years. And in terms of EBITDA, you would have seen we have been consistently improving. While our general guidance is 11 plus percent, we look forward to continued improvement in the areas to come. And we would continue to operate as a transnational operator and we look forward to investors staying invested with us over a longer period of time to gain full value. Thank you.

Moderator: On behalf of Investec Capital Services India Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.