IRCON/SECY/STEX/124 **17th November, 2022**

BSE Limited Listing Dept./ Dept of Corporate Services Phiroze Jeejeebhoy Towers Dalal Street Mumbai – 400 001 **बीएसई लिमिटेड** लिस्टिंग विभाग / कॉर्पोरेट सेवा विभाग पी .जे .टावर्स, दलाल स्ट्रीट मुंबई– 400 001 Scrip code / ID: **541956 / IRCON**	**National Stock Exchange of India Limited** Listing Department Exchange Plaza, Plot no. C/I, G Block Bandra –Kurla Complex, Bandra (East) Mumbai – 400 051 **नेशनल स्टॉक एक्सचेंज ऑफ इंडिया लिमिटेड** लिस्टिंग विभाग एक्सचेंज प्लाजा, प्लॉट नं सी / आई, जी ब्लॉक बांद्रा-कुर्ला कॉम्प्लेक्स, बांद्रा) पूर्व (मुंबई-400 051 Scrip Code: **IRCON**

Sub: - Transcript of the Q2 FY2023 Earnings Conference Call held on Monday, 14th November, 2022

Dear Sir/Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 and in continuation to our letter of even no. dated 10th November, 2022, please find enclosed the transcript of the post result Earnings Conference Call held on Monday, 14th November, 2022 to discuss the financial results of the Company for the quarter (Q2) and half year ended 30th September, 2022.

In accordance with Regulation 46(2)(oa) of the SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015, the Transcript of the Analyst Conference Call is also available on the Company's website at the link https://www.ircon.org/index.php?option=com_content&view=article&id=226&Itemid=643&lang=en which can be accessed through below mentioned path:

www.ircon.org>> Investor Relations>> Presentation and Earning Calls>> Transcript of the Earnings Conference Call held on 14th November, 2022 for financial results for the quarter (Q2) and half year ended 30th September, 2022.

कृपया उपरोक्त जानकारी को रिकॉर्ड पर ले।

धन्यवाद,
भवदीया,
कृते **इरकॉन इंटरनेशनल लिमिटेड**

RITU ARORA
Digitally signed by RITU ARORA
Date: 2022.11.17 17:13:15 +05'30'

(रितु अरोड़ा)
कम्पनी सचिव एवं अनुपालन अधिकारी
सदस्यता क्र.: FCS 5270

IRCON INTERNATIONAL LIMITED

(A Government of India Undertaking)

"Ircon International Limited Q2 FY 23 Earnings Conference Call"

November 14, 2022

IRCON INTERNATIONAL LIMITED

(A Government of India Undertaking)

Perfect Relations

The Science of Image Management

CHORUS CALL®

MANAGEMENT:	**MR. YOGESH KUMAR MISRA - CHAIRMAN AND MANAGING DIRECTOR**
	SMT. RAGINI ADVANI - DIRECTOR FINANCE
	MR. ALIN ROY CHOUDHURY - CGM FINANCE
MODERATOR:	**MS. MAMTA SAMAT FROM PERFECT RELATIONS**

Moderator: Good day, ladies and gentlemen, and welcome to the Q2 FY'23 Earnings Conference Call of Ircon International Limited hosted by Perfect Relations Private Limited. As a reminder, all participant lines will be in the listen only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Mamta Samat from Perfect Relations. Thank you, and over to you, Samat.

Mamta Samat: Thank you, Michelle. Good afternoon, everyone, and thank you for joining us on Ircon International Limited's Q2 FY'23 Analyst Conference Call. Today, we have with us the senior management represented by Shri Yogesh Kumar Misra, Chairman and Managing Director; Shrimati Ragini Advani, Director Finance; and Shri B. Mugunthan, Chief Financial Officer and Executive Director of Finance.

Before we begin, I would like to say that some of the statements that will be made in today's discussion may be forward-looking in nature. We will begin the call with the opening remarks from the management, after which we will have the forum open for the interactive Q&A session. I will now request to Shri Yogesh Kumar Misra for the opening remarks. Over to you, sir

Yogesh Misra: Yes. Good afternoon. Thank you, Mamta, and good afternoon, everyone. I'm Yogesh Kumar Misra, Chairman and Managing Director, Ircon. On behalf of my team, I extend warm welcome to you, and thank you for your presence today at the Ircon International Limited Earnings Call for Q2 FY'23. I would also like to express our heartfelt gratitude to each 1 of you for your continued patronage and confidence in us over these years. I have with me Smt. Ragini Advani, Director, Finance; and Mr. Alin Choudhary, our Chief Finance Officer. We hope you had a look at our detailed presentation that is uploaded on our stock exchanges.

As far as results go, we have had a good start this fiscal year. Let me just take you through the financial performance of Q2 FY'23. The company has outperformed year-on-year basis and delivered operating revenue of INR2,239 crore, which is 47% higher compared to Q2 FY'22. The profit after tax of INR174 crore in Q2 FY'23, is 38% higher when compared to the same period last year. Core EBITDA increased to INR214 crore vis-a-vis INR149 crore for the corresponding quarter of previous year. Profit before tax stood at INR226 crore as against INR169 crore for the corresponding period. Earnings per share has gone up to INR1.85 per equity share as against INR1.34 per equity share as compared to previous quarter of last fiscal on a face value of INR2 per share.

Our order book as on September 30, 2022, stands at INR40,020 crore, comprising 51% orders, which we have secured on a nomination basis. And the rest, 49% have been secured on competitive bidding. The orders are spread across the railway, highway bridges and other segments. At present, 93% of our order book is domestic and the rest 7% is international. Ircon currently has 11 subsidiaries, including 10 wholly owned subsidiaries, comprising 9 road and highway SPVs. Apart from 11 subsidiary companies, Ircon also has 7 joint venture companies, including 5 whole connectivity companies, which are joint ventures with coal companies.

So without taking more time, I would like to open the floor for question-and-answer session. I would just like to make one more statement that considering that the first 2 quarters are not the best quarters for any construction company. So our performance is seen in that context is even more satisfying. Thank you.

Moderator: We have the first question from the line of Dixit Doshi from Whitestone Financial Advisors. Please go ahead.

Dixit Doshi: Congratulations on good numbers. My first question is regarding this current order book of INR40,000 crore. How do you see the execution time line over how many years it will be executed?

Yogesh Misra: So if you see our last year's revenue and the projections that we have for this year, this order book should be sufficient for next 3 to 4 years.

Dixit Doshi: Okay. And considering the H2 is always the best quarters, we can easily cross INR9,000 crore this year?

Yogesh Misra: Definitely, I think our margins will go up by 25% to 35%, which would make it about INR9,500 crore to INR10,000 crore. This is our expectation, of course, subject to everything else remaining normal throughout the rest of the year.

Dixit Doshi: Okay. My second question is regarding the order wins. So how much order win we had in H1?

Yogesh Misra: This year, our focus has been on basically kick starting all our projects, which we had acquired last year. Last year, we acquired about projects worth about INR15,000 crore. And they were in new areas, very like the high-speed rail, like the solar projects, like the express way. So we are right now focusing on giving a good start to these projects, we have done financial closures for all our road SPVs. In high-speed railway also, we have done the initial part, designs, we've set up casting yards and factory for this lab. So we are basically focusing more on that and because there was a volatility in the market, so we have not gone aggressively for securing more orders. But still, we have managed to get about INR331 crore worth of orders in the H1. So as compared to last year, of course, it is not much. But we have focused more on EPC tenders and we have not gone very aggressively because the market has been very volatile.

Dixit Doshi: Yes. And any target you have for H2 in terms of fresh order wins or anything you mentioned that how many bids we would be tendering?

Yogesh Misra: No, bids we have tendered in H1 also. But as I said, like we did not tender any bid for HAM projects. We did tender some bids for EPC contracts. So I mean, in the H2, we would definitely target submitting bids for at least INR10,000 crore. But then we would be a little conservative in the sense that the market is very volatile. The commodity prices are still fluctuating. So we would not be going very aggressively.

Dixit Doshi: Okay. Now my second question is, as you rightly mentioned that the commodity prices and also there must be competition also in the tendering. So how do you see the margins in the orders where we have won through bidding process? Because now our order book is like 50-50 on nomination and bidding projects. So how is the margin? Or do you see that this 9%, 9.5% margin is sustainable even in the projects where we have bidded?

Yogesh Misra: Yes, I think I can assure you from what we have seen, like we have finalized our EPC contracts for the highways. So we are quite sure of maintaining that margin of 9%, 9.5% core EBITDA. I mean core EBITDA, about 8.5% to 9%. And on consolidated basis, a margin of 9.5% is what we expect to maintain even with the bid out projects. Even in cost-plus projects, see, the cost-plus projects, there is a problem, there is a cap on the total margin that you can make. So our projects were normally cost plus 8%, cost plus 9%. So that way, the margins that we were actually able to achieve were in that range only. So even in competitive bidding, we have quoted and won by that kind of margin, and we hope to maintain that.

Dixit Doshi: Okay. And one last question, and then I joined back in the queue. In terms of JVs and subsidiaries, can you just mention how much equity and debt we have invested in those JVs? And any further plans of investment in next 1 year?

Yogesh Misra: Yes. We have already invested equity of INR1,166 crore. And interest and quasi equity and we have also invested INR803 crore as the quasi equity. And in this year, we still have about INR1,100 crore that we will be investing in our JV projects.

Moderator: We have the next question from the line of Balasubramanian from Arihant Capital. Please go ahead.

Balasubramanian A: Congratulations for good set of numbers. Sir, right now, railway is expanding finder railway stations, what kind of opportunities do you have? And last time when railway projects are cancelled, what is the update on that? These are my 2 questions.

Yogesh Misra: So railways is going ahead with the EPC tenders for their infrastructure projects, including station development. We have seen some of those projects, and we have also bid like Chandigarh-Baddi, we have bid. But then the competition is immense. And now the bidders are putting at very, very thin margins. So we are working on other EPC contracts, which are going to come up in the near future. I'm not sure about the contract that you are talking about, which got canceled, which one was that?

Moderator: We have the next question from the line of Nalin Shah from NVS Brokerage. Please go ahead.

Nalin Shah: At the outset, I would like to congratulate the management and the MD and CEO for the excellent set of numbers turned out for Q1 and Q2, both. And once again, I would like to say that you out performed exceedingly well. I have very small 2 questions. One, you already answered partly my question that current year guidance is INR10,500 crore to INR10,000 crore kind of top line. In the Q1, you had also guided that the net margins will be in the region of about 7.5% to 8%. So I just wanted to check whether we are well on track to achieve that margins also. That was my first question. And my second question is that what is the kind of dividend distribution policy, the company will follow if there is any policy which has been decided, so you can throw some light on that.

Yogesh Misra: Yes, the margin guidance that I had given, we will be able to maintain that. So our profit after tax is going to be in that range, 7.5%, okay? So I don't think any further pressure on that. And what was your second question?

Dividend, right? So dividend, we are going to follow the DPE guidelines. And we are going to give the maximum which can be paid, which is 55% of net worth or 30% of PAT. So whichever is the higher figure, that much dividend we'll be able to pay last year, maybe we had paid quarterly, but this year, maybe we will be doing it certainly I think in the third quarter, we should be able to give the interim dividend. And then finally, later the final dividend. But we will have no problem in giving the dividend that we have been giving historically.

Nalin Shah: Yes. Sir, my other question is regarding these investments in JVs. So if I see our quarterly profit from associate, it's hardly around INR15 crore. So even if I go by this run rate, it will be like INR60 crore, INR65 crore annual profit, whereas we have invested almost INR2,000 crore plus. So how do you see the profitability improvement in the JVs?

Yogesh Misra: See, our most the JVs are right now in construction phase. So we are now gradually finishing some of them, like we finished the Chhattisgarh East Railway, almost 90%. We recently completed the Mahanadi Coal Railway Limited. Then the earlier JV of highways, which was ISTPL, that is performing, that is giving good profits, and that has been able to give us good dividends last year also. And this year, we hope to get the same. So because there are many of the JVs are still in construction phase, and therefore, the profits or the dividends are going to come in future. So ISTPL like the dividend for, half yearly dividend that we have already received is INR26 crore.

But other coal companies, they will also start giving like this Mahanadi Coal Railway, although this will take maybe a year or 2, but the traffic on this is going to be more than expected right from day 1. We have just commissioned this line and the coal racks are moving on that. So maybe we'll be able to achieve profits and then these JVs can then start giving dividend to us.

Nalin Shah: Okay. And any plan of exiting any JV in road or any other project?

Yogesh Misra: See, existing JV, we are exploring the options because it's not easy to do that. We are exploring InvITs or we are also exploring other means. And we hope to take some kind of decision in near future. But right now, we do not have any concrete plan to disinvest from these JVs or SPVs?

Nalin Shah: Okay. And one last question from my side. So you mentioned that we have win around INR330 crore orders in H1, can you just mention that how many bids we must have participated in terms of value?

Yogesh Misra: So both these projects are basically nomination projects. One is from Mahanadi Coal Limited, because we were working in Odisha near that line. So because we finished this project in this month only, in November only. So they have given another project to us, which is worth about INR250 crore. And the second one is also a siding project, which the South Eastern Coalfields have given. So although the Railway Ministry has stopped giving orders to us on nomination, but we are still able to get orders on nomination from the Ministry of External Affairs for some strategic projects like we got for Myanmar. And a similar way we are able to get from some coal companies or some other companies. And these 2 are projects which are like that.

Nalin Shah: Okay. Just to understand on this nomination-based orders from railway. So 2 things I want to understand that, obviously, as you have mentioned that many people are aggressively bidding for the projects and at very thin margins. And that is the reason I feel that in H1, we have not gained any orders. So how do you see in future because private sector are now allowed to participate on the railway tenders. So I mean, let's say, if we execute a INR10,000 crore order book in any given year, can we get the fresh orders of INR10,000 crore just to keep our order book at INR40,000 crore, INR45,000 crore.

Yogesh Misra: Yes. See, the projects that Indian Railways is right now tendering are in the range of INR600 crore to INR800 crore. And if you see our last year's figures, the high-speed railway contract we got on competition only. So there were L&T also, they are in the same package, C7 package we got in competitive bidding, the highway projects Mumbai-Vadodara, Delhi-Mumbai Expressway, those also we secured on competitive bidding. So we don't see any problem in continuing to do that. See earlier because we also had projects on nomination. So the larger share was for nomination projects. Now a larger share is going to be for the bid-out projects, but we are now selectively going to bid so that we are able to maintain our margins. So we'll go selectively for some projects, like we are bidding for some tunnel projects in Jammu and Kashmir, highway tunnel projects, which are large value projects. Normally, our margins and our competitiveness is there in large value projects. So we will still continue to eye them and continue to secure them wherever we can. As I said, right now, the market is very, very competitive. So we are still submitting bids, but we are not going very aggressively.

Nalin Shah: Okay. And can you just mention the figure that in H1, how much projects railway must have opened the bid?

Yogesh Misra: I don't have that figure right now.

Nalin Shah: Aprox broad range?

Yogesh Misra: No, railway would have definitely bid out maybe INR5,000 crore worth of contracts, including the station projects. Station development also is a project which we looked at and we try it, but then right now, the tenders that are coming up, the margins are very small. The time lines are very tight, and they are not greenfield projects. They are going to be a big problem. They will require huge manpower and there will be huge risks to the contractor. So we have decided to stay away from them. We have not participated in any of the station development projects. But in future, we will. And I hope that things will also change. Railways may also from their experience, they will also start bidding with the more realistic estimates and more realistic time lines.

Moderator: We have the next question from the line of Shreyans Mehta from Equirus Capital. Please go ahead.

Shreyans Mehta: Congratulations on a very strong set of numbers. Sir, a couple of questions from my side. One is, in terms of guidance, we are guiding firstly around INR9,500 crore to INR10,000-odd crore for this year. So how do you foresee the FY'24?

Yogesh Misra: FY'23, '24, we should be able to maybe we will not achieve this kind of an increase of 25% to 30%, but we would still be able to achieve this kind of revenue figures.

Shreyans Mehta: So sir, anywhere between 15% to 20% growth?

Yogesh Misra: I cannot say right now because we have to see how the projects that we have taken. It has to come from the projects which are now in the initiation stages, like the high-speed railway project there are issues there. Like you have to purchase material from Japan, the companies they are delaying supply. So it will depend on how those projects go. Our new projects, how do they go? And that's why I'm saying, I cannot give us guidance right now. But I think we should be able to achieve at least the, I would say, the numbers that we have for this year.

Shreyans Mehta: Got it. Sure. Sir, second question is in terms of the solar power project, which we have taken. So does the INR1,100-odd crore, which we need to invest has been considered in that?

Yogesh Misra: Yes, it has been considered.

Shreyans Mehta: Sure. And sir, I mean if I consider look at our cash levels and the investments which we need to do, so at current junction, the dividend amount, which is left is roughly around INR500-odd crore. Is that the right way to look at?

Yogesh Misra: No. The dividend amount required as maybe I don't think it's going to be INR500 crore. Our PAT would be in that range, right? Our PAT would be in that range. So we will still have some cash left for us after paying the dividend.

Shreyans Mehta: Okay. No, no, I'm just trying to arrive at the dividend amount, which you can pay because I mean, we have roughly around INR1,500 crore, INR1,600 crore of cash which is available as of now.

Yogesh Misra: As I said, it gets calculated from the net worth and the 30% of PAT or 5% of net worth. So in there, I think we hope to arrive at a figure of close to INR250 crore.

Shreyans Mehta: Got it. And sir, lastly, on the operating margins, the core operating margins stand at 7.2%. So just wanted to understand what led to such an improvement? And is this sustainable for at least, say, next 1 to 2 years?

Yogesh Misra: The 7.2%, where did you get that figure?

Shreyans Mehta: Excluding the other income.

Yogesh Misra: Okay. Yes. As I said, that is the kind of margin we are looking at. That is the kind of margin we are left with even in a cost-plus project. So in competitive bid-out contracts also, we have seen because we are now working on that. We have prepared our estimates. We have gone ahead with appointing our vendors, everything. So now we think we are pretty sure that we'll be able to maintain those margins.

Moderator: We have the next question from the line of Jinesh Kothari from HDFC Securities. Please go ahead.

Jinesh Kothari: Congratulations for having a good quarter and excellent set of numbers. And I had a couple of questions regarding our international projects. So as far as I can see that international projects haven't contributed much to our revenue in the first half of the year. So how are we looking at the second half revenues from the international projects?

Yogesh Misra: See, our projects on the international side are right now in Sri Lanka where there was an economic crisis. So although we are ready. Our team is there, our plant and machinery, everything is there, but we were not able to take up because the economic condition did not permit even we could not get diesel there. So that's why the revenue did not come from there. From Myanmar also, there is a problem. The area that we are going to work is of insurgency prone, and right now, the situation at least in the H1 quarter, the situation was not very conducive for us to go deep inside the territory and start working. We have tried to mobilize. And I think within this month, we should be able to mobilize at least towards the both ends of the project, 1 on the Indian side of the border and other side. So some revenue we should be able to get from there. Bangladesh and Algeria our projects are nearing completion. So the revenue will come, but not too much. So basically, we're looking for more foreign projects and based on which our foreign income can go up. But in H2, if we are able to manage the Sri Lanka and Myanmar projects well, we should be able to get a decent revenue from our foreign projects also.

Jinesh Kothari: Okay, sir. And my second question was regarding the debt number. So we have raised the project finance debt last year. So are we looking at any monetization of those projects and reducing the debt on consolidated numbers?

Ragini Advani: Yes. So as far as debt is concerned, yes, we have raised it on the SPV balance sheet as well as the joint ventures. They are purely on project financing basis. There is no liability whatsoever on our stand-alone Ircon balance sheet. As regards monetization is concerned, we have started with the baby steps where we are trying to see what would be the best model for us and which all projects can we go ahead in terms of monetizing immediately and what over a long period of time. So we will be doing it over a period of time, but maybe not immediately. It will not be done in FY'23, but we started looking at that direction.

Moderator: We have the next question from the line of Abhishek Maheshwari from SkyRidge Wealth Management. Please go ahead.

Abhishek Maheshwari: Yes. So my first question is regarding the order book. So just in terms of scalability because we have around 3 years' worth of revenue predictability, right, with the kind order book. So do you have any internal targets? So maybe, say, around 1, 1.5 hour ago, RVNL analyst came on television, they said that they have an external target of INR1 lakh core order book. So do you even have a target like a INR50,000 crore order book, something like that?

Yogesh Misra: No. I think INR1 lakh crore order book, are you talking about RVNL, even I don't think they will be able to achieve. They already have a large order book of nomination projects, which they still have this. So maybe they are able to that. We secured about INR15,000 crore worth of projects last year, which was the highest ever secured in any year in our history. So the order book of INR1 lakh crore is not what we are looking at. But yes, we will look at an order book increase of at least 10% to 20% every year. But then we are not going to compromise on margins. That is what we have decided. So we will look selectively at projects to see that wherever we are able to secure those minimum margins that we are looking at, then only we are going to go out and bid.

Moderator: We have the next question from the line of Bajrang Bafna from Sunidhi Securities. Please go ahead.

Bajrang Bafna: Congratulations for a great set of numbers. Sir, we were predominantly working on a nomination basis, now we have started outright bidding. So in terms of resource mobilization, in terms of workforce, in terms of different departments that we need to execute these critical projects like bullet train and the newer areas that you just talked about. So can you guide us how we are prepared for executing the projects on our own rather than the nomination business that we were doing some time back, and that will be really helpful, sir?

Yogesh Misra: Yes, I'm happy you asked that question because, yes, that is why we have taken a pause, and we are in the process of doing that. So like one project of dedicated freight corridor, which we are doing, there we have mobilized almost machinery worth INR100 crore of our own. And we have our own manpower, trained them to do the track work. And so we are doing that now, and we will be able to do that in any project in future, and that will give us a competitive edge also. The same thing we are going to do in the high-speed railway where the contract for track laying of INR5,000 crore to INR5,100 crore is with us. So we are importing plant and machinery from Japan. Wherever required wherever we have to develop local vendors. We are doing that. And we have mobilized a large number of engineers as per the requirement, who will be trained by the Japanese people. So only they can work on the project.

So in fact, we will have that first-mover advantage in the sense that we will have manpower trained by the Japanese who are allowed to work on such projects, and that is how we're going to take up the high-speed track project. Similar way, we are now thinking of earlier, our tunneling projects were where it was cost plus. We were only getting a fee for the project management. But then now we are going to do joint operations. We are trying to have strategic joint ventures. And we will try to do joint ventures maybe own some more plant and machinery and have technical manpower who will be actually doing the job. So once we have those people with us, those kind of resources with us, we will also become more competitive and maybe our margins also we can improve.

So we are working in that direction because the earlier model, when we were given the work on nomination, we were not allowed to do anything on our own because we had to get our fee on a market-determined price. So we had to tender out for everything that we did. We could not do anything on our own. Now we have changed our approach. And now we are gradually going ahead and trying to do a lot of activities on our own. So we will have those kind of resources ready within a year or 2 for taking up more such projects.

Bajrang Bafna: Got it. And just one statement that you made that we want to grow our order book 15%, 20% every year. But now you see that this year, perhaps we have not got much in the first half and second half though we are trying, but how we will be securing, let's say, INR10,000 crore, INR15,000 crore worth of orders every year, where everything is going to be more and more on competitive bidding. And we are not fully prepared right now in terms of those departments, whether it is a procurement department or it is execution department and all those things, which normally, an

EPC companies having at this point of time. So if you could just guide on that, it will be really helpful.

Yogesh Misra: See, I think from the first question itself and my answer to that, you would probably be able to guess that. See, we are in a transition phase. We were not geared to take up, although Ircon was always working on projects on competitive bidding, like in Malaysia, our project was on bidding in other countries in Bangladesh. And there, we are working like any other EPC contractors. But that portfolio was much smaller. Most of our projects were a nomination where we could not develop those kind of resources, which we need when we have to do the work on our own. So we are in a transition phase. That's why I said my guidance for the order book would be lower initially. But as we are able to develop confidence and have more resources available with us, more trained people, more machinery. We would go for more projects. And I think then we can think of increasing our order book in a big way.

Moderator: We have the next question from the line of Pranay Khandelwal from Alpha Invesco. Please go ahead.

Pranay Khandelwal: Congratulations on great set of numbers. I just wanted to know, like, can you elaborate on the opportunity around the railway station redevelopment program the Adarsh Station scheme?

Yogesh Misra: Yes. See the railway station development, of course, there have been a change in the approach of the railways, like earlier, they were going on PPP for most of the station projects, they even tried to do bidding on the Swiss Challenge method and then they started doing the EPC tenders. And now again, it has been announced that some of the bigger projects will come up on PPP. So it's going on. We are watching and we have studied some of the projects which are going to come up or which are in the pipeline. And we will take a call when those projects are bid and how they are bid, as I said, right now, the time lines that they are expecting are too tight and their estimates or their budgets are much on the lower side. And as I said, they are not greenfield project. Most of the stations are going to be brownfield projects, and we are working on Shalimar and Santragachi Project in Kolkata. So we know the kind of problem that we face, where the trains are running, the passengers are moving. Working there is a totally different ballgame. So we will be entering this sector, but then at a suitable time when we think that all those things have been taken care of.

Pranay Khandelwal: Okay. And other question would be that do we have any idea of how many tenders like similar tenders of railway development, station development the railway will be giving out for this year?

Yogesh Misra: No. As far as I know, maybe it would go from between INR5,000 crore to INR10,000 crore worth of projects they will be bidding out other than the PPP. PPP, I am not sure because that policy was suspended for some time and all projects were coming only on EPC. But it has been announced again that some of the bigger stations, they are going to take up in PPP. So they are going to be large projects like the New Delhi Station, Bijwasan Station, Mumbai and all. So there, we will have to go for strategic joint ventures. And so as I said, we will take a call when these tenders are at the stage at which we really know how they are getting bid out. What kind of margins, what kind of time lines, what kind of numbers are going to be there to bid for that.

Pranay Khandelwal: Sir, one last question. Considering the current scenario that we're moving from nominations to outright bidding, can you guide us regarding the margins as such?

Yogesh Misra: I think I've said in response to earlier questions, we will be able to maintain the margins of 7.5%, 8% in future also for bid-out contracts. And these were the margins which we're getting in any case on cost-plus contracts also.

Pranay Khandelwal: Okay. And can you just give us any insight regarding the competitiveness in the industry right now in this bidding side?

Yogesh Misra: See, I can only tell you like we have recently bid out for a project of the EPC tender of railways, which is Chandigarh-Baddi and there were 16 bidders in that same project, okay? So you can imagine the kind of competition, which is happening. And because it is being done by the railway for the first time. So there are a lot of new comers, who would come and they would burn their hand and then probably later on, they will start bidding sensibly. So we don't want to join the bandwagon of the companies who work or who bid with half bit kind of knowledge and then end up in losses or end up in serious problems later on.

So as I said, we will be bidding sensibly and with keeping our margins intact, and we are sure. We have seen that in the past, we are able to still get projects. There are projects, which we are still able to get at our price, with our margins and taking care of most of the risks. So it's not that it is impossible to do that. But I think the number that I gave you of 16 bidders in a INR600 crore or INR800 crore worth of contract, that would give you the kind of the competition which is happening. And EPC tenders of highways also, you would know. There are many bidders and the quotes are below the estimates. So those kind of things we are not going to do. But we still hope, we have got projects on bidding in the past, and we have secured margins on that, like Vadodara-Mumbai project, Expressway, we finished this year and we earned a good margin on that. That was on a competitive bidding from National Highway Authority of India.

So similar way, so last year also, we secured 4 more highway projects on HAM. And there also, we expect to earn a decent margin. So we will be continuing to do that, but we will not join the bandwagon of the smaller players coming and quoting at unreasonable prices or unrealistic prices.

Pranay Khandelwal: Okay. And we just also wanted to understand this one thing that is RLDA, the only sole authority that is looking after the bidding process or like different zones also take part in this, like South Zone and Western Zone.

Yogesh Misra: So RLDA, most of the station development programs have been given to the zonal railways. So there are only some larger projects, which are being done by RLDA. But then the zonal railways also have a fair number of EPC contracts, which they are tendering out.

Moderator: The next question is from the line of Parimal Mithani, an individual investor. Please go ahead.

Parimal Mithani: I just, kind of question in terms of your margins, which has improved quarter-on-quarter. Could you be able to maintain this margin profile going ahead from here?

Yogesh Misra: Yes, I'm pretty sure we will be able to maintain our margins going ahead. I don't see any major issue on that.

Parimal Mithani: Even in terms of commodity costs and all the dividend, demand and base margin?

Yogesh Misra: Yes. That's why I said we are not going into high-risk contracts, and that is the reason we have not secured many projects in the first half of this year because we are not going into very high-risk contracts or contracts where there is competition, which is unreasonable. But then we have seen, we get opportunities, enough opportunities to get projects, typically larger projects where the competition is with the big companies who also have similar kind of overheads as we do. And there, we are able to compete with them. So we will continue to explore such contracts, so that our margins don't get affected.

Parimal Mithani: And sir, this will be across railway, highways and all the other projects or it is just railways project?

Yogesh Misra: Yes, yes, this is going to be across all the projects, the highways, railways and the foreign projects also.

Parimal Mithani: Okay. Sir it is safe to say, we'll be protecting margin going on from here, right sir?

Yogesh Misra: Yes.

Parimal Mithani: And sir, secondly, in terms of dividends. Last year, you always given a dividend period of 40%, close to. Are you going to reinstate that 30% because last year, I think you gave a 17% payout to the shareholders.

Yogesh Misra: See the dividend as we pay is the higher of 30% of PAT or 5% of net worth. So normally, 30% of PAT is lower. So the 5% of net worth is what governs the dividend payout, which last year was about 40%, right? So we are going to, I think, maintain the same. These are the guidelines of the Department of Public Enterprises. So we will able to meet that, if not exceed that.

Parimal Mithani: Okay. And sir, recently, there was an article in one of the business joint in terms of dedicated freight corridor, which have a consortium with Tata Projects and with Mitsui. And the project has been what you call taken away from Tata Project which are consortium there. Can you update on the status, are you going to be affected by any liabilities on that?

Yogesh Misra: See we have 3 packages, which we had won from dedicated freights corridor, CTP 11, 12 and 13. So internally, we decided to do some of these packages individually with the others providing some minimum support. So like CTP 12, we are in advanced stage, and we would be completing it maybe early next year. And CTP 13 also, Tata Projects, of course, the Mitsui is the lead partner, so the Japanese company is a lead partners. That also is going reasonably well. There were some disputes in the third package, which the CTP 11, which is mainly falling in the urban area of Mumbai because this is a package which is connecting JNPT to Vaitarana. And here, there are a lot of land issues. There are a lot of encumbrance issues and even now, even on date after award of the contract, I think more than 3, 4 years have passed, DFC has not been able to give the entire land encumbrance-free, many, many issues. So there are disputes in that. And the consortium has received some notices, and I think that matter is sub judice. It is not finally decided that they're going to terminate or do anything on that part. Right now it is sub judice. I can only say that.

Moderator: And the question is from the line of Ajit Darda from Nirzar Securities. Please go ahead.

Ajit Darda: I have 2, 3 questions, sir. The first one is, can we expect more JVs and partnership with local regional companies going ahead and be more efficient for competitive bidding, sir?

Yogesh Misra: Yes, of course. We have a very good experience of working all even big and small companies within the country, and even in foreign countries. And we have successfully done projects in Bangladesh, in Algeria, and many other places. So right now for bigger-sized projects, and with the kind of risk that each project brings, it is always good to go with a good partner and that increases the efficiency, that takes care of the risks involved because you're not single one who upon was taking the risk. So we will definitely look at more projects in joint ventures or strategic partnerships with other companies.

Ajit Darda: Both local and international projects, sir?

Yogesh Misra: Yes, yes. Because see, like in the dedicated freight corridor, the requirement was that the lead partner has to be a Japanese company. So we joined with Mitsui & Company, who is our lead partner. In the high-speed railway project, there is no such requirement, but there are a lot of things which have to be done only by Japanese companies or companies having experience in high-speed railway. So we have to go ahead and join with them. Of course. Yes. So that way, project to project, we see where we can go out and bid alone, or where we need to get joint venture partner before bidding or we need to get a partner after the bidding that way. So we have to see what is the most efficient way of doing it. And that's what we hope to do in the future.

Ajit Darda: Understood. Sir, one more question like how much loan or advance have they given to subsidiaries or JVs? And any sort of concern regarding recoverability of that amount or any provisioning required?

Ragini Advani: So what we have given is essentially a loan in the form of quasi equity, so equity or quasi equity is well within the overall project financing norms of 70:30, 75:25 or 80:20. The only loan which we have given extra is temporary to certain SPVs. That is a marginal number of about INR130 crore. And that is an interest-bearing loan which should come back over a period of time. So there is no provisioning requirements.

Ajit Darda: Okay, sir. And last one. Sir, any land assets that we are planning to monetize?

Yogesh Misra: Right now, no. We had been given 1 land parcel in Mumbai, which we were expected to monetize. But right now most of such work is being done by RLDA and that was for a period of 3 years, and that involved signing of MOU or agreement between the railways and the state government and then the MMRDA. So that has not fructified and therefore, that was the only big land parcel that was passed on to us and the money that we paid to the railways was had come as a pass-through entry from the Indian Railway Finance Corporation. And that has been repaid. And most likely, this will go back to the railways to be developed by RLDA. So other than that, we have some assets on which we have constructed building, like in Noida and Gurgaon. So those assets, we have leased out long term, and we will be earning revenue out of that. Right now, we have no plans to dispose it.

Ajit Darda: Okay. And is any amount for the lease rent, sir?

Yogesh Misra: Like, I don't have all of them. But like I can tell you, there is 1 mall in Noida, which we have given with a INR25 crore upfront payment and INR8 crore per year lease rent. Similarly, there's another building, which we have given to GST. And that also the lease rent would be in this range. So there are other buildings as well. We are still trying to lease out or rent out to earn regular revenue from there. But there are 2 buildings at least big one, which we have rented out already, and these are long term and they are going to give us good revenue.

Moderator: We have the next question from the line of Chiranjeev Desai from Hindsight International LLP. Please go ahead.

Chiranjeev Kiran Desai: My question is with regarding equity market valuation of the company, which is a languishing at single-digit multiples. And the share price is mostly trading at par or below the book value. So is there any plan to correct it through means such as buybacks or inviting sovereign wealth fund or other high-profile investments?

Ragini Advani: So I mean our share price was in the range of INR39 to INR40 for quite long time. But if you see it has picked up over the last few days. And today, it is in the range of INR53 per share. In terms of performance, as you all are aware, we are doing our level best. And I think we are exceeding the market expectations. In terms of the actual share price movement, as we all know, in case of public sector companies, many other factors play a role in terms of actually increasing or decreasing the share, per se, 73% shares are still held with Government of India. And primarily, the decisions are taken by them in terms of any significant movements, in terms of investments, disinvestments or anything that they have in mind for the shares. But nevertheless, as management of the company, we are trying to outperform as much as we can and get the value addition to the share as well as the market capitalization of the company.

Yogesh Misra: Right now, we are trading above our issue price. We had been trading at below the issue price for some time. Right now, we are more than that. And if the market remains bullish, maybe we'll see good price in the next few weeks or months.

Moderator: Thank you. As that was the last question for today, with that, we conclude today's conference call. Thank you for joining the conference call of Ircon International Limited. You may now disconnect your lines. Thank you.