INFRA PROJECTS LIMITED
ENGINEERING CONSULTANTS & CONTRACTORS
Sigma-1 Corporates, Corporate House No. 6, Sindhu Bhavan Road, Nr. Mann Party Plot Cross Road,
Bodakdev, Ahmedabad - 380 054. Gujarat, India. Telefax : +91 - 79 - 4008 6771-74.
E-mail : elect@hecproject.com, Web. : www.hecprojects.in, CIN : L45200GJ2005PLC046870

Date:28-05-2025

To,

The Manager,

National stock exchange of India Limited,

“Exchange Plaza’,Bandra-Kurla complex,

Bandra (East) Mumbai-400051

Script Symbol:HECPROJECT

Sub:Submission of transcript of the Earnings conference call held on Monday,May 26,2025 at 12:00 pm

Dear Sir/Madam,

In continuation of our earlier letter dated May 26 ,2025 informing about the audio link of the earnings conference call and pursuant to Regulation 30 of Securities exchange board of India(Listing obligations and disclosures requirements)Regulations,2015, the company is hereby submitting the transcript of the earning conference call of the analyst/investor conference call which was held on Monday,May 26,2025 at 12:00 pm to discuss the Audited financial results of the Company for the quarter and year ended March 31,2025

Kindly acknowledge the same and take the same into consideration.

Thanking You,

Yours faithfully,

For HEC Infra Projects Limited

KHUSHI RAJENDRA BHATT
Digitally signed by KHUSHI RAJENDRA BHATT
Date: 2025.05.29 00:09:26 +05'30'

(Khushi Bhatt)

(Company Secretary and Compliance officer)

M.No.A51011

"HEC Infra Projects Limited

Q4 & FY '25 Results Conference Call"

May 26, 2025

MANAGEMENT: **MR. GAURANG SHAH – MANAGING DIRECTOR – HEC INFRA PROJECTS LIMITED**
MR. RAHUL SHAH – WHOLE-TIME DIRECTOR – HEC INFRA PROJECTS LIMITED

MODERATOR: **MR. GANESH NALAWADE – KIRIN ADVISORS PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the HEC Infra Projects Limited Q4 and FY '25 Results Conference Call hosted by Kirin Advisors Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touchtone phone.

Please note that this conference is being recorded. I now hand the conference over to Mr. Ganesh Nalawade from Kirin Advisors Private Limited. Thank you and over to you, sir.

Ganesh Nalawade: Thank you. Good afternoon, everyone. On behalf of Kirin Advisors, I welcome you all to the conference call of HEC Infra Projects Limited. From Management team, we have Mr. Gaurang Shah, Managing Director of the company, Mr. Rahul Shah, Whole-Time Director of the company.

With that, now I hand over the call to Mr. Rahul Shah for the opening remarks. Over to you, sir.

Rahul Shah: Thank you, Ganesh sir and good afternoon, everyone. It is a pleasure to welcome you all to the Q4 and full year FY '25 Earnings Conference Call of HEC Infra Projects Limited. This marks our first earnings call and we are excited to share our performance and outlook with our valued stakeholders.

HEC Infra Projects, based in Ahmedabad, has established itself as a leading turnkey EPC contractor since its inception in 2005. Over the past two decades, we have evolved into a prominent player in India's infrastructure landscape, particularly known for our deep expertise in extra high voltage transmission and distribution. At the core of our operations is an integrated business model that spans engineering, design, supply chain management, installation, testing, and commissioning.

This end-to-end service delivery enables us to maintain high standards of quality, safety, and execution excellence. Our expertise encompasses a diverse set of infrastructure domains ranging from overhead and underground transmission lines, power distribution substations, and industrial electrification to water pumping and treatment plants, solar parks, and advanced lighting and ELV systems. Till date, we have successfully executed over 300 projects across the country.

Some of our most notable achievements include the 220 kV substation for GETCO at Kalavad, a high capacity water pumping station for GWIL in Ghadhda, extensive EHV cabling for GETCO, and the design and construction of 132 kV transmission lines, including hotline work for HVPNL. We also take pride in our integrated infrastructure work for the new OPD complex at Delhi AIIMS, which covered critical systems such as power distribution, BMS, elevators, escalators, security systems, and automated parking facilities. These milestone projects underscore our capability to manage complex and large-scale assignments over the years.

We have built a strong and diversified client base comprising of 50 esteemed private and public organizations, including GETCO, HVPNL, Tata Power Solar, Bharat Coal, Armstrong, MG Motors, and several municipal corporations. This balance between government and private sector work highlights our key role in supporting India's infrastructure growth.

During the fourth quarter of FY '25, we secured two significant new orders, one from Agarwal Metalworks Limited, valued at INR6.07 crores, involving the supply installation testing commissioning of a 66 kV substation. This project includes both feeder and client bay works, and is critical for enhancing the client's power distribution reliability.

Second, from Ahmedabad Municipal Corporation, valued at INR12.5 crores, for the upgradation and augmentation of electromechanical and instrumentation systems at 200 MLD Clear Water Pump House at Kotarpur. This project aims to significantly enhance operational efficiency and capacity at AMC's water treatment infrastructure.

Now, let me walk you through our financial performance. For the full year FY '25, we reported total income of INR113.15 crores, marking a robust year-on-year growth of 46.69%. EBITDA of INR15 crores, up by 74.25%. EBITDA margin at 13.25%, a year-on-year expansion of 210 basis points. Net profit stood at INR9.25 crores, reflecting a year-on-year growth of 95.99%. Net profit margin improved 8.17%, up 205 basis points year-on-year.

EPS for the year was INR9.08, an increase of 95.27%. For the fourth quarter of FY '25, the company achieved total income of INR46.37 crores, a 63.53% growth year-on-year. EBITDA of INR8.8 crores, growing by an impressive 349.55%. EBITDA margin improved significantly to 18.98%, up 1207 basis points.

Net profit surged to INR5.67 crores, a phenomenal 2093.54% year-on-year increase. Net profit margin for the quarter stood at 12.24%, expanding by 1133 basis points. EPS came in at INR5.58, marking a rise of over 2000% from the same period last year. These numbers reflect our team's disciplined execution, strategic alignment and relentless pursuit of excellence.

Our strong order book at the close of FY '25, which stands at INR326 crores, with INR202.78 crores unexecuted, positions us well for sustained performance in the coming quarters. Looking ahead, we are focused on several strategic initiatives.

Selective acquisitions of low-voltage and medium-voltage transformers manufacturers to enhance our backward integration, optimize costs and improve margins. Prioritizing short-tenure high-return EPC projects, especially those with execution cycles of 6 to 12 months, and industry-leading IRRs to accelerate cash conversion and improve profitability.

Expanding our core transmission and distribution footprint by leveraging upcoming RDSs and grid modernization tenders. Scaling our water infrastructure capabilities to capture the increasing municipal and industrial demand for large-scale water treatment and pumping solutions. Aligning with national electrification initiatives by actively bidding for projects under PM Kusum, the Green Hydrogen Mission, and other state and central programs aimed at grid modernization and sustainability.

Exploring battery energy storage systems tenders to support India's transition to round-the-clock renewable power through the BOOT and EPC models. We believe that our integrated capabilities, proven project execution, and strong relationships with both government and private clients place us in a unique position to continue supporting India's infrastructure transformation.

Before we open the floor for questions, I would like to take a moment to sincerely thank the entire HEC Infra Projects team for their unwavering dedication and hard work. We also extend our gratitude to our valued clients, partners, investors, and stakeholders whose continued trust and support drive us to aim higher and deliver consistently.

With that, I now open the floor to your questions. Thank you.

Moderator: First question is from the line of Saloni from Unity Finance. Please go ahead.

Saloni: Do you see more business coming from private companies or government bodies in the future?

Gaurang Shah: Majorly, we are getting projects from the government bodies only and from the private, also from the corporates for the green energy as well as for the industrial electrification. But the ratio is about 70% to 30%. 70% from the government department and 30% from the private corporates.

Saloni: Okay. And how do you maintain long-term relationships with big clients like Zeco, Tata Power, and AMC?

Gaurang Shah: We are regularly in touch with them as we are bidding the tenders. We are regularly in touch with them, from Chief Electrical, Chief Engineers to the Junior Engineers, for the Execution team also, as well as for the designing and their tendering team also. So regularly, our team is always in touch with Zeco, Haryana Vidyut Nigam Limited, as well as the private customer also. We are also in regular touch with some architects and consultants for the private segment. So we get regular inquiries from them also.

Saloni: Okay. And are you working with any new clients this year that you haven't worked with before?

Gaurang Shah: Yes, we are working with two, three big clients also. And the projects are in pipeline. We have quoted from them. And recently we received one order from the Solar Craft Limited for the INR10 crores, worth of INR9.5 crores for the overhead transmission line system…

Saloni: For INR9.5 crores? Sorry?

Gaurang Shah: INR9.5 crores.

Saloni: Okay.

Gaurang Shah: And the project is just going on. We have just commenced the project. Then Agarwal Metal. We discussed Agarwal Metal. There we are doing 66 kV substations, executing the 66 kV substations in the same year. Also, we have received many orders from the Ahmedabad Municipal Corporation for the up-gradation, as well as the new pumping stations also. About four tenders via L1, but the LOI is awaited.

Saloni: Okay. And you also mentioned a healthy order book. So how much of that will turn into revenue next year?

Gaurang Shah: These projects are basically, what I quoted, within one year we have to complete.

Rahul Shah: We basically expect a majority of it, at least 70%, 80% to be completed this year. And some portions of the orders that will be booked in this year will also be completed in the same financial year. So, I hope that answers the question.

Saloni: I will get back in the queue, and if I have any more questions. Thank you.

Rahul Shah: Yes, thank you.

Moderator: Thank you. We take the next question from the line of Saurab Singh, who is an Individual Investor. Please go ahead.

Saurab Singh: I have a couple of questions. So the question is, how many new project orders have you received so far in quarter 1 FY '26? And are any new deals still coming in regular across from your business areas?

Rahul Shah: So we are currently bidding for quite a lot of projects, both for private and for government sectors. At the same time, I think we have given announcements for almost all of the tenders where we have received the work orders till date. So I think our website will inform you in regards to the number of orders that we have received in the new financial year.

And we are being very, let's say, we are basically updating our website regularly for these orders, looking to the NSE's guidelines. So I hope the list of the tenders that you asked for that we have won, you can basically look them up once on the corporate news under our website. And there are a few more orders that will be coming as we are L1 in some of them.

And we are just awaiting a confirmed purchase order from the government departments to basically upload them and inform our investors regarding the same.

Saurab Singh: Okay. And the second one is, you have an order book around INR325 crores. So with a INR200 crores order is yet to execute. So how long do you expect it will take to complete that?

Rahul Shah: I think majority of these orders, like I said, it should be completed in this financial year. We expect from the current order book at least 70% to 80%, somewhere between that would be the executed in this year. And some parts of whatever orders we book this year, like the coming orders that will be booked, some parts of those will also be executed. So I hope that answers your question.

Saurab Singh: Yes, exactly. That's the answer. So the third one is, as we see most of your orders come from a few clients or the region. So is there any risk if those clients slow down or stop giving the orders?

Rahul Shah: So see, government side, we are not worried very much about that. Let's say because this is a tendering process at the end of the day. So we basically do not have any such thing with the government where we, let's say the orders are basically given through our price bids and through our, basically the approval process of the government.

So I don't think we'll be losing any orders over there in the future also. But in private industries also, we are not at all worried about that currently because in our connections with the private players, our reputation as a company amongst private industries is growing at such a pace where the order that we recently mentioned of Solar Craft, we got through word of mouth. So the clients are directly approaching us for all these new projects. And we don't see that happening in the near future, at least.

Saurab Singh: Okay, so as we saw, the raw material cost is going up, increasing. So how are you making sure that you don't lose money on long term projects which we have already?

Rahul Shah: So in most of our projects, all the government projects that we are doing, we have price variation clauses. In most of them, long execution times are expected. So any project with more than 12 months of tenure will have a price variation clause. And most projects right now, even without such tenures also, we have price variation clauses in them.

The second thing is that usual practice of the company is to place orders on a fore footing basis in the first month itself after receiving the order, where we give advances and close our price deals with the vendors in the same time. So we are not much concerned about the price variations as such.

It used to be an issue, let's say approximately 4 to 5 years back. After the COVID situation, the government and the private players are very understanding about the plight of the contractors when prices shoot up drastically. So we are protected in some way or the other legally in all our contracts.

Saurab Singh: Okay, thank you so much.

Rahul Shah: Thank you.

Moderator: We take the next question from the line of Yashwanti from Kojin Finvest. Please go ahead.

Yashwanti: Thank you, sir. And great congratulations for the awesome number you have reported. From the EBITDA perspective, we just wanted to understand, we have seen the EBITDA margin of around 18.98%, almost 19% in the last quarter, whereas for the overall it came to around 13%, 13.25%. So what has been so special in the last quarter and what is the way forward?

Gaurang Shah: Basically, madam, since it is a characteristic of our business that mostly our major execution is being executed in the last quarter only. Because all the government departments also wanted to book their budgets as well as their execution date is always 31st March. Before 31st March, everybody wants to show their performance. So in the last 10 years, you see over 30% of the order execution is done in the last quarter only.

Yashwanti: Okay. So my next question is when you bid for any government contract or maybe in a private contract, do we bid in our own capacity or do we enter with a joint venture?

Rahul Shah: Currently, all government projects are being bid directly by us. Right now, there are only a few handful projects where we are considering joint ventures as an option to bid. But currently, the projects that the company has are all through direct tenders only and through direct orders from private clients.

If you compare the order book of let's say three years, four years back, we had a few orders from EPC players who had taken direct contracts from government and we worked under civil contractors particularly as subcontractors. Currently, the company is not doing so. And we are basically having all orders directly under us without any joint ventures as on date. But in the future, we are looking to joint venture partnerships in the upcoming projects as well.

Yashwanti: Okay. So in that case, in a solo, what is our solo capacity to bid for any project and where we will be looking into a joint venture?

Rahul Shah: Ma'am, could you repeat the question?

Yashwanti: Yes. So what is our solo capacity to bid for the project in our solo capacity? So what is the quantum in terms of the order book or what is the quantum in terms of the quantity of the transmission? We can bid in a solo capacity and where we need to take in help of a joint venture?

Rahul Shah: So currently there are two parameters which actually define any EPC players' capacity to bid for any tender. One is the financial criteria and the second one is the technical criteria that the company has. So technically we are now qualified for any let's say, up to 220 KV rating for the transmission and distribution sector.

So the usual project size somewhere starts from, let's say, INR5 to INR10 crores and it ends at approximately INR60 to INR70 crores. So right now, currently, the company has the biggest order that the company has is around INR70 crores, like INR66 crores to be precise, under RGT as direct order. So that is the current capacity which the company has already executed.

Now as to how much can we do, you can basically consider it as a, let's consider that once these orders are executed, we can execute something quite larger than these numbers as well. And irrespectively, we are currently looking for large-scale projects also where we see that up to INR100 crores, I think we can easily manage these orders directly.

Yashwanti: Okay. And, sir, our major presence is in Gujarat and Ahmedabad. So which other region in case we are looking to expand?

Rahul Shah: See, our office is based in Ahmedabad, but the majority of our orders currently are in Gujarat only. But if you see the trend of the company, we are trying to expand in Haryana in a major fashion. So our order book in Haryana has grown from somewhere around INR4 crores to right now almost INR60 crores, of which a majority portion is already executed.

So that is one of the states that we are targeting. We are also looking for projects in Rajasthan and Maharashtra, the nearby states, like in the western region. And the north and the western region of India are basically open to us for exploring new projects in these segments.

Yashwanti: Okay. So that one question remains unanswered. So going forward, where we can see that EBITDA margin settling at, at the year-end basis, that is for FY26?

Rahul Shah: Did you ask the EBITDA margin for like this coming year?

Yashwanti: Yes, FY26, the current year, the current operation?

Rahul Shah: So I think the EBITDA margin would remain almost similar only, right? So I don't think there will be much change in that. And I am not just talking about, let's say, this year or the next year. We foresee that the EBITDA margins will be maintained by the company over the coming years. And we hope that we deliver them with a robust growth also, in our top line as well.

Yashwanti: Okay. And how are your payment terms with your clients? So in case of the government, I'm sure you will be getting some advance and then on a milestone basis. But in case of the private players, how does it work?

Rahul Shah: So currently we are listed as a, like, as an SME only.

Yashwanti: Hello? SME?

Rahul Shah: So basically, most of the companies that adhere to the 45-day limit that is usually given, our payment terms with vendors are for somewhere ranged from 15 days to 30 days. It's basically the average time that we have from the payments that we receive from clients.

Yashwanti: Okay. And so you mentioned, I'm sorry if I missed already, your answer to the question. I just wanted to understand about the solar and the green energy. So how much focus you wanted to put it in the renewable energy projects going forward?

Rahul Shah: So ma'am, I don't think I'll be able to give a very definitive answer in this segment because we are also looking for good opportunities to enhance our presence in these particular sectors. What we see right now is that these projects will be in the future and will surely be in our pipeline for competitive bidding. So I think what I can say is that these projects, because of their high capital intensity, the project sizes that we will be executing will be much more than what we are currently doing.

Right? So I don't think I will be able to give you a more definitive answer than this. As we currently are expanding only on the transmission and distribution side of renewable projects, we have executed one project for like green hydrogen in a joint venture. However, any future projects will be subject to the projects that will be put up by the PSUs or the governments.

Yashwanti: Okay. Okay, sir. And what kind of growth we expect for FY26?

Rahul Shah: We expect at least 30% to 40% growth this year as well.

Yashwanti: Okay. Thank you so much. I'm wishing you all the best. I'll join back in queue.

Moderator: We take the next question from Dhanraj, who is an individual investor. Please go ahead.

Dhanraj: Good afternoon. First of all, thank you for the opportunity. So I have a couple of questions. I'll start with first. So do you face any delays due to government approvals or any PRNs? If yes, how do you manage them?

Rahul Shah: So government delays are basically part and parcel of any government projects, irrespective of what any other EPC player tells you. They are a part of the business. So what we do is basically our order book is managed in such a way where these delays and anticipated execution dates are considered accordingly.

I'll just give you a short example of one of the projects that we have, that is under Rail Vikas Nigam Limited. Basically, this project has been delayed by almost one to two years, somewhere between that. And this was due to right-of-way reasons. Basically, the land was not cleared by the government. So such delays are anticipated by us. And we book the order book accordingly.

And if you have been listening to the previous questions that ma'am recently asked, she asked us that how much growth do you expect, like how much of the percentage of order book do you expect to complete in this year? That is why it is not 100%. That is why we said 70% to 80% because we understand that there will be certain delays from the government. And we book our orders accordingly.

Dhanraj: So connecting to this question, how do you manage multiple projects across different locations at the same time?

Rahul Shah: You see, we have good teams with us. We have grown our teams in a very managed fashion as to execute multiple projects in a short span of time and in a managed and controlled manner. So we have approximately six or seven, I would say, project managers and senior managers who handle this for us.

We also have separate senior people in procurement and our accounting team as well. So looking to this, it's basically automated for us where our direct involvement has been minimized to a certain extent where we just need to keep the control of the costing in procurement only. Labor and everything, all those costs are right now streamlined under us. So finalizing any execution contract for us is easy for us right now.

Dhanraj: Can you explain how you choose which tenders or projects to bid for exactly?

Rahul Shah: Yes, so we basically look at two to three major factors when bidding for a project. First one is the net profitability that we expect. Of course, the bottom line is the most important one. The second thing is the execution time. The third thing is the payment terms. And the fourth thing is the involvement of bank guarantees or any such guarantees that is involved in the project and adding these finance costs beforehand to understand if the project becomes feasible after many types of guarantees or any such other requirements of the client.

So I would say that currently the bottom line is the primary driving factor. But we also do a site analysis before picking up any project so that we understand if the site, let's say with the RVNL project, we knew beforehand that the sites were not going to be ready for another one year. Looking to that, we book the projects accordingly in the last year.

So that is how we are currently booking projects right now because we cannot leave projects due to site's poor condition or certain execution conditions which may not be feasible for us today. But looking to the future, we do book the projects in this fashion as well.

Dhanraj: Okay. One last question. So as mentioned, short duration projects. So how do these projects help the company perform better?

Rahul Shah: If you compare the company's performance, let's say, four years back, after we got listed, we had a majority of building projects under us. So what happens with building projects is that we are completely dependent on the civil contractor for our completion. Because of this, these projects range from somewhere between starting from two years and they end at five years also.

So because of this, our overhead costs basically drastically increase and basically there is no protection of overheads in such projects. Like the cost that I'll be putting in my staff, they remain constant on a monthly basis. So that cost increases for that particular project and because of that, the feasibility of such projects reduces. That is why the company is targeting sectors and segments where project durations are less than preferably 24 months.

Dhanraj: Got it. Okay. Thank you, sir. That's all from my side.

Rahul Shah: Okay. Yes. Thank you.

Moderator: Thank you. We take the next question from the line of Dhruv Kumar, an Individual Investor. Please go ahead.

Dhruv Kumar: Thank you for the opportunity. So my first question is what are the top two, three risks you think the company might face in the next year and how are you getting ready to deal with this?

Rahul Shah: I think the three risks that the company sees, one is let's say the delay in executions that I think we discussed is a major part of any EPC line. So we mitigate that risk by basically booking some additional projects in the same year, considering our financial situation at the time of that year and order book as well.

The second thing is the geopolitical instability that is currently there. Some situations may lead to closure of certain projects as well. So that is there. And preparing for those contracts can be done maybe through basically having -- we need to be insured against such issues as well. So the company is exploring the option of getting insurance for such events as well.

The third and the major concern I think for any EPC company in the coming years is going to be labor. Labor is going to be an asset that after five years I don't think the Western region of India will be having. So looking to those such developments we are already planning to secure a major workforce over the coming years.

Dhruv Kumar: Okay, thank you for answering that. I will get back in the queue.

Moderator: Thank you. Next question is from the line of Abhishek Sharma from JS Capital. Please go ahead.

Abhishek Sharma: Sir my question is can you explain which government schemes you are currently bidding for like PM KUSUM, RDSS or the Green Hydrogen Mission and which tenders you feel most confident about winning?

Rahul Shah: So currently we are not bidding for PM KUSUM. It is going to be in our pipeline and we are still exploring how to basically encompass on the PM KUSUM Yojana. Like we may tie up with solar developers and provide transmission and distribution services directly. RDSS tenders we are currently working on and we will be shortly bidding for them in this financial year as well.

Battery energy storage systems, we are basically right now -- we have basically done a study from our end and are already prepared for any type of EPC or boot model project that may come out in the near future.

Abhishek Sharma: Okay sir. Thank you sir.

Rahul Shah: Yes.

Moderator: Thank you. Next question is from the line of Rohan Gupta from HNI. Please go ahead.

Rohan Gupta: Hello. Yes sir, congrats on the good set of numbers. Sir, firstly I have a question on the balance sheet right. What is this INR36 crores of other non-current financial assets that you have shown?

Rahul Shah: Could you just hold on for a moment please?

Rohan Gupta: Yes sure.

Rahul Shah: Could you just repeat the question sir once?

Rohan Gupta: Sir, in this balance sheet right, what is the INR36 crores around as an amount which you have shown in other financial assets in the non-current assets part? So just wanted an understanding what exactly is that?

Rahul Shah: Yes. Sir, I think we will be shortly sharing the breakup on our website for these breakups. These will be the notes of the making balance sheet. Basically, they will be also issued shortly. So I think any clarification regarding any breakups that you are basically asking right now. It may be the non-current assets. It may be let's say our costs or anything related. So breakups will be shortly shared on our website.

Rohan Gupta: Sir, not exact breakup, but since the amount is quite large, I mean, our receivables is INR47 crores. So compared to that this other financial asset, is it in the nature of say retention money or something like that? Like just a broad nature, don't need the exact breakup?

Rahul Shah: Sir, retention money, some deposits, security deposits and few other types of deposits are there. Basically, when we bid tender, we have given some bid securities in form of DDs as well. So all of that is considered in that. The EMDs that we pay basically or likewise

Rohan Gupta: The EMDs and all of those would be that INR35 crores, INR36 crores, right?

Rahul Shah: Yes. And some retention deposits are also there. And they are of large importance as well looking to the growth of the company.

Rohan Gupta: Okay. And sir, what is our bid pipeline? Like I think you mentioned order book is INR228 crores out of which we are expecting to execute at least 70% to 80% in FY26, right?

Rahul Shah: Yes.

Rohan Gupta; So what is our bid pipeline? Like we say bid for INR300 crores worth of orders and what is the average success ratio we have had in the past?

Rahul Shah: So see, I don't think I will be able to speak much about the success ratio in terms of bidding. But somewhere around 15% used to be the previous trend. We are basically last year what we achieved somewhere was around 20%. So we are also trying to optimize our bids, give better costs to clients and execute projects in a timely fashion. So this is basically our approximate working for our projects.

Rohan Gupta: Okay. And what would be the bid pipeline like what would be the amount?

Rahul Shah: See, bid pipeline is basically monitored on a fortnightly basis, because we understand that a lot of tenders are going to come out. You also hear that from the government. We are also awaiting these announcements. But once the tender has been actually uploaded only then it comes in our pipeline.

So I think commenting on any pipeline for this year would be inappropriate. What I can say is that we will be growing the order book by 30% from the previous year is the target that I can approximately brief you about.

Rohan Gupta: Okay, so this 30% by say March 26, we are targeting 30% growth?

Rahul Shah: Like see, the order book is updated every monthly. So what I can tell you is that looking to where the company is growing towards. I think when we grow our top line by 30%, everything that comes along with it also grows by 30%. I hope that makes it easier for you to understand the perspective.

Rohan Gupta: So, sir, on this margin front, right, I mean, you mentioned, I mean, if you look at the historical, it's always been 6%, 7%. In this year, it has been 12%. I think it's majorly because of the direct orders that you mentioned. We moved from a subcontracting model to, more of direct orders. So you said that going forward, we'll have similar margins. Will it be in the 12%, 13% EBITDA range or the 18%, 19% EBITDA range?

Rahul Shah: See, I think the margins are not only like you mentioned, one factor where we are getting direct orders. Yes, that is one of the major factors for this as well. However, another factor that you need to consider is that the company never has had direct orders.

And the second thing is that the company has never bid for orders of the tune that it is currently bidding to right now. Like we used to have orders of INR1 crores, INR1.5 crores, 3 to 4 years back. Currently, our minimum order size is somewhere, it starts from INR5 crores to INR6 crores, right?

So your minimum order size has grown. Our maximum order, like we used to have one order of INR60 crores in a year. Today, we have at least 3 to 4 such orders, direct orders. So that is also making an impact. The other impact is that actually, the number of players in EPC line are increasing. But at least in the power and distribution sector, what we see is that competition at after time, it is not as competitive as it used to be. Because this is a difficult business to sustain.

So we have limited competitors in that sense. And everyone has an appetite. So I would say that the competition also plays a major role. I think in EPC division right now, it is very stable also. So that also amounts to our bidding process in some way or the other.

Rohan Gupta: Understood. So next question, in a presentation, we have written acquisition of some transformer manufacturers, right? So have we identified any targets? And, how will we be funding this acquisition? And what would be the approx size? I mean, we don't need exact numbers.

Rahul Shah: So basically, currently, the situation that we are looking to is that there are a lot of requirements for distribution transformers of small scale and mid-scale transformers. So it's one of the ventures that we want to venture into. And we are looking aggressively into some companies for, let's say, for basically entering the segment as well.

But as of now, we have no concrete plans, like you mentioned. We don't have any deadlines for any such acquisition. And we are still basically searching for two things. One is the feasibility of these projects. So we are working on that as to what product to actually select and then what company to maybe have a tie up with or maybe invest in.

And the second thing is that it's one of the segments that we come across where we see that there is a good growth potential as well. So currently, we are in the phase of exploring only. We are not yet finalized on any such company.

Rohan Gupta: Okay, understood. And right now, our order book, like you mentioned previously, INR228 crores is purely from direct contracts, right?

Rahul Shah: Yes, from direct contracts. Like from either private or from government. Yes.

Rohan Gupta: And do we have any fundraising plans? Like, I mean, to fund all this growth, say, in organic plus the organic EPC business. Do we have any fundraising plans?

Rahul Shah: Currently, we are only focused on debt financing. I can say that we are not actively or pursuing any such other fundraising plans unless, like, let's say we have talked with someone, we get a good opportunity. But we are not actively searching for any such fundraising, like you mentioned. Currently, we are looking to debt financing only.

Rohan Gupta: Okay. And is there any, like, sorry, just give me one second. Yes, also, just lastly, on the seasonality, we can assume that it would be a 35% to 65% sort of ratio in H1 versus H2?

Rahul Shah: Sorry, could you repeat the question?

Rohan Gupta: Like, 35% of the revenues come in H1 versus in the first half of the year and 65% come in H2. So is that a proper ratio to assume going forward?

Rahul Shah: I think, yes, I mean, it may change a little bit. But, yes, usually what happens is that because our exposure is into the government industry on a higher end, usually, and even for corporates, this matters. Like, usually what happens is that everyone wants to finish their targets like before 31st March, right? So the first half is usually like a little slower than the second half. That is the trend that we have been seeing over the past 15, 20 years since we have been in the market.

Rohan Gupta: Sir, last question, like we have mentioned a lot around transmission also, substation, EPC also, and Solar Parks. So what is the focus area like, which will be the main segment for us going forward?

Rahul Shah: You have asked a very nice question. But if you look at the company's growth story, let's say, 3 years back, 4 years back, the company got here because of the growth that we got from the building projects. At the same time, we face the challenges of that industry as well, of that particular segment as well.

So right now, the company is banking on all of the criteria that it owns. And we are basically selecting the best tenders financially rather than going after them on a sector-to-sector basis. So let's say you have 5 baskets and we will just put more in the basket which is earning us more at the current time.

So that is the reason why we have increased our foothold in the transmission and distribution segment and are doing the same for water pumping stations as well. So these are the 2 segments that we see that you will see more growth at least in the coming years. We are opting out of building projects at least for the future till we get some good contracts or we see good terms in that.

But that is going to be a low priority for us until we get a good contract, because we are not seeing good contracts in these segments. That is why I am telling you these 2 particular segments we are focused in right now.

Rohan Gupta: Right, understood. Okay, sir. Thank you so much. And all the best.

Rahul Shah: Thank you.

Moderator: Thank you. Next question is from the line of Dhwanil Desai from Turtle Capital. Please go ahead.

Dhwanil Desai: So my first question is as earlier participant was mentioning that our EBITDA margin used to be in that 6%, 7% range. And you mentioned that you moved from building products to the electrical side, and maybe direct contracts and hence the margins have improved. But, as we go for scale and larger projects, typically the competitive intensity also, we have to compete with much larger players there, much more established players.

So do we see that, we should be able to maintain this margin or let's say there are lower margin projects we will give it a pass and only select projects which have this kind of margins?

Rahul Shah: Sir, so a very good question again. Basically, the margins to be expected in the future, we don't see them declining because of two reasons. One is that the major factor is that the competitors, like you said, that when we are growing, we will be facing bigger competitors.

So these big competitors are already there in the current projects as well. For the foreseeable future, at least for the next 5 to 6 years, we don't see a different level of competition happening until the company also has a very different project size and project types selection. So currently the competition is not going to be a factor in basically contributing to EBITDA margins majorly for the next couple of years at least.

Dhwanil Desai: Sir, can you give us a name of some of the competitors that we typically compete with? I understand we have many sectors, many segments, but still to get us some flavor what kind of competition do we have in some of these segments?

Rahul Shah: So, see we have competition from large players like, let's say, Polycab also, like directly manufacturers are also competing against us in some tenders. In some cases, we have big companies like RS Infra, who are based in Haryana and are working Pan India. So there are some tenders in which we see competition from bigger players as well.

And locally, we do have regular competition from certain players in certain segments. But when we compete for larger projects, especially at times we can have ABB, Siemens and Hitachi also as our competitors like the vendors whom we buy materials from also as a competition potentially. So these are, I think, some of the major vendors that we face competition with.

Otherwise, the tenders that we are targeting have a lot of local people. So I think it's like we have in AMC, we have Lakhani and some other vendors like such. So if you need a proper analysis of that, I think it would be difficult to give you the exact names of sectors.

Dhwanil Desai: This is useful, sir. That gives the flavor of the kind of players that we compete with. The second question is so currently, since I understand that our home market has been Gujarat, a large part of our revenue and order book has come from Gujarat. Now we are venturing into Haryana or we are already executed projects in Haryana. And maybe you indicated we may go to some other states also.

Again, from this perspective, what we have seen with a lot of companies is that as they venture out of their home market, the lay of the land is very different, the risks are very different, the execution challenges are very different. So how do we intend to manage this risk and isn't it prudent to kind of not go into too many states at the same time, rather kind of capitalize on some of the states, scale up and then look for newer state entry? Is it how you will perceive you going to many states, three, four, five states at a time?

Rahul Shah: So the company has been working in multiple states since almost past five to six years, maybe more than that, a little more than that. So it's not new for us to venture into new territories, first of all. The second thing that you mentioned that that how do we manage that? I think I think any for any PC player who's venturing into a new territory, I think they will assess the risk and only then enter that space, same goes for us.

So new territories, I'm sure that you will not see something like we'll be into like 20 states or maybe we'll have a Pan India presence or maybe in all states. You will not see something of that sort happening very soon or in the coming years. But what we'll be doing is there will be a structured growth. There will be an organic growth is that sees that you that feels organic to the natural.

I like you will understand that okay they are working in three states. Maybe now they are working in four states or five states. You will not see a 10th state in us, like in our order book, in like in just this year or something like that. So venturing into a new territory is not going to be that easy for us as of this year. It is going to be a step by step process and it's going to take its due time to expand into new territories as well.

Dhwanil Desai: Okay, got it. Very useful. And a last question sir so -- again we are moved up in terms of the order sizes, as you mentioned, rightly. Now, as we again move up from here to, let's say, INR100 crores and more kind of projects where we may be eligible and hence bid for it. What kind of differential capability that we need to have, we need to build?

And again, on this side, again, some of the larger risk in EPC as I understand, come from. One is cash flow side of it, whether you collect the cash front and secondly the execution, if you don't execute liquidated damages that you incur on that. So as we go into larger projects, how do we manage those challenges?

Rahul Shah: So first thing is that the challenge that you mentioned is of, let's say, the cash flow or maybe the execution time and all of that factoring in. So we do it by only two to three things that the company needs to take care about. And we are already working behind that. One was improving your financing and financing costs. And basically streamlining and putting caps on your debt financing. So we have done all of that.

If you if you look to this particular year, like this running year, I think you'll see a reduction in bank banking costs as new banking approvals have come in for us. Lower rates are being offered to us. So one is that on an overall basis, your financing becomes the most important and critical thing in a company's development.

So I think that we are basically going to grow a little conservatively. However, we are getting good financing options. The company is trying to improve on that. So by monetizing on that, first of all, we are basically keeping that cost and risk in control. Second thing, like you said, if we are doing multiple projects of that nature, the company will not do so without assessing the same risk.

Also, I would like to point out one thing that the departments in which we are basically currently working in, we are not facing any major challenges in terms of payments, like the payments are being done in time. And like rarely in a year, maybe we may have a crunch for, let's say, a month or something, but we barely feel that right now because of the MSME rules that are there in place.

So currently we are under that umbrella. So we are enjoying that. And I don't think the third thing that I would say is that we will be placing, we are basically investing in manpower currently in skilled, unskilled and highly efficient managers also. So that is one sector where we as EPC players want to remove the risk of potentially not being able to complete a project in time.

So for that, we are heavily investing in teams right now. And I think the risk from that end would be absolutely negated in the coming quarters.

Dhwanil Desai: And lastly, so, let's say, three, four, five years out, do we see ourselves at a INR500 crores revenue kind of company? Again, not a guidance, but aspiration perspective that is how you look at it. And to reach that, do we need to move away from this electrical and ancillary kind of EPC into some other areas like mechanical, civil, etcetera or do you think enough opportunities for us to scale to that level within the kind of area that we operate in?

Rahul Shah: A very good question you put up again. So if our tenders are being analyzed from a perspective of the past five, six, seven years and to today's work that we do. So we have already incorporated civil works in all of the electrical installations already. So we are also targeting civil works for these premises as well.

Currently, we are not focused into any building projects as to the diversification will not be in civil works that I want to make sure as a prime item or as a prime sector. Civil works for anything and everything that comes along with the EPC in the segments that we are doing, we'll do those.

We are not going to venture into, let's say, building projects or something like that in civil works. The company, those companies, like I'll give you an example of a good one like PST, they have very different financial structure. And the financing requirements of a civil company are very different to ours.

So we are not going to venture to that tune in those segments. But yes, the growth will happen when we include civil EPC in our projects. And we are already doing that.

Dhwanil Desai: Got it. And lastly on that INR500 crores, are we aspiring for 3, 4, 5X kind of a scale of a company timeline maybe where we will see a five year follow up?

Rahul Shah: Yes, of course we are. Yes, we are absolutely aiming for that. We are also aiming for our investors to basically earn a lot from what they have invested in and what they have put faith in. And we are very aggressive in terms of growth right now. That aggression, of course, does not translate to booking projects at the wrong price, but yes, we are very aggressive and growth is going to be organic.

That's all that I can say in a short thing to you. But like you said, like let's say INR500 crores or maybe any number that you put up, I'm not going to put up numbers. But we are going to grow aggressively.

Dhwanil Desai: Got it. Very helpful. I wish you all the best.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I would now like to hand over to Ganesh Nalawade for closing comments.

Ganesh Nalawade: Thank you everyone for joining the conference call of HEC Infra Projects Limited. If you have any further queries, you can write us at research@kirinadvisors.com. Once again, thank you everyone for joining the conference.

Rahul Shah: Thank you very much.

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