Afcons Infrastruct.

Operator: Good morning from Arihant Capital. Today is the third day of the Bharat Connect Conference. I would like to welcome everyone to the Afcons Infrastructure Ltd. session. With us from the management team are Mr. Sachin Sharma, Head of Treasury and Structured Finance, and Ms. Trisha Bothar, Investor Relations. This session has two parts: introductions and recent business updates by management, followed by a Q&A session. Participants can raise their hands or submit questions in the Q&A chat box. I now hand over the session to management.

Trisha Bothar – Investor Relations: Thank you. Thank you, Bala. As you are all aware, Afcons Infrastructure is a pure-play, diversified EPC company. We have a rich legacy of about 65 years in this business, and we are one of the few infrastructure companies diversified across sectors and geographies. About 70% of our revenue comes from domestic markets, whereas 30% comes from overseas. We have businesses across urban infrastructure, transportation, surface transport, which includes roads and railways, ports, jetties, underground tunnels, and oil and gas. We are therefore spread across multiple segments.

As you also know, most infrastructure companies in this space are generally focused on one sector. This is the differentiating factor for Afcons. Most companies are promoter-driven, whereas Afcons has truly been a professionalized company run by management. Although the promoters are involved and truly committed to the business, since Shapoorji Pallonji took over the company in 2000, they have ensured that the company is run by professionals. This means that, apart from L&T, we are the only other company that is truly run by professionals.

The advantage this gives us is that the infrastructure business inherently comes with a lot of risks attached, as you all know. When it is run by management and professionals, we have a full set of procedures in place. Every project has to go through its own risk assessment framework, which includes the contractual terms, the funding tie-up, how the cash flows will be, and the geopolitical risks involved. Even if a project looks very lucrative on the face of it, if it does not match any of our risk parameters, we do not proceed with the project. Being a professional company binds us to function within our entire risk framework. We do not take any undue risks.

As you would have seen, post-listing, the markets have been somewhat difficult, and the infrastructure space has seen a slowdown amid considerable macroeconomic uncertainty. However, we are pleased to say that from Q1 onwards, we have had a very good order-book intake. We had given guidance of about 30,000 crores of order intake, whereas we have already secured about 16,000 crores of orders. We are therefore confident of achieving our 30,000 crores order book for this year. This was a brief overview of Afcons, and we are happy to take any questions.

Operator: Thank you, madam. We will begin the Q&A session. Participants can raise their hands or submit questions in the Q&A chat box.

Analyst1: Madam, the first question is regarding UP Jal Jeevan Mission receivables, which remain at 400 crores, with only a small fraction received. What legal and contractual recourse is available to the company, whether through invoking arbitration or relying on government goodwill?

Trisha Bothar – Investor Relations: As you know, UP Jal Jeevan Mission has been a pain point for most of the players. However, some amount of money has started coming in. The UP government

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has changed the contractual terms. Basically, they are not adhering to what was provided in the contractual terms, and they have now said that wherever the entire last-mile connectivity is completed, they will start releasing the payments.

Since we are part of Phase 3, there were three phases announced in UP: Phase 1, Phase 2, and Phase 3. We were participants in Phase 3. As a result, most of our projects are at different stages: some are in the initial stage, some are in the middle, and some are in the final stage of connectivity to the villages. Wherever the projects are about 70%-80% complete, we are proceeding with completion and realizing payment for those projects. With that payment, we are completing the remaining connectivity for the villages.

Accordingly, management has decided that rather than putting fresh money into UP, we will proceed in this manner. That is how we have started realizing some receivables from UP. Sachin, if you would like to add anything?

Sachin Sharma – Head of Treasury and Structured Finance: Absolutely. The government has already assured us that there is a commitment from its side to release payments to the extent of the work that is completed. We have been seeing traction on the ground: with respect to the works that are being completed, they are paying that particular amount. Although the payments are coming in bits and pieces, the flow has actually started on the ground.

Analyst1: Yes, sir. The second question is regarding the Croatia railway project and Vadhvan Port, which are flagship wins. When are the projects expected to start, and when are they likely to be completed?

Trisha Bothar – Investor Relations: As you know, we have only recently won the Croatia project. Design and mobilization have started.

As you are aware, for any new infrastructure project, it takes about 6 to 7 months to get into full execution mode because that period goes into design, mobilization, and the initial preparatory works. That has started for Croatia. The main execution will begin from FY28 onwards.

For Vadhvan, similarly, the commencement date has not yet begun. Our main work at Vadhvan is the breakwater. To move the equipment for the breakwater, we need the initial approach road. That road has not yet been provided to us by the government. Once that part, or some part of it, is provided so that we can start moving our equipment, execution can begin. Therefore, even at Vadhvan, we expect execution to start next year.

Analyst1: Yes, madam. The next question is regarding the order inflow guidance of nearly 30,000 crore in FY27. We have booked nearly 15,700 crore, and the remaining amount is expected in Q3 or Q4. Which segments can we expect to contribute the major share?

Trisha Bothar – Investor Relations: We are quite confident of achieving our 30,000 crore order-intake guidance, as we have already achieved more than 50% of it. We also have a very good pipeline, with several projects at the final tender-opening stage.

Sachin Sharma – Head of Treasury and Structured Finance: In fact, the orders that we have planned for this particular financial year make us very optimistic, and this particular number will certainly be

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achieved in all respects.

Trisha Bothar – Investor Relations: The 30,000 crore order-book guidance that we have given is a number we are quite confident of achieving. There are two or three factors that give us this confidence. First, we have already secured about 50% of this order book in the first half, in the first quarter itself. There are also several projects at the finalization stage, where tenders are due to open, and we are confident that we may secure some of these projects.

The pipeline of about 1.5 lakh crores that we mentioned in our Q1 presentation is quite robust. This gives us the confidence that we should be able to achieve this number easily during this financial year.

It is difficult to say exactly which orders will come in Q3 and which will come in Q4. However, we are hopeful that we will secure some orders in Q3 and some in Q4. We should therefore be able to complete this order-book guidance.

Regarding the segments, I think the orders will be fairly spread across segments because we have submitted tenders for roads, railways, metros, and some port projects as well. Therefore, the orders should be spread across segments.

Analyst1: The next question is regarding debt. We are planning to take it close to 3,500 crore by the end of {? FY27 ?}, despite incurring capex of 700 to 800 crore this year. How will we fund this capex, and how do you view the debt profile in FY28 and FY29?

Rishika: Regarding the debt part, as you rightly said, we are expecting gross debt of about 3,500 for FY27, despite having incurred capex of about 700 to 800 crores. When we say this, we are targeting significant collections, along with the release of stuck receivables.

Currently, about two-thirds of the debt structure is working-capital debt and one-third is term-loan debt. By the end of the year, you will see a shift in this combination. We expect about 50% term-loan debt and 50% working-capital debt. You will therefore see an improvement in net working capital, led mainly by two things: first, the release of stuck receivables; and second, the mobilization advances that we will receive for the newly won orders.

Analyst1: The next question is regarding the export side. What is our target in terms of the mix between India, Africa, the Middle East, and Southeast Asia? How are we managing currency risk as well as payment security in markets such as Bangladesh?

Rishika: I think you have asked two or three questions. One is regarding the mix. We do not really provide a country-wise mix, but the general target is about 30% overseas and 70% domestic. Over the last couple of years, the overseas share had declined because of lower intake of overseas orders. However, with the Croatia order coming in, this mix has again moved to about 25%-75%.

We are also targeting a couple of additional international orders during this financial year. Therefore, this year the mix may be 40%-60%. However, our long-term stated goal and target is to maintain the ratio at about 30%-70% between overseas and domestic.

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These orders will be spread across the countries you mentioned. These have always been our focus geographies, where we have already executed a significant amount of work, whether in Africa, the Middle East, neighboring countries, or Southeast Asian countries. These continue to be our focus areas. Our recent entry into the European market also opens up more opportunities for us in that region.

Sachin Sharma – Head of Treasury and Structured Finance: In addition, regarding the foreign-currency exposure you asked about, the majority of our projects will always remain either in dollar currency or in euro currency. We do not take domestic-currency exposure in any manner. Similarly, all our expenditures are also tagged to the same currency as the currency we receive. This gives us a natural hedge.

This allows us to manage the volatility that we would have faced had we taken exposure in the domestic currency. Therefore, this is completely secured in all respects.

With respect to our overseas exposure, we ensure that the projects are primarily funded by multilateral agencies, and we execute projects only for sovereigns. We also ensure that the entire financing tie-up is completed before we start a particular project.

Specifically with respect to Bangladesh, which was the question you asked, the projects are funded by the Government of India. Although all the work is being carried out in Bangladesh, the payments are released by EXIM Bank of India, the nodal agency, directly to us in our accounts in India.

Rishika: There are therefore no payment issues in any of the overseas projects. We make sure that the entire funding is tied up before we undertake any of these projects.

Analyst1: The next question is regarding African markets. Most of the equipment is owned because of the nine-month equipment payback, and rental costs, especially for equipment, are higher. Despite having owned equipment, how do you view the order book and pipeline in the African market? How do we compete with Chinese or {? Turkish ?} competitors?

Sachin Sharma – Head of Treasury and Structured Finance: The majority of all the projects we undertake in Africa are directly for sovereigns. We also target EPC plus F projects, where we facilitate financing for those particular projects for the sovereigns.

There is competition in Africa from Chinese and Turkish players. However, in many cases, we are targeting projects where we have substantial exposure and expertise. For example, we have an African national record for the fastest-completed port project in Africa. We are therefore looking at certain port projects there.

We also have good experience in completing a significant number of bridge and road projects there. That is where we have an appetite. We have men and machinery available that can be moved from one country in Africa to another as the work progresses. This provides us with a clear advantage in terms of completing projects.

Analyst1: The next question is regarding overseas projects having margins that are 200 to 300 basis points higher than those in the domestic market. If overseas revenue exposure increases, how do you view the margin profile at the EBITDA level? Conversely, if domestic projects, especially JJM

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and Bangladesh, continue to drag, how do you view the downside risk to margins?

Rishika: On the margin side, we have always maintained that margins have to be viewed at a portfolio level. When you consider all the projects together at the company level, some overseas projects will have higher margins, as you mentioned, while some projects, such as road projects, will have slightly lower margins.

Even after taking all precautions and being very careful in selecting projects, we will have a few instances such as JJM, which can create a drag for some time. Taking everything into consideration, we have always maintained and guided that we expect margins to be at 11% plus.

Although margins have been slightly lower this year, going forward, we continue to maintain that 11% margins are what we will be targeting.

Analyst1: Is there any outstanding arbitration claim amount or any amount expected this year or next year? Is there an expected timeline for resolution?

Rishika: Bala, arbitration is an ongoing process. As we keep mentioning, there is a certain amount of arbitration that remains outstanding. As and when the matters come up for hearing, we get to know the status.

Every year, there will be some amount of arbitration awards coming in. It is difficult to identify a number and determine in which quarter it will be received. However, it is an ongoing process, and every year you should see some amount of arbitration award.

Analyst1: The next question is regarding the tax rate. In Q1, the tax rate was higher because of losses in JV subsidiary entities and turnover-based taxation in Bangladesh. When can we expect the tax level to normalize?

Sachin Sharma – Head of Treasury and Structured Finance: We would not be able to provide guidance on the tax rate on a quarter-on-quarter basis. It is more appropriate and more comparable to assess it on a yearly basis.

Analyst1: Sir, could you please repeat that?

Sachin Sharma – Head of Treasury and Structured Finance: I am saying that a quarter-on-quarter comparison is not the right basis for comparison. We can always assess it on a yearly basis, and we are working towards that. In this financial year, it could be more or less in the same range and at the same levels.

Analyst1: I think most of the questions have been answered.

Rishika: Okay, Bala. Then we can close?

Operator: Yes, madam. I would like to thank management and the participants for participating in the Bharat Connect Conference. Rishika madam, Sachin sir, do you have any final closing remarks?

Rishika: No, I think that is all. Thank you so much for showing interest and attending. You will see that the order-book guidance we have mentioned will be achieved, and hopefully we may be able

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to surpass it. We are looking forward to a better second half. Thank you so much, everyone.

Operator: Thank you, madam. Thank you, everyone. We are closing the session.

Sachin Sharma – Head of Treasury and Structured Finance: Thank you, Bala.

Rishika: Thank you, Bala.

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