Date: June 02, 2025

To
BSE Limited
Corporate Relationship Dept.,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai 400001.

To
National Stock Exchange of India Ltd
Exchange Plaza, Plot No. C/1, G Block,
Bandra-Kurla Complex,
Bandra (East), Mumbai 400 051.

Scrip Code: 544280

Symbol: AFCONS

Subject: Transcript of Q4 & FY25 Earnings Conference Call

Pursuant to Regulation 30 and 46 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the Transcript of the Q4 & FY25 Earnings Conference Call held on Tuesday, May 27, 2025.

The aforesaid Transcript is also being uploaded on the website of the Company:

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

Thanking you,

Yours faithfully,
For Afcons Infrastructure Limited

GAURANG MAHESHCHANDRA PAREKH
Digitally signed by GAURANG MAHESHCHANDRA PAREKH
Date: 2025.06.02 16:04:03 +05'30'

Gaurang Parekh
Company Secretary and Compliance Officer
Membership No.: F8764

"Afcons Infrastructure Limited

Q4 & FY '25 Earnings Conference Call"

May 27, 2025

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

MODERATOR: **MR. ANUPAM GUPTA – IIFL CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to the Afcons Infrastructure Limited Q4 and FY '25 Earnings Conference Call, hosted by IIFL Capital. 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 star then zero on your touch-tone phone.

Please note that this conference is being recorded. I now hand the conference over to Mr. Anupam Gupta from IIFL Capital. Thank you and over to you, sir.

Anupam Gupta: Thanks, Manav, and welcome everyone to the discussion with the management of Afcons Infrastructure Limited. From the management, we have Mr. Subramanian Krishnamurthy, Executive Vice Chairman for Afcons, Mr. Paramasivan Srinivasan, Managing Director, Mr. Ramesh Kumar Jha, Chief Financial Officer, and Mr. Hitesh Singh, Head Corporate Strategy. To start off, I will hand over to the management for the opening comments post which we will have a Q&A. Over to you, sir.

Subramanian K: Good afternoon, ladies and gentlemen. I am pleased to welcome all of you to the Q4 and FY25 earnings conference call of Afcon Infrastructure Ltd. Our financial results and investor presentation have been uploaded on the exchanges, and I hope you had a chance to review them.

As told, joining me today are Mr. Paramasivan Srinivasan, Managing Director, Ramesh Jha, Chief Financial Officer, and Hitesh Singh, Corporate Strategy Head. Let me begin with a brief overview of our performance. Afcons reported a Q4 FY25 total income of INR3,387 crores compared to INR3,809 crores in Q4 FY24. For the full year, the total income was INR13,023 crores, slightly below the INR13,647 crores recorded in the FY24.

This marks only the second time in a decade that we have missed our budgeted turnover with the COVID year being the prior exception. Our top line faced headwinds from challenges such as cash flow constraints in Jal Jeevan mission projects, political instability in Bangladesh and delays in project awards, and L1 to LOA conversions.

While we took proactive steps to address these challenges, their scale impacted our performance. Our CFO will elaborate on these factors. Despite these obstacles, our disciplined financial management and robust cost controls enabled us to deliver strong profitability metrics.

Turning to our profitability metrics now, EBITDA for Q4 stood at INR415 crores compared to INR482 crores in Q4 FY24. For the full year, EBITDA margin improved by 120 basis points, reaching 12.8% compared to 11.6% last year. FY EBITDA stood at INR1,662 crores, registering a 5% year-on-year increase.

Profit after tax for Q4 FY was INR111 crores compared to INR145 crores in the same quarter last year. For the full year, PAT stood at INR487 crores, reflecting an 8% growth over FY24. On the debt side, total debt at the end of FY25 stood at INR2,285 crores, down from INR2,455 crores. In FY24, our debt-to-equity ratio correspondingly moderated from 0.68 to 0.42. There were several notable developments during the year.

Crisil rated companies banked loans and assigned AA- with a stable outlook for long term and A1-plus with a stable outlook for the short term. Upgrades from the earlier rating of A1-plus in the long term and A1 in the short term.

This reflects our strong execution capabilities, healthy business profile and consistent performance to complete in complex infrastructure projects across geographies. We were also included in the MSCI India Domestic Small Cap Index as well as Nifty 500 and Nifty Small Cap 250 indices, further validating our growing relevance in the capital market. Our project execution trend, we completed many projects for which you received a completion certificate.

97 km Ghana Railway project, the longest in Ghana, the East-West Kolkata Metro India's first under-river metro tunnel, the Tirupati Smart City project, a water supply project in Zanzibar, Pitch 2 of Nagpur Metro Rail project featuring India's first four-level viaduct. In addition to project execution, we continued to build institutional strength and industry leadership. Afcons was recognized among India's top 500 most valuable companies in the 2024 Burgundy Private Hurun India 500 list.

We also received several prestigious awards, reaffirming our position as a company committed to knowledge, innovation and engineering excellence. Our seventh consecutive MIKEAward for knowledge management, the IEA Industry Excellence Award in the Platinum category received fourth consecutive year and recognition as India's 75 most innovative companies by CII. Safety is a non-negotiable priority at Afcons and we continue to elevate our safety standards to meet global benchmarks.

One of our projects in Liberia received a procedure five-star golden award and a safety shield from the National Safety Council of India. Additionally, the British Safety Council conferred international safety awards for two of our projects in Bihar and for package ships in Delhi-Meerut RRTS project. Eleven other projects were recognized for safety excellence by the World Safety Organization and the Indian Chamber of Commerce.

In line with our focus on improving efficiency, we are making investments in adoption of emerging technologies and digital transformation. We expect to reap the benefits of these investments in the near future. We reaffirm our commitment of creating value for our stakeholders, customers and shareholders and we wish to thank you for all your support and trust.

I now hand over the call to our Managing Director Mr. Paramasivan Srinivasan who will share deeper insights into our strategic developments and future roadmaps. Thank you.

Paramasivan Srinivasan: Thank you Mr. Subramanian. Good morning everybody. It is my pleasure to welcome you all at the Q4 and FY25 Earnings Conference call of Afcons. We truly appreciate your continued interest and support in our journey. Financially, 25 has been a mixed year for the company. While we have seen a post-election slowdown that continues to linger, the government's commitment to infrastructure development remains strong as is evident from the union budget.

Geopolitical uncertainties have posed challenges impacting supply chains and in certain cases project timelines also. The ongoing tariff tensions are altering global business landscape though the long-term implications are still unfolding. That said, we have seen some positive momentum on the ground and remain optimistic about the medium-term outlook.

Despite these headwinds, we are confident about our growth trajectory. For FY26, we are targeting a top-line growth of 20%-25% with new order booking in the range of INR20,000-INR25,000 crores, excluding more than INR10,500 crores of L1 orders. Regarding the conversion of these L1 projects, we expect letters of acceptance from two Pune ring road projects aggregating INR4,788 crores, Rajasthan water supply project of INR427 crores, two Nagpur-Gondia projects and all these in the first quarter of the current year.

In addition to the robust top-line growth, we also aim to maintain healthy EBITDA margins and while we had guided at 11 plus last year and delivered about 12.8, we continue to guide 11 plus for the current year as well. Despite a temporary slowdown, we remain optimistic about robust infrastructure demand in India and globally.

Domestically, alongside the government's ongoing infrastructure priorities, we anticipate increased investments in border infrastructure, connectivity projects such as roads and tunnels as well as accelerated focus on the hydro sector. Afcons with its diversified expertise and proven execution track record is well positioned to drive these initiatives and support India's infrastructure and strategic goals.

Internationally, we see emerging opportunities in our focus region including Africa and some of our neighboring countries as well. Apart from that, there are definitely some positivities in the Middle East and Saudi. We have explained on multiple occasions how and why we have reduced our exports in the Middle East. We are now working on select opportunities in Saudi and Dubai, partnering with strong local players to capitalize on evolving market dynamics.

As of March 31, 2025, our pending order book stands at INR36,869 crores, highest in Afcons' history. And it's roughly about 2.9x of our turnover. We recorded strong order flows. We have always maintained that this thing we will maintain between 2.5 to 3.5x while outer limit could be 4x. We recorded strong ordering flows of INR15,960 crores and we are confident.

We have already explained the L1 status. We also made strategic entries into new segments and geographies, Afcons entered into water supply tunnel segments through two projects awarded by CIDCO and MCGM. We have also bagged our first marine project with prestigious client DP World, further diversifying our client base.

Notably, we completed the incorporation of our joint venture company in Saudi Arabia with a local partner and plan to commence project bidding activities soon. In conclusion, I would like to reiterate that Afcons is strongly positioned to capitalize on emerging opportunities in the infrastructure sector.

With a healthy order book, robust business development process and a solid execution track record, we are confident of delivering sustained growth and long-term value for all our stakeholders. With this, I conclude my remarks and now hand over the call to Mr. Ramesh Jha, our Chief Financial Officer, who will take you through the financial performance in detail. Thank you all.

Ramesh Jha: Thank you, sir. Good morning everyone. Before getting specific into the numbers, I would just like to clarify that company is into business of construction, the margin in a quarter varies based on the nature, type and quantum of work executed. So, quarterly results may vary in different quarters and may not be indicative of annual results or trends.

Now, to the specific numbers in Q4 FY25, we have done a total income of INR3,387 crores as against in Q4 2024, INR3,809. So, the Q4 number on year-on-year basis has come down 11.1% and as compared to Q3 FY25, the number is 1.7%, it has gone up. And, in terms of full year number, the total income is INR13,023 crores as against FY24, INR13,647 crores.

So, on a full year basis, the number has come down 4.6%. Now, if we talk specifically on the revenue, Q4 we have seen generally there was a delayed payment. Payments were not very smooth from many customers. We witnessed funding requirement from many projects at the same period of time in Q4.

This was not possible because of at a time requirement to fund. Under the circumstances, we decided to balance between funding growth and maintaining liquidity. So, we funded projects up to a limit, but we had not gone beyond a point to avoid overexposure in any project. Usually, we have seen that in Q4, we do at least 15% to 20% turnover more than what we do in Q2, Q3 backed by smooth payment from customers.

This gives us benefit of economies of scale and improves the profitability in Q4 and then the impetus is on the full year as well. However, for the full year, we achieved a turnover of 13,000 crores which came down from the previous year top line. This year, we could not achieve the planned turnover on an overall year basis because we could not do the planned turnover in our project in Bangladesh because of the reasons you all are aware.

Jal Jeevan Mission, we had seen bill certification and payment related issues. So, this has impacted the Q4 turnover and this has also impacted on the overall profitability usually in a year when I said that in Q4, we do 15% to 20% more than not only in the quarter, on overall year, it gives the benefit.

So, these were the main reasons for top line. Now, as far as revenue guidance, MD has already talked about. So, in FY2025, we have booked around rupees INR16,000 crores of order and we are L1 in project worth INR10,600 crores. We are targeting to better the order booking in FY26 as compared to 2025.

Therefore, in FY26, backed by the strong order book we have and the kind of order booking we are looking at, we are looking at a top line growth in the range of 20% to 25%. On a medium to long term horizon, we would like to sustain our long term CAGR achieved of around 15%.

Now, moving to EBITDA, during the quarter, we have done INR415 crores of EBITDA which is 12.2% and this if we correspond with the previous year Q4 where we had done INR482 crores, 12.7%. So, the number has come down from the previous year and if you look at the same number from the Q3 of this financial year where we had done INR448 crores, from that also the number for the Q4 has come down.

On an overall yearly basis, if we see, we have done INR1,662 crores of EBITDA as against INR1,583 crores in the previous financial year. So, the overall year EBITDA has gone up by 5%. And in terms of percentage, FY25, we have done 12.8% as against FY24, 11.6%. Now, EBITDA, in our EBITDA calculation, we consider BG commission as part of our operating expenditure.

So, EBITDA that we are talking about is after removal of BG commission as expenditure whereas we understand that the market considers BG commission as part of interest or finance cost. Hence, if you consider that way, then the EBITDA will increase to the extent of INR168 crores which works out to be 1.3% of the total income. So, what we are talking about 12.8%, it will go to 14.1% whereas at the same time, the market removes the other income.

So, that is another nuance which one needs to factor. As far as other income is concerned, our EBITDA calculation, what we have talked about 12.8% includes other income as part of revenue. Here, we have explained earlier also that our other income needs to be understood in the perspective of our business. Arbitration interest, foreign currency exchange and miscellaneous incomes are recurring and very integral to our business.

Hence, these needs to be considered as other operating income. So, for the full year, the total operating income is INR474 crores. Now, when we have talked about EBITDA, I would also like to clarify that construction is full of contingencies. Our endeavor will be to save on those contingencies or optimize those costs, but many a times, we may not be able to save those contingencies.

Hence, our guidance will remain around 11%. Now, moving on from EBITDA, if we look at the profit before tax, for the Q4-25, we have done INR184 crores as against we had done INR207 crores in the previous Q4-24. And in the previous quarter, Q3 of 25, we had done INR200 crores. For the full year, we have done INR710 crores as against INR673 crores done previous year.

So, on a full year basis, the profit before tax has gone up by 5.6%. And in terms of percentage, for the full year, it is 5.5%, whereas last year we had done 4.9%. Now, from EBITDA to profit before tax, we would like to clarify that finance cost during the year, we have seen that the payments were not forthcoming as smoothly as one would have expected. Payments in Jal Jeevan Mission projects were not coming.

We hardly received anything in UP projects full year. And in MP projects, it was coming with lot of raffling . We witnessed overall stretch across the spectrum in payment. This resulted in higher average borrowing during the year. Because of this, interest cost has gone up. This year, our international order booking is low where the advances are higher and all the advances are interest-free.

Coupled with this, new interest-bearing advances we received has elevated the interest cost on client advances, taking the overall interest cost high. Usually, 20% to 25% of our total advances are interest-bearing, but of the new jobs we have received during the year, 75% of the projects were having advances with interest-bearing cost. So, because of this, our interest cost on an overall basis has gone up. And that is why the PBT number is at INR710 crores.

Now the PBT is also, after considering the accelerated depreciation, because we continue to account for accelerated depreciation on our TBMs. Of the total INR491 crores of depreciation, around one-third is on account of accelerated depreciation. So that also needs to be factored when we look at the PBT number or any return we calculate.

Now, moving on, profit after tax. For the full year, we have done INR487 crores and as against INR450 crores done in the last year, it has grown 8.2%. And if we look at the specific for the quarter, INR111 crores we have done in Q4 '25 as against INR145 crores we have done in the last year Q4 '24 and INR149 crores done in Q3 '25.

Now, another important aspect one may look at that, if you look at the tax rate as a percentage, it is working out around 30% or so. So, the tax rate on Afcons profit, if we look at Afcons plus its joint ventures, the tax rate on Afcons profit is around 27.5% only. This is on account of our JVs. And of course, this 27.5% is also higher than the normal, one would expect 25.17% normal tax rate. So, this 27.5% is higher because our JVs pay tax in the range of 35% to 36%.

Second, in some overseas locations like Bangladesh, some African countries, the turnover is charged at the turnover. So, in such a situation, if you don't make profit above the threshold, your tax deduction needs to be charged as an expenditure. So, that also takes the tax rate higher.

Now, when I talk about Afcons plus JV, the rate is 27.5%, whereas on a consolidated basis it is 30%. So, in some overseas subsidiaries, we had to make some provisioning on a conservative basis and that is how the profitability has come down. And if you look at on a consolidated basis, the tax rate is appearing higher. Otherwise, Afcons plus JV, the tax rate is only 27.5%.

Now, moving on, if you look at some of the return ratios, so return on capital employed, we have done 17%, as against we have done around 20% last year and return on equity as against done 13% last year, we have done 11%. So, capital infusion has increased the capital base, but operations are yet to elevate.

Hence, returns in FY '25 is 17.28% on ROCE basis as compared to previous year 20.18% and we have clocked in around 11% ROE. So, and at the same time, I would like to clarify that these returns are return on equities after the accelerated depreciation. So, once the business elevates, these returns will go back to the normal levels what we were doing earlier.

Now, on the debt basis, at the year end FY '25, our debt has come down to the levels of INR2,230 crores on a gross basis and INR1,486 crores on net basis. On net basis, debt equity is working out around 0.28x of the net worth. On gross basis, the debt to equity is around 0.42x. So, this is, I think very excellent debt matrix if one would have looked at.

In terms of net working capital days, so net working capital is at an elevated level of 113 days. We are witnessing delays in certification of the work done and release of payment in some projects. This has led to the increase in uncertified work done, leading to jump in working capital requirement.

Most of the projects got all the billed amount cleared by the year end, but Jal Jeevan Mission remained to be an exception, wherein overall around INR500 crores worth remained outstanding. This itself is close to 14 days of working capital.

Another important point to note is the recent advances we have received. All of it is classified as non-current advances. So, roughly 25 days equivalent funds, which is otherwise available to us, is not getting factored in the net working calculation cycle.

Just that the recovery of those advances will start only after 20% to 30% of the project completion. All these advances are getting classified as non-current. Effectively, we need to see the net working capital adjusting for those 25 days as non-current advances, not the full amount, but the incremental from last year. So, this is on the net working capital front.

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

Moderator: Sir, should we begin the question and answer session?

Ramesh Jha: Yes.

Moderator: Thank you very much. We will now begin the question and answer session. We have our first question from the line of Aditya Bhartia from Investec. Please go ahead.

Aditya Bhartia: So, my first question is on the provisioning that we have done in this year. We can see from the cash flow statement that there appears to be elevated provisioning this year. So, which project does it pertain to?

And the related question is on the unbilled WIP part, that given that it has increased a lot this particular year, you mentioned about Jal Jeevan Mission. Are there other projects also that are not getting certified? And within Jal Jeevan Mission, what is your expectation? How exactly does this issue get resolved? I'll come back to the second question.

Ramesh Jha: Yes. So, see, as far as provisioning is concerned, there is an accounting standard on the ECL and recently there was a guidance also on the ECL. Basis that, we have formed a committee and the committee looks at the overall whatever contract assets we have and the receivables we have.

Basis that, we have taken feedback from the committee and accordingly we have gone ahead with it. So, it is not specific to one project. It is across projects, wherever we have deemed fit, we have provided for that ECL provisioning. So, that is in line with the accounting standard. So, this is one.

On the contract assets or unbilled revenue, so, as I said that we have not gone overboard in funding the Jal Jeevan Mission project. We have funded to an extent and beyond that we have not gone ahead. In Madhya Pradesh project, we have received maybe around 50% of the payment before March and sizable payment was released in the month of April. In UP, we have not seen the payment portion. What discussion our people had with the senior officials at the UP project, they are saying that in June, they are going to release a sizable amount of payment.

Aditya Bhartia: Sure, sir. So, my second question is on the Middle East market, wherein off late you have started speaking a fair bit and it seems that we are looking at certain select opportunities. Just want to understand how the qualification status over there, which are the areas wherein we are qualified, which are the areas wherein we are focusing on it, how exactly are we tying up with the local contractors and what kind of opportunities are we really looking at? How large can that market be for us?

Paramasivan Srinivasan: Practically, we are looking at tying up with a big player locally, where we will have the maximum share of work, he will have comparatively lesser share of work, but in terms of local environment management and other areas, he will be handling. Practically, for every area, we are qualified and some big projects we are already pre-qualified and the proposal has to be made.

We are also looking at a model where some government agency from Dubai or Middle East country, works through a concessionaire and we work as EPC partner for the concessionaire so that some of the contract conditions we have talked about in the past, we can work with the concessionaires to make it advantageous to us. That also we are doing.

In terms of Saudi, we are very much focused on select work to start with and principally the work which are being administered by either the Aramco, SABIC or PIF or some of the Navy related work. These are the kind of work we are focused on in Saudi.

Aditya Bhartia: Understood, sir. And within Aramco, we will be a subcontractor to the main contractor and what about UAE?

Paramasivan Srinivasan: In Saudi, we could be a main contractor also. See, Aramco is not only doing oil and gas now, they are given a lot of infrastructure projects also to be administered. So, we could be the main contractor with Aramco. So, that is something going on. And in terms of Dubai also, we will be the main contractor. If there is a concessionaire, we will be the contractor as a part of the concessionaire.

In 2 years in succession in UAE, we were rated as the best contractor and in Kuwait, we were rated as the best contractor for a year. Therefore, in fact, they have been in continuous discussion with us, why don't you participate? So, we have put certain benchmarks to participate so that our risk is reasonably mitigated.

Aditya Bhartia: Understood, sir. That is helpful. Thank you so much.

Paramasivan Srinivasan: Thanks, Aditya.

Moderator: Thank you. We have our next question from the line of Jainam Jain from ICICI Securities. Please go ahead.

Jainam Jain: So, my first question is, how are we seeing the bid pipeline in India and Middle East in this year?

Hitesh Singh: Yes, bid pipeline looks very healthy. We maintain our bid pipeline for the next 2 years. If you see the next years, we have visibility of focus projects. I mean, if you see the universe is very large, but the kind of projects we focus on is close to INR3.2 lakh crores. Out of that, it's a, I mean, in the same, two-third is domestic, one-third is overseas opportunity. If we look into specifics as in what is the nature of the opportunity we are targeting, around 1.3 lakh crores of the opportunity which we are pursuing are from the urban space, which includes underground metro, elevated metro, bridges, and elevated corridors.

Close to INR80,000 crores of opportunities are from the hydro sector, which includes road tunnels, dams, hydro power projects, and water-related projects. Around INR60,000 crores of the opportunities we see in the next two years are from the surface transport, which is largely into road business, and also in some couple of rail bridges also we are pursuing, and some rail projects outside India we are pursuing. And around INR47,000 crores of the opportunities are from the marine and industrial sector.

And as we have earlier mentioned also, especially in marine, we work with very marquee clients like Reliance, ArcelorMittal, so there are opportunities with these clients as well, both in India and outside. So that's been the pipeline how it is.

Jainam Jain: Okay, sir. And sir, what sort of arbitration income are we looking to get in FY2026, FY2027? I mean, do you have any breakup for that?

Ramesh Jha: Can you come again, Jainam? I'm not clear on the question.

Jainam Jain: Yes. Sir, what sort of arbitration income are we looking to get in FY2026 and FY2027?

Ramesh Jha: Arbitration income, it's difficult to put any number. But usually what happens that every year, we are, we keep track of all the arbitration cases which are ongoing and with some reasonable certainty, we are aware that which all awards are going to get fructified during the year. So those awards are factored accordingly, in the projection.

Jainam Jain: Okay, sir. And what sort of debt levels are we looking by the end of FY26? As currently we are at the net debt of INR800 crores, as far as I understand.

Ramesh Jha: So, see, it's difficult to put any number at the moment for FY2026. But what we have talked about always is on a gross debt to equity basis, as you know, we have moved below (inaudible), you know, we will be comfortable maintaining those levels. And on the debt to EBITDA level, we have, we would not like to, make this cross maybe say around 1.5x or so.

So considering those aspects, we are looking at debt, but we are in a very comfortable situation as far as debt is concerned. And wherever there will be a requirement to, put in some capex and all that, we are fully prepared. So to accelerate growth, if some equipment, some other stuffs are required, we are in a very comfortable position to ramp up such, such part.

Jainam Jain: Okay, sir. And sir, my last question is, are there any slow-moving orders in our current order book?

Ramesh Jha: Slow moving orders, it's not that, it's not there. In Bangladesh, we have got a couple of projects and the projects are going slow. And besides that, we have got one project in Jammu and

Kashmir that also is going a bit slow. But, if you look at from the overall order book perspective, those are not that sizable.

Jainam Jain: Okay, sir. Thank you so much and all the best.

Moderator: Thank you. We have our next question from the line of Amol Rao from One Up Financial Consultants. Please go ahead.

Amol Rao: Good morning, Mr. Krishnamurthy, Mr. Jha. Thanks for the detailed presentation. Sir a couple of questions. Sir this Bangladesh project, if I remember correctly, at the IPO time, you all had said that this usually gets classified as a government project because it's funded by the Indian government. Is that understanding correct, sir? I mean.

Paramasivan Srinivasan: Yes. Understanding is correct. It is a government funded project.

Amol Rao: And sir you also explained that usually, I mean, to the extent of the work that is done, which crosses the milestone, we get paid. So ultimately, I mean, if the work stalls or is going slow, I mean, the exposure is less. So, I know you all said that it's an insignificant amount, but could you all put some number to it? Is it possible, sir?

Paramasivan Srinivasan: I will explain that. I will explain Bangladesh situation. We were doing at a point of time four projects, three road projects and one railway project in joint venture with KPTL. And recently, about a month, on 6th of May or so, not even a month, Government of India has approved adjustment within the BOQ for railway project and one road project and the other road project, Government of India has approved variations to the tune of 16.5 million dollars. With that, Government of India stands committed towards completion of these projects.

However, the ground level situation being what it is, one out of three road projects, one project we have, where as the Government of Bangladesh is not in a position to have a rate revision done, which we had requested, we had earlier also conveyed that, that there is, where we have done only survey without rate revision, we refused to do the other work. There, there is an agreement to foreclose the contract, which is in terms of value is not very significant. It's about INR500 crores or so.

So, that will get foreclosed in -- it's already approved by the Government of Bangladesh. Indian Government has to approve it. Package 1 and 2 of road, Package 1, variations have been approved. Package 2, within the BOQ, changes in terms of scope deletion, scope addition or revision in rates, all these are permitted. But even with all these, so we were initially, Indian Government conveyed to go slow, till such time, things are settled at the Government to Government level.

After that, now Indian Government has given the go ahead. That's the reason when our CFO explained, he did explain about a shortfall in turnover with respect to Bangladesh. And now we have started, but we will be going selectively because of internal tussle going on within Bangladesh, which could impact. And at some stage, we could get stuck with something. Therefore, we are very cautious. And we have kept the limited equipments and other equipments, we have already moved back to India. Therefore, we are, our risk exposure is comparative less, if in case of there is an internal political issue. That is the thing which we want to explain.

Ramesh Jha: Amol, just to add here, see these projects are funded by Government of India through line of credit. Now, if you are looking at specific exposure from the Bangladesh project, close to 50 crores we have to receive. All that is retention money. Generally, you know, those are released after the completion of the project. So, we don't foresee any difficulty in getting payment because regular bills, whatever we are, slow progress work we are doing, we are getting it paid.

And just to add, in line of credit projects in Bangladesh, Nepal and Sri Lanka, there has never been any instance where an exporter has done some work and payment has not been given. So, be rest assured that whatever payment is outstanding, we are going to get paid and those payments are going to be released from Exim Bank of India, here in India. So, there are no risk as such from the receivable perspective.

Amol Rao: So, thank you, sir. That was a very elaborate clarification. So, Mr. Krishnamurthy just mentioned that there was approximately a INR500 crore closure that will move out of the order book at some point in time whenever the project is closed, right?

Ramesh Jha: Which INR500 crores, sir?

Amol Rao: Sir, you said that there was a road project for INR500 crores project foreclosure, which has been approved by the Bangladesh Government, which is to be approved by the Indian Government. So, once that happens, that moves out of the order book? Is my understanding correct?

Management: That will be removed, sir. That is already removed from the order book.

Amol Rao: Okay, it's already removed. All right, sir. Sir, thank you so much, sir. Wish you all the best, sir.

Moderator: Thank you. We have our next question from line of Amis Thang from Fullerton Fund Management. Please go ahead.

Amis Thang: Hi, my name is Amis from Fullerton Fund Management, Singapore. I wanted to ask two questions. Just to follow on from the question on Bangladesh, what is your total risk exposure? Is this INR500 crores which you talked about and has been removed from your order already?

Ramesh Jha: So, see, that INR500 crores worth project we have already talked about that we have removed from our order book. And at the moment, we have got couple of projects, one road project and another rail project. These two projects, we have to do the execution. So, to execute these projects and to limit our risk, what we have done, we have limited our resources to the extent possible.

We have moved our resources and we will do, you know, we will not try to over expose ourselves as far as exposure is concerned. In terms of receivable, just now I have talked about that we have got total INR50 crores, which is close to say INR6 million dollars we have to receive. All this is retention money which is not due, which gets released only on the completion of the project. But at the same time, what I am saying is in case of Bangladesh project, there are no instances where there has been any default in the payment. Because these payments have to be released by Exim Bank of India here in India.

So, those works have already been certified by Bangladesh authority and they have already sent these to the Indian authorities. So, all documented and payment is that it will fall due on the completion. So, we will get that payment. So, there is no exposure, there is no risk of any receivables not getting paid in Bangladesh. And that is where going forward we are taking a very cautious approach.

Amis Thang: Okay. Second question is, could you outline your, I take your point on the 20% top line growth KPI for 2026, FY26. Can you outline EBITDA margin or just margin broadly, what was your expectations over there and the various cost items like, raw material, labor costs, if you could comment on the extent of concentration that we are seeing at the moment. Thank you.

Ramesh Jha: See, next year, of course, when we are looking at 20% top line growth, you know, that will reflect in all the numbers, your EBITDA margin and your return ratios, all will be at a, from the elevated level what we have clocked from this year. But in terms of guidance, we will not be able to talk about all those numbers. What we can talk about is the EBITDA margin we will maintain 11 plus percent.

Amis Thang: I see. And could you comment on the scale of cost inflation that you are seeing at the moment, be it from employee, employees or raw material? How should we think about the scope of cost inflation that you are seeing at the moment?

Ramesh Jha: See, cost inflation, majority of our projects have got a pass-through mechanism because we have that escalation, through escalation formula, we get compensated from the customers. And at the moment, majority of the projects are with the government customer where there is an escalation provision. So, it is not going to impact our profitability.

Amis Thang: I understand. So, it seems pretty difficult, I mean, to get, you guys have 12.8% EBITDA margin, you are carrying for 11 plus. I am just wondering how margins fall for the year. Perhaps you are being conservative. Yes. If you could help us understand this, the scale of EBITDA margins being, you know, 100 basis points lower than year on year.

Ramesh Jha: See, this is where we have talked about in past that our project selection plays a very crucial role. And then some of the risk framework we have put in place, the knowledge management in the organization. So, all that helps right since beginning when we bag the project and when the project goes through this risk management framework and the knowledge in the organization.

So, all that helps to clock the margin we are doing. And that is where if you see, not only this year, every year, say, '22 we had done close to 9.5%, '23 we had done 10.7%, '24 we had done 11.6%, this year we had done 12.8%. So, on a consistent basis, the margins, one we are clocking and year on year basis we are trying to improvise.

Amis Thang: Okay. So, for this year, at least 11%?

Ramesh Jha: Yes. But at the same time, let me just reiterate what I said, that construction is full of contingencies. Our endeavor will be same on, some of the aspects, but not all the times we will be successful. If we are successful, the kind of result we have shown last 3-4 years, if we are not, then, what we are saying is at least, you know, we will be able to do 11%.

Amis Thang: Thank you. Thank you, sir.

Moderator: Thank you. We have our next question from the line of Anupam Gupta from IIFL Capital. Please go ahead.

Anupam Gupta: Yes. So, the first question is on the reason you highlighted for the slower revenue growth in this quarter as well as the lower margins which emanated from that. Does Bangladesh and JJM project fully explain that or are you seeing a slightly broader slowdown in terms of payment and execution? And related to that, have you seen any improvement so far in April, May, in that sense or this continues to remain slow even in the first quarter?

Ramesh Jha: See, usually in April, you will have hardly any payments but we need to understand this from the broader economic perspective. See, everybody was talking about in Q4 that there was a liquidity squeeze in the Indian economy, even the Asian economy people were talking about. But then RBI did lot of open market operations and they were through different means they were trying to infuse liquidity. And we have seen that in the month of May, payments, whatever we had to receive, those payments have come.

So, again, in the economy as a whole, we are hearing that the liquidity is there because even in Q4, banks were telling that, they were facing the liquidity pressure which now they are saying that they are fluxed with the liquidity. So, I am hopeful that, things should significantly improve.

Anupam Gupta: Okay, so basically execution should normalize from first quarter is what you are trying to highlight.

Ramesh Jha: Yes, yes, hopefully.

Anupam Gupta: Okay, okay, understand. And so the second question is on the planned capex and depreciation. So, let us say, what would be the capex number you are targeting for this year? And in terms of depreciation, because there is one third of accelerated depreciation, what sort of increase broadly one can expect in FY26 in depreciation?

Ramesh Jha: See, this year we are looking at, since in FY25, we had planned close to INR1,300 crores of capex, whereas as against that we have done, say, close to INR370 crores, largely because the TBMs for C2 project had not come and also some of the project awards got deferred and accordingly in line with the project award, we have also deferred our capex plan. So, in FY26, we are looking at a capex of around INR1,100 crores. And depreciation, what we had done during this year, maybe we can look at, say, around 10%-12% growth in terms of depreciation.

Anupam Gupta: Understand, sir. And just one last question. So, let us say, of the total INR37,000 crores order book plus 10,000 crores of L1, what proportion is right now under construction and how do you see that changing in the next couple of quarters?

Ramesh Jha: No, sir. This INR37,000 crores of order is fully under execution. This INR10,600 crores, once we get the LOI, we are fully prepared and we will quickly mobilize. So, that will also come under the fold of execution.

Anupam Gupta: Fine. That is all from my side, sir. Thank you.

Moderator: Thank you. We have our next question from the line of Garvit Goyal from Nvest Analytics Advisory. Please go ahead.

Garvit Goyal: Good morning, sir. Congrats for good numbers. Sir, in your opening remarks, you were talking about some temporary slowdown. So, can you elaborate upon that? Because in last concall, we were talking about closing order books of around INR45,000 to INR50,000 crores by March. Citing those ongoing tenders, especially in the L1 project. But we did not end up with that figure. So, I want to understand the key reasons for the gap versus the guided range. Were there any delays in the order conversions and how now that situation is getting improved? Because we are still maintaining our guidance for FY26 as we have given in the last concall. That is my first question.

Paramasivan Srinivasan: I'll just explain that. In terms of our pending order book of between INR45,000 to INR50,000 crores, we are there with L1, but we are not there without L1. That is the reality. And the L1 jobs, some jobs we became L1 as early as in September and some jobs in the last quarter.

So, in the normal circumstances, from L1 to award, it doesn't take more than two months, typically. But in this case, what we have later found out is that a proper survey had not been done with respect to Nagpur-Gondia in terms of land acquisition, which they submitted only on 31st March to the government, which is under approval.

Once that approval is done, that job will get awarded. With respect to Pune Ring Road, the cost has gone beyond the estimate and which has been negotiated and closed with us. And they need to get a cabinet approval. And it has gone to the cabinet approval. Land acquisition process, with respect to out of two Pune Ring Road projects, one project has already been completed. And the other project, they have crossed 80%.

Full money is in the bank already for the land acquisition-related expenditure. So, those two projects, once cabinet clears, it will get awarded and straightaway it will start. Nagpur-Gondia, that land acquisition, has to be approved by the cabinet and then it will get awarded. Rajasthan Water Project has been awarded now., It's not awarded sorry, Last week Finance Committee has cleared that. So, any time this week, it could come up.

And Pune Ring Road will come very quickly. And Nagpur Gondia, once the process is approved, they will give an LOI or LOA before they commence. That is what it looks like. Because of that, there have been delays which is not a normal phenomena. Normal phenomena is about two months from the time the L1 is declared. That is the reason, in fact, it is a surprise to us also. So, that is one of the reasons why we had factored in some amount of cost being spent there, which will count as turnover, which has not been done also.

Garvit Goyal: Understood, sir. Secondly, sir, you mentioned like 20%-25% growth for FY26. And medium term, we are targeting about 15% growth. So, is it like we are expecting a slowdown over the upcoming years from the government spending, which is essentially leading to a CAGR which is lower than the growth that we are expecting for next year? Is that understanding correct?

Paramasivan Srinivasan: We have always guided CAGR at 15%. Okay. That is what we have always guided And here, we have been consistently maintaining because of jump in order book in the last year, which ultimately some of these are shifting to current year. And because of that, there will be a jump from 20%-25% from that of the earlier year. The same thing we are maintaining. Even though there has been delay, this thing which also will have an impact, but the base being low for the last year, we still believe that 20% plus could happen.

Garvit Goyal: Understood, sir. That is it from my side, sir. Thank you and all the best.

Moderator: Thank you. We have our next question from the line of Kunal Bhatia from Dalal & Broacha. Please go ahead.

Kunal Bhatia: Yes, sir. Thank you so much for the opportunity. And both of my questions are answered. Thank you for a detailed explanation. Sir, just one thing in terms of the guidance which you have given for the next year, 20%-25%. Sorry for just repeating on that. But what is the risk which you carry of achieving the lower end or slightly below the lower end, 20%? A, if you could also include the geopolitical risk into the same.

Paramasivan Srinivasan: We have considered the jobs coming in very quickly. In the next about four weeks or so, some of these jobs, whatever we are L1, if some of these jobs get further delayed, which is unlikely, then there could be an impact. Because we have originally planned in our original plan from the beginning of the year itself. Now if the order comes, there is a monsoon period for three months, effectively the work will start in October only. That is how you will get some of these jobs' turnover getting reflected in the second half of the year.

And also typically in a construction industry, any big job, first six months, the turnover always goes in establishment, installations and other things. And here we are making efforts to see that we get the turnover done. Therefore, if there is some delay in award of some of these jobs further, again, which is unlikely, then it could impact the turnover below 20% also, growth.

Kunal Bhatia: Okay, but you are at least confident that this time that awards should go through because they are already delayed.

Paramasivan Srinivasan: Whatever inputs what we have from the client side, we do believe that it could happen very quickly. Okay.

Kunal Bhatia: And sir, internationally, in terms of the project order book, any risk you see there, like what happened in case of say a Bangladesh project, any other risk do you carry for any other geography wherein you see that there could be further more delays in terms of either a project execution period or a payment period?

Paramasivan Srinivasan: Currently, wherever there are geopolitical issues, there have been attempts to get into a peace situation by internationally. Therefore, we do expect, except I do not know how far it will take the Indian situation between India and Pakistan. Other than that, I believe that global level, wherever there are issues, this could get settled in due course of time.

And also we have started looking at newer geographies and well in the current year we could be bagging few jobs in newer geographies in some of the Southeast Asian nations and European nations and all. Therefore, geopolitical issues are there, but I think it is getting addressed. Therefore, we believe that the situation will be under control.

In fact, last year our international order booking was low and while our turnover has crossed 30% of international turnover, but in terms of order booking, if you look at it, the pending order book is about 13%-14% only international. Therefore, we should look at increasing it to have a sustainable 30% from the international turnover. Therefore, we are expecting more international presence in the current year.

Kunal Bhatia: And so, my final question is for the Nagpur, Pune ring road and the Rajasthan projects put together would be how much in terms of size?

Paramasivan Srinivasan: INR10,500 crores. INR10,600 (crores).

Kunal Bhatia: All three put together. Fine sir. Thank you so much.

Moderator: Thank you. We have our next question from the line of Parvez Qazi from Nuvama Group.

Parvez Qazi: Hi, good afternoon and thanks for taking my question. So my first question is I am sorry if I missed it, but what proportion of our revenues would have come from the international geography in FY25?

Ramesh Jha: Yes, so Parvez, good afternoon. From international markets, we have done 31% of the total turnover.

Parvez Qazi: Sure. And secondly, a bookkeeping question. What would be our mobilization advance at the end of FY25?

Ramesh Jha: So all advances put together, it is close to INR4,500 crores, both current and non-current.

Parvez Qazi: Thanks and all the best.

Moderator: Thank you. We have our next question from the line of Karan Bhatelia from MAIQ Capital. Please go ahead.

Karan Bhatelia: Hi sir, good afternoon. So my first question is are there any projects proposed in the J&K region which we are looking at regarding the recent water treaty going on?

Paramasivan Srinivasan: I think as the matter is of confidential nature, we will not be able to disclose this. I am sorry.

Karan Bhatelia: Would we be capable enough to take the projects? If you can just guide on that.

Paramasivan Srinivasan: Of the contractors in the country, maximum work done by J&K is by Afcons.

Management: And just to extend the nature of work generally which is being talked about in public is related to dam, hydro, tunnel and road works. And we have done these kinds of numerous projects of these kinds and currently also we have close to five dam projects with us. So capability-wise, there is no challenge.

Karan Bhatelia: Got it. The second question is how do we plan to finance the upcoming projects considering we are reducing the debt-to-equity ratio and also there has been payment delays?

Ramesh Jha: To fund the projects or to run the project, we have got a consortium of bank facilities and we have got a very sizable limit with us with enough headroom. There are sizeable available limit with us. So, we should be taking care of the growth we are talking about from the existing limit.

Karan Bhatelia: Got it. Thank you.

Moderator: Thank you. We have our next question from the line of Parikshit Gupta from Fair Value Capital. Please go ahead.

Parikshit Gupta: Thank you very much for taking my question and for such a detailed presentation and answers. I would like to again talk about the payment realization challenges. I understand that we have had several points from your end in terms of JJM, UP, MP, but it will be really helpful if you could please talk about from a short and a medium-term perspective about the different authorities, how have they been performing in terms of payments. We do have context of liquidity improving, but from a one to three-year perspective, it also helps us define the focus. So, if you could please spend a minute or two on this.

Ramesh Jha: So Parikshit, we have always talked about that what project we take central government agencies or some of the state when we talk about the project, we look at whether the project has achieved financial closure. In international market, we try to see projects those are having funding from some multilateral agencies and some of the private parties with whom we work, we see that how their capability is and we just don't jump for any project if some private party is offering, so we have got established relationships.

So as far as the company's risk framework from the payment realization perspective is concerned, in a detailed manner we evaluate all that. Despite that, this Jal Jeevan mission we have talked about. These were the projects where it was a largely central government funded project and with some small amount coming from the state government and central government was giving budgetary support every year, from there the funds were allocated.

So if you look it from the risk evaluation perspective, it was fully covered, but we are also a bit surprised that even allocation in the budget and despite that there was no allocation, this was some exception. And in some of the overseas project, this geopolitical situation also, it was out of the box, suddenly this erupted and that has impacted the collection cycle. And then in overall economy there was liquidity-related issue and the payments were not as smooth as one would have expected. But I think these are a combination which has happened in a year which was having impact because of election as well.

So I don't think this is going to continue because even in my recent, if I remember recent history I have never come across all the things coming in a single year kind of a situation. So I don't think that this is going to continue and things are improving as far as the overall economy's liquidity is concerned. And we are seeing that the payments are coming even in the Bangladesh project, whatever work we are doing, we are getting paid on a regular basis.

Jal Jeevan Mission, we have got sizable amount released in the month of April from Madhya Pradesh project, UP we need to see. So we are quite hopeful that the situation should improve.

Parikshit Gupta: This is helpful. Just a follow-up. In terms of NHAI, we have for many quarters or many years even seen pressure. Especially with the rise in debt levels and them also deleveraging probably over making payment realizations to the contractors. On an industry wide level, how do you see the situation with NHAI please?

Paramasivan Srinivasan: No, NHAI, anyway the award of jobs have come down. And also further on, many jobs have been moved to PPP basis on BOT basis. And the last several months it has slowed down a bit and therefore and yesterday there was a statement conveying that they have significantly deleveraged the thing, they have repaid some debts and other things.

So as still the debt is at an elevated level, we expect slowdown in terms of award of jobs in NHAI on the EPC basis and payment related delay may not be there, they have been very regular. In any case we don't participate in NHAI related road jobs as of now, till such time the qualification becomes stringent.

Parikshit Gupta: Understood sir, thank you very much for answering the questions and good luck for the current year.

Moderator: Thank you. We have our next question from the line of Balasubramanian from Arihant Capital, please go ahead.

Balasubramanian: Hello sir, good afternoon. Sir, what is the fund based and non-fund based limit as of now?

Ramesh Jha: So we have got total limit of INR20,400 crores and INR1,800 crores in that is fund based limit.

Balasubramanian: Got it sir. So I think right now labor issues were there and cost also rising up especially in India for and is there any impact on existing projects on the margin side and how you are mitigating in upcoming projects?

Paramasivan Srinivasan: Skill shortage is there for everyone. We also face skill shortages. We have tied up with a startup for skill development at various levels including at workman level and the skill development is on a continuous basis we have been churning out people and sending to project sites. In spite of that wherever labor intensive works are there we have issues on this thing. We mitigate as needed by sourcing local manpower and also trained manpower but this problem remains for the industry as as of now

Balasubramanian: Got it sir. Sir on that water related project side how much receivables are there? Because I heard in the industry itself lot of payment issues were there.

Ramesh Jha: Water related projects we have already talked about that we have got INR500 crores of total receivable as on 31st March but sizeable close to INR100 crores or so we have received in Madhya Pradesh project. So that leaves us with the outstanding with UP project only at the moment.

Balasubramanian: So how are things shaping up in the coming quarter for water projects?

Ramesh Jha: In Madhya Pradesh, we don't have any sizable outstanding. So Madhya Pradesh is going to go as usual. In UP whatever discussion we have had we are expecting a large part of the payment getting released in the month of June and then thereafter we will see.

Once the payments are smooth then we don't foresee any difficulty. Anyways in the current budget the government has allocated close to INR70,000 crores for the water related projects.

Balasubramanian: Got it sir. Thank you.

Moderator: As there are no further questions I would now like to hand the conference over to the management for closing comments.

Paramasivan Srinivasan: Thank you very much for all and we request your continued support and Afcons completed 65 years entering its 66 years and we are hopeful of a long term CAGR of 15 % on a consistent basis. Thank you all. Thank you. Thank you everybody. Thank you.

Moderator: Thank you. On behalf of IIFL Capital that concludes this conference. Thank you for joining us and you may now disconnect your line.