

Afcons Infrastruct.

10 August 2026

Operator: Ladies and gentlemen, good day and welcome to the Afcons Infrastructure Q1 FY27 earnings conference call hosted by DAM Capital Advisors Limited. As a reminder, all participant lines will be in 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 the operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Kishan Mundhra from DAM Capital Advisors Limited. Thank you, and over to you, sir.

Kishan Mundhra – DAM Capital Advisors Limited: Thank you, Akshay. Good morning, everyone, and a warm welcome to the Q1 FY27 earnings call of Afcons Infrastructure. To discuss the results, we have the management with us, represented by Mr. Subramanian Krishnamurthy, the Executive Chairman; Mr. Srinivasan Paramasivan, the Managing Director; Mr. Ramesh Kumar Jha, the CFO; and Mr. Hitesh Singh, the Head of Corporate Strategy. At this point, I will hand over the floor to the management for the initial remarks, after which we will open the floor for the question-and-answer session. With that, over to you, sir.

Subramanian Krishnamurthy – Executive Chairman: Thank you, Kishan. Good morning, ladies and gentlemen. I am Krishnamurthy Subramanian. It is a pleasure to connect with our investors, analysts, and stakeholders as we begin a new financial year. Thank you for joining us today and for your continued support and interest in Afcons Infrastructure Limited. Our financial results and investor presentation for the quarter have been uploaded on the stock exchanges, and I trust you have had the opportunity to review them. Joining me today are Paramasivan Srinivasan, Managing Director; Ramesh Kumar Jha, Chief Financial Officer; and Mr. Hitesh Singh, Head of Corporate Strategy.

Let me begin with an overview of our financial performance for the quarter. Afcons reported a total income of {? 2,727 crores ?} in Q1 FY27 compared to {? 3,419 crores ?} in Q1 FY26. EBITDA for the quarter stood at 263 crores, with an EBITDA margin of 9.6%. Profit after tax was 30 crores.

Our financial performance for this quarter was lower than that in the corresponding period last year because several of the challenges we encountered during FY26 continued into the first quarter of FY27. In addition, adverse weather conditions affected the progress of certain marine projects, while land handover at a few project sites advanced more slowly than anticipated.

Execution of some fast-track projects also progressed at a normal pace due to labor shortages, while a few other projects were impacted by pending clearances. We expect these issues to gradually ease, enabling stronger execution momentum over the coming quarters.

During the quarter, we achieved an important milestone. I am delighted to share that the Mumbai-Pune Expressway missing link project was inaugurated on May 1, 2026, marking yet another defining milestone in Afcons' journey of delivering iconic infrastructure for the nation.

The cable-stayed bridge executed by Afcons stands as a centerpiece of this landmark project. Standing as India's tallest road cable-stayed bridge, it is not merely a bridge but a reflection of Indian engineering capability, determination, and execution excellence under some of the most challenging conditions.

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We are proud that the Mumbai-Pune Expressway missing link project is yet another example of the many complex and technologically challenging infrastructure projects that Afcons has successfully executed over the decades.

As we look ahead, we are equally encouraged by the quality of our existing order book, which includes several projects that have the potential to become engineering landmarks in their own right. This reinforces our confidence in the long-term strength of our project portfolio and our ability to continue delivering world-class infrastructure.

Alongside engineering excellence, our commitment to safety remains unwavering. Safety is deeply embedded in our culture and continues to be recognized by leading global and domestic institutions.

During the quarter, several of our projects received the British Safety Council's International Safety Awards with distinction. These recognitions are meaningful because they validate the high standards of safety, discipline, and operational excellence that we strive to uphold across every single Afcons project.

Let me now briefly touch upon the broader infrastructure environment. For some time now, geopolitical developments have weighed on infrastructure investments and project award activity across several regions.

We remain hopeful that as geopolitical uncertainties across key regions begin to ease, infrastructure investment and project award activity will gradually regain momentum globally as well as in India.

Against this backdrop, we continue to pursue opportunities that align with our well-established risk management framework across our core markets in Asia, Africa, the Middle East, and neighboring geographies. Our approach remains selective and disciplined, with a clear focus on sustainable and profitable growth.

As we move through FY27, our priorities remain clear. We will continue to focus on growing the order book, improving collections, strengthening cash flows, and further enhancing and strengthening the balance sheet. These initiatives will provide a stronger foundation for our growth and long-term value creation.

With that, I now invite our Managing Director, Paramasivan Srinivasan, to share his remarks on the business outlook and operating performance. Thank you.

Srinivasan Paramasivan – Managing Director: Thank you, Mr. Subramanian, and good morning, everyone. I extend a warm welcome to all our investors, analysts, and participants joining us today. We sincerely appreciate your continued confidence in Afcons and value the engagement you bring to these discussions.

As Mr. Subramanian highlighted, the first quarter of FY27 continued to be impacted by some of the factors that affected us during the previous financial year, along with certain execution delays across a few projects due to factors beyond our control.

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Liquidity conditions remain tight, and collections continued to be moderate during the quarter. We remain actively engaged with our clients at multiple levels to accelerate recoveries and improve cash flows over the coming months.

Coming to profitability, we reported an EBITDA margin of 9.6% during the quarter. The moderation in profitability was primarily due to lower revenues during the quarter. As turnover improves across projects, we expect profitability to correspondingly improve over the coming quarters.

On the operations front, I am pleased to share that both Tunnel Boring Machines for our Mumbai–Ahmedabad High Speed Rail C2 package successfully commenced their initial tunneling drives as per schedule. This marks an important milestone for the project, particularly considering the challenges it has encountered over the past year.

Having achieved this milestone as planned, we expect the project to move into its next phase of execution, with the TBM main tunneling drives expected to start in the coming months.

Coming to the order book, I am pleased to share that we have begun financial year FY27 on a positive note with healthy order inflows of {? Rs 13,000 crores plus ?}.

Management: We received orders of some {? 219 crores ?} during the last quarter. With these orders, our order book stood at Rs. 43,290 crores at the end of the quarter, providing strong visibility for future revenues.

As of date, our order book for the year stands at 15,700 crores, including orders received up to date. There are no orders pending conversion from LI to an order. The healthy order book position places us well for sustained growth over the medium term.

As these projects progressively move into the main execution phases, we expect improved operational momentum and a gradual strengthening of our financial performance.

It is equally encouraging that these order wins are significant achievements in their own right. The Croatia railway project represents the largest single order ever secured by Afcons, while the Vadhavan port project provides us with the opportunity to construct the world's second-largest breakwater.

These order wins reflect our strategic intent to focus on large-value, complex jobs without compromising our risk framework.

While this is encouraging, we remain equally focused on securing new orders and further strengthening our order book over the year. Our teams continue to actively pursue opportunities across both domestic and international markets, and we remain confident of achieving our full-year order inflow guidance of Rs. 30,000 crores.

This is supported by our healthy bid pipeline of approximately 1.5 lakh crores for the remaining nine months of FY27, and 3.96 lakh crores for the next 2 years across the Transportation, Marine, Hydro, Underground, Water, Urban Infrastructure, and Industrial Infrastructure segments.

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The pipeline is well diversified across segments and geographies and consists of projects that align well with our technical strengths and disciplined risk management framework.

To conclude, while some of the challenges that affected FY26 have continued into the first quarter of the current year, we remain encouraged by the conversion of key orders and the opportunities ahead.

We begin this year with a healthy order book, a robust bid pipeline, and a team that has repeatedly demonstrated its ability to deliver complex engineering projects under challenging conditions.

As execution across our existing projects gathers pace and recently secured orders move into their main construction phases, we expect a gradual improvement in performance over the coming quarters.

We remain committed to disciplined execution, prudent risk management, and operational excellence, while continuing to pursue opportunities that align with our long-term strategies.

With our strong technical capabilities, diversified presence, and proven track record, we remain confident in our ability to navigate the current environment and create sustainable long-term value for all our stakeholders.

Thank you once again for your continued trust and support. I now hand over the call to our Chief Financial Officer, Mr. Ramesh Jha, to take you through the financial performance in greater detail.

Ramesh Kumar Jha – CFO: Thank you, sir. Good morning, everyone. Before discussing the numbers, let me reiterate that the company is in the construction business. The margin in a quarter varies based on the nature, type, and quantum of work executed. Therefore, quarterly results may vary across different quarters and may not be indicative of the annual result or trend.

Coming specifically to the numbers, in this quarter we recorded 2,727 crores of total income, which includes other income of 56 crores. This is 20.3% lower than the previous year, when we recorded 3,419 crores of turnover. This number also included other income.

Q1 execution was in line with expectations, as there was a lack of work-front availability on many projects. Generally, Q1 remains slightly slow in terms of collections because most of our customers are government entities. They disburse the annual budget by March and then devote Q1 to planning and budgeting for the next financial year.

If we consider the specific experience of Q1 of financial year 2026–27, we would say that liquidity across the market needs significant improvement. Payment-related issues in the UP Jal Jeevan Mission are still continuing. We have received a small amount of payment based on the completed portion of work.

We have also noticed that payments across the spectrum are being stretched for one reason or another. Hence, we are maintaining a balance between execution and liquidity.

In FY27, we have booked orders amounting to Rs. 15,695 crores so far, taking the pending order book in excess of 45,000 crores.

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In FY2027, we are targeting a significant improvement in order booking and in the balance sheet by collecting some of the stuck receivables.

Uncertainty around economic activity because of war, geopolitical issues, and related factors continues, so it does not make sense to provide any guidance in terms of growth.

In terms of EBITDA for the quarter, we recorded 263 crores, which represents 9.6%. This number has also declined by 41%. We had recorded an absolute EBITDA of 445 crores, or 13%, in the first quarter of the previous year.

In our EBITDA calculation, we consider BG commission as part of our operating expenses. Therefore, the EBITDA we are discussing is after treating BG commission as an operating expense. This also includes other income as part of revenue.

We have explained earlier that arbitration interest, foreign currency exchange gains, and miscellaneous income are recurring and integral to our business. Hence, these are factored in as other operating income.

For the Q1 period, around 57 crores is other operating income, which we have factored into the EBITDA calculation.

In terms of profit before tax for this period, we recorded a profit of 51 crores, which is significantly lower. We had recorded a profit before tax of 186 crores in Q1 of the previous year.

Profit after tax was 30 crores, which is also significantly lower because we had recorded profit after tax of 137 crores in the first quarter of the previous year.

Profits were impacted because of lower turnover overall. Margins in the individual projects continue to be robust, but because of the lower overall turnover, they could not generate sufficient overall contribution to cover the overhead costs and still generate the level of profit that the company has traditionally generated.

We have put a lot of effort into reducing costs against the possible revenue, but that has been partially offset by increases in energy, transport, and logistics costs.

Talking about finance costs, in Q1 we saw higher average borrowings during the quarter. Because of this, interest costs have increased.

In addition, new interest-bearing advances received during the last 12 to 15 months have increased the interest cost on client advances, taking the overall interest cost higher.

Currently, 62% of our advances are interest-free and 38% of the advances are interest-bearing.

This year, we have booked substantial orders, but the corresponding advances have still not come into the company. A large part of the current orders we have secured is from the international market, where the advances are interest-free. In addition, the interest rates on the orders we have received in the domestic market are quite low.

Therefore, we expect interest costs to decline in the coming quarters.

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In terms of EBITDA, depreciation is 83.52 crores, which is 3.06% of turnover. This quarter, TBM operations were virtually not present, so the accelerated depreciation that we charge was not recorded in the quarter.

In terms of tax, the rate is quite high when we compare profit before tax with profit after tax. The tax rate works out to almost 40%.

This is primarily because, on Afcons' profit, we pay 25% tax. However, in the consolidated profit, this has decreased because some closed projects are held in JVs and subsidiaries where minor administrative expenses and provisions have led to small losses.

This effect has been amplified in this quarter because of the lower profit in Afcons. As a result, the tax charge represents a higher percentage.

In addition, a few JVs pay tax at rates in the range of 35% to 36%.

Second, in some overseas locations such as Bangladesh, tax is charged on turnover. In such situations, if you do not make a profit above the threshold, your tax deductions need to be charged off.

Because Afcons' profit was lower, and because administrative expenses in some of the other entities led to lower profitability in those entities, the overall tax rate has increased.

In terms of ROCE and ROE, we will discuss the annual numbers only because it does not make sense to discuss them at this point in time.

Specifically regarding working capital, working capital is at an elevated level because of funding provided to the projects and the absence of any material movement in the collection of blocked assets.

We are witnessing delays in the certification of work done and the release of payments on projects. This has led to an increase in uncertified work done, resulting in a jump in working capital requirements.

Generally, this trend is seen in Q1, but we were expecting some improvement in this quarter. However, collections have not moved to the level we expected.

Management is working vigorously toward collecting stuck receivables, and we are confident that we will turn things around this year.

In terms of debt, payment issues continued in Q1 and we had to fund the operations. We also made sizable capex payments during the quarter, so debt has moved to a higher level.

On a net debt basis, debt-to-equity is around 0.68 times net worth.

On behalf of Afcons, I thank everyone for attending this call. I now request the moderator to open the floor for the question-and-answer session. Thank you.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press "*" and "1" on their touchtone telephone. If you wish to remove yourself from the question queue, you may press "*" and "2". Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from Aditya Bhartia from Investec. Please go ahead.

Aditya Bhartia – Investec: Hi, sir. In the opening remarks, we spoke about some of the execution challenges being addressed over the next couple of quarters. I wanted to check whether we are seeing any concrete evidence of that. Are we seeing the execution pace picking up across multiple projects, or at this stage is it still a matter of hope?

Management: At this stage, we are definitely seeing symptoms that things are happening. Some of the land-related issues are being addressed through proactive activities undertaken by the Maharashtra government. This should result in a significant release of land.

At the locations where these issues exist, there have been regular reviews by the government, which helps in pushing the projects ahead.

Similarly, in Madhya Pradesh, where we also have a project, a compensation-related issue is getting resolved shortly. Movement has taken place there as well. Therefore, out of the 2 projects, 1 project will start moving up immediately. That is what we expect.

Therefore, the execution-related challenges with respect to blocked matters are more or less coming to an end.

Geopolitical conditions are also improving somewhat compared to the last quarter. In terms of the movement of materials, although it is slightly more expensive than in the earlier period, there should still be an improvement in the movement of materials for our overseas projects.

With these 2 factors, we expect there to be clear indications that things are moving toward positivity. We believe Q3 and Q4 will see a significant uptick.

Aditya Bhartia – Investec: Perfect. That is great to hear, sir. My next question is regarding some of the large projects that we have, such as the Croatia project and the Vadhavan project. For these 2 projects, when should we expect work to start? Will the initial phase be more focused on design, resulting in lower revenue accretion, with these projects picking up pace only over a period of time? If you could indicate the execution timelines for these projects, that would be helpful.

A related question is regarding the HSR project. How should we think about the receipt of payments for past work completed and the execution pace from here? Thank you very much.

Management: With respect to Croatia, we believe that there will be minimal expenditure in the current year, and Croatia will pick up from the next financial year onward.

With respect to the Vadhavan project, alternative methods are being discussed with the client. Currently, the approach road and reclamation-related work are yet to be completed. You may also

have read in the newspaper about the agitation and other developments around that project. So we are working with the client proactively on this matter.

In the current year, work at Vadhavan will comprise only geotechnical investigation, related design work, and initial installations.

There is also an aggressive push from the government to ensure that certain facilities or approaches are handed over to us so that we can start the work.

Therefore, in both projects, the current year will effectively involve minimal turnover.

With respect to HSR, all the turnover we have recorded so far has been paid for regularly. Tunneling-related turnover will technically commence from November.

The initial drive will take place over approximately 3 months. After that, we expect good turnover, as we had conveyed earlier. Tunneling carries a higher level of turnover.

Therefore, as we start tunneling deeper, we will begin generating turnover properly.

We are in the final stages of completing the settlement with respect to Force Majeure, and most likely it will be settled in the current quarter.

Aditya Bhartia – Investec: Perfect, sir. That is great to hear. Thank you very much.

Management: Thanks, Advait.

Operator: Thank you. Ladies and gentlemen, if you wish to ask a question, you may press “*” and “1”. A reminder to all participants to press “*” and “1” to ask a question. The next question is from Shravan Shah from Dolat Capital. Please go ahead.

Shravan Shah – Dolat Capital: Hi, sir. I have a couple of questions. I was listening to your opening comments and the reply to the first participant’s questions. Broadly, let me break this into 2 or 3 parts.

Do we see Q2 revenue being flat or lower? When we say that H2 will have better execution, I understand that we are not providing full-year guidance on execution. However, directionally, even if we assume approximately 20% growth, is that possible or not?

If that is possible, then for the full year, my broad calculation suggests that we would see flat growth or perhaps around 1% growth. Is that the correct way to look at it, or could we see a de-growth of more than 5% this year?

Management: We have already said that, at this point in time, it does not make sense to provide any direction on the top line or any profitability-related guidance.

Therefore, we are not commenting on how Q2 will pan out or how the year will pan out.

However, as things stand, things are moving in line with our expectations. We aspire to build a very strong order book in this financial year, and we should also improve the balance sheet this year by

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collecting contract assets and receivables and reducing our debt.

We should be in a very strong position by the end of the year in terms of order booking and financial health, after which we should ramp up progress in FY28.

Shravan Shah – Dolat Capital: I understand, but I am still going back to the same point directionally. When we say that we should see strong execution in H2, how strong would it be?

My point is that if we deliver flat growth, even if I assume approximately 20% growth in the second half and a flat Q2, this would mean that this is the fourth year in which we would have flat revenue compared with what we achieved in FY23. From FY23 until now, we would have experienced flat growth.

At the same time, PAT would be declining. Would FY28, or perhaps FY28 and FY29, then be very strong, with growth of approximately 25%–30%? That is the directional understanding I wanted.

Management: To answer that, historically, if we look at the company's performance, Q1 generally contributes around 40%–45%, H1 remains around 40%–45%, and H2 remains around 55%–60%.

Directionally, we are looking at a similar situation this year as well. Q3 and Q4 will be the periods in which we bounce back to the levels we were generating earlier.

In terms of the ramp-up in order booking and the improvement in financial health that we are targeting, we are looking at a strong FY28 and FY29.

Shravan Shah – Dolat Capital: Sir, is it possible to share a couple of balance sheet data points? Since we have mentioned that debt would have increased, could you specify the gross debt and cash levels, as well as the absolute numbers for inventory, trade payables, debtors, mobilization advances, retention, and unbilled amounts?

That would help us understand whether these items are worsening or remaining at a similar level.

Management: Generally, balance sheet numbers are disclosed in H1, so we will be coming out with the detailed numbers in September, and you will be able to assess them.

In terms of Q1 numbers, generally, over the last 10–15 years, we have seen that Q1 numbers are always lower than the annual or March numbers. This is the trend.

In terms of the absolute debt number, we have discussed that the debt-to-equity ratio on a net debt basis is around 0.68. The numbers have slightly improved compared to the March number.

However, the deterioration in receivables, debt, or contract assets during Q1 of last year has not been repeated to the same extent this year.

Shravan Shah – Dolat Capital: Sir, unless we are given some directional numbers, it would be difficult to quantify what we are saying. At least, what is the gross debt level? Also, what were the working capital days in FY26, and how much have they increased now?

Management: Working capital is at an elevated level compared with the March number. However, since the auditors have not certified the balance sheet numbers, it would not be prudent for us to provide those numbers on a public forum. That is the limitation.

You will be able to calculate the working capital.

Shravan Shah – Dolat Capital: Sir, regarding working capital days, we are not asking only for a directional indication of whether there has been an increase of 10 or 20 days. Without something on that front, it becomes very difficult to incorporate this into our estimates for the full year and perhaps the next year.

I apologize for the diplomatic answer, but it would be difficult to convert it into numbers. That is my suggestion. Thank you.

Management: You will be able to calculate these numbers. Look at the March debt number, look at the March net worth number, and consider what we are saying: at this point in time, debt-to-equity on a net debt basis is around 0.68. You will be able to calculate it. It is very simple.

I am not spelling it out because those numbers have not been audited, so it is not advisable to discuss them on a public forum. However, you can calculate the working capital.

Shravan Shah – Dolat Capital: Sir, regarding working capital days, we are not asking only for a directional indication of how much they have increased, such as 10 or 20 days.

Management: It has marginally increased from the March number.

Shravan Shah – Dolat Capital: Thank you, sir.

Management: Thank you.

Operator: Thank you. A reminder to all participants to press “*” and “1” to ask a question. The next question is from Bala Subramanyam from Arihant Capital. Please go ahead.

Bala Subramanyam – Arihant Capital: Good morning, sir. Thank you very much for the opportunity.

Our execution strategy prioritizes liquidity over maximizing quarterly revenue, essentially limiting execution on projects with elongated payment cycles. At the same time, we are focusing on reducing net debt during this financial year through contract asset liquidation.

How are you managing this duality? Are you slowing down new work to protect cash flow while simultaneously executing existing work to unlock cash? How are you prioritizing existing work as well as new work, given that our order inflow was also more than 10,000 crores in this quarter?

I am trying to understand how we are managing execution on both existing and new projects.

Management: You are right that this is a very difficult situation. We need to manage execution as well as liquidity, and we are not unduly overexposing ourselves to certain customers.

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We are not following this approach with all customers. There are certain customers where we have seen challenges in the projects, and only in those projects are we taking this kind of position, such as projects in Bangladesh or certain water-related projects.

We are providing funds to a project based on the collections that project generates. Apart from these projects, payments are forthcoming and project cash flows are positive.

We support such projects wherever there is a temporary mismatch or any requirement for completing the project.

Bala Subramanyam – Arihant Capital: Our strategic equipment base is nearly 4,300 crores, which creates a high depreciation as well as maintenance burden.

Over the last few years, our top line has been in the range of 10,000 to 13,000 crores. However, our interest costs and depreciation have increased substantially.

Is there any thought process around strategically shifting toward an asset-light model, where we could lease specialized equipment or form a JV with equipment providers for specific mega projects? In this way, we could improve our OPM and ROCE profiles.

What is your thought process regarding owning most of the equipment as opposed to moving toward leasing or renting equipment?

Management: We invest only in strategic equipment. We do not invest in all types of equipment. That is the first point.

Second, as we have explained in the past, outside India, especially in Africa, rental costs are very high. The value of equipment is expected to be recovered in 9 months in Africa, as opposed to approximately 48 to 60 months in India.

Therefore, in some of those cases, we invest more heavily in equipment and also generate commensurate returns.

Third, in Marine, we hold a strategic advantage by having a large fleet of equipment. This helps us in supporting Marine projects and in other areas.

The only issue is that over the last couple of years, our turnover has stagnated or grown only slightly, which creates the impression that our equipment base is on the higher side. That is not the case.

As we move forward, you will find that our asset turnover ratio will also improve significantly.

Therefore, we have not invested in any asset that is not of strategic importance.

Bala Subramanyam – Arihant Capital: Understood, sir. Thank you.

Management: Thank you.

Operator: Thank you. The next question is from Abhinav from ICICI Securities. Please go ahead.

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Abhinav – ICICI Securities: Hi, sir. Thank you for the opportunity. My first question is regarding the pipeline. You mentioned 1.5 lakh crores for the next 9 months. Can you break that down across the segments?

Management: Certainly. Of this 1.5 lakh crores for the next 9 months, the major portion is from Urban Infrastructure, which for us comprises metro, elevated bridges, and elevated roads. That accounts for around 34%.

Marine accounts for 32%. Hydro and Underground account for 20%, which also includes our Water business. Surface Transport, comprising the road and railway businesses, accounts for 14%.

This pipeline is for the next 9 months.

Abhinav – ICICI Securities: Understood. Do you have any indication regarding the long-term pipeline that you mentioned, of 9 or 3.9 lakh crores?

Management: On the long-term pipeline, as the MD mentioned in his speech, our long-term pipeline is strong. It is close to 4 lakh crores.

This pipeline is also evenly distributed. Around 36% is from the Urban Infrastructure space. Surface Transport will be around 20%. The Hydro business will be relatively smaller, at around 15%, and the remainder will be from Marine and Industrial segments.

Abhinav – ICICI Securities: Understood. Can you provide some details on the urban projects, such as which large-ticket projects are expected in the near term?

Management: Some of the large-ticket projects include the Brahmaputra tunnel, which is expected to be around 19,000 crores.

There is also the Dholera connectivity project in Ahmedabad, which is about 18,000 crores.

Many other projects, such as elevated expressways, are coming up in the range of approximately 4,000 to 5,000 crores.

There are also a number of bridges coming up in the range of 3,000 to 5,000 crores.

We have a strong pipeline in the domestic market. Similarly, there is also a strong pipeline available to us in the international market.

Abhinav – ICICI Securities: Understood. My last question is regarding TBM depreciation. How will that be accounted for?

Management: We account for TBM depreciation according to the rate prescribed under the Companies Act, and we will continue to account for depreciation on that basis.

Abhinav – ICICI Securities: Understood. Thank you, sir.

Management: Thank you.

Operator: Thank you. The next question is from Parvez Qazi from Nuwama Group. Please go ahead.

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Parvez Qazi – Nuwama Group: Good afternoon. Thank you for taking my question. I have a couple of questions.

First, what was the capex undertaken in Q1?

Management: In Q1, we capitalized capex of close to 150 crores. However, there is also a sizeable amount in CWIP.

Parvez Qazi – Nuwama Group: Is it possible to quantify that, or is it more or less the same as it was at the end of March? I think we had almost 900 crores of CWIP, if I am correct.

Management: Yes, it is a similar number.

Parvez Qazi – Nuwama Group: Understood. On the order intake front, we already have approximately 15,000 crores this year. For the year as a whole, is it fair to say that we can look at approximately 30,000 crores?

Management: Yes, we are very confident of booking at least 30,000 crores.

Parvez Qazi – Nuwama Group: My last question is for Ramesh. Regarding other income, you mentioned approximately 57 crores this year. I assume that foreign exchange gains and everything else are included in that.

For the year as a whole, what kind of number could we see? It has declined, whereas earlier we used to have approximately 450–470 crores of foreign exchange gains. Now that has reduced. What kind of number could we expect?

Ramesh Kumar Jha – CFO: The other income number you are referring to, around 450–470 crores, used to be a combination of factors such as arbitration interest, foreign currency gains, miscellaneous income, and some other items such as insurance claims.

The number is low for this quarter because we also try to close matters in March wherever possible, and the activity also increases in H2.

This year, we expect the full-year number to be in the range of approximately 400 crores.

Parvez Qazi – Nuwama Group: Thank you, and all the best.

Ramesh Kumar Jha – CFO: Thank you.

Operator: Thank you. The next question is from {? Atatraya ?} Banerjee from Nomura. Please go ahead.

{? Atatraya ?} Banerjee – Nomura: Hi. Thank you for the opportunity. Regarding order intake, since we already have such healthy order inflows, what is the upside risk that could result in us exceeding the 30,000–crore order intake target for FY27?

Management: First, I would say that we should achieve 30,000 crores, after which we will assess the upside that we may be in a position to achieve.

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Currently, we are at 16,000 crores, and as we proceed, we hope to be in a position to guide you better. Today's guidance is 30,000 crores.

{? Atatraya ?} Banerjee – Nomura: Understood, sir. My other question is regarding the overseas projects that we are undertaking, specifically in Croatia and elsewhere.

Between domestic and overseas projects, which is likely to have a better margin profile? I understand that it depends on bidding and other factors, but typically, what is the margin differential between overseas and domestic projects?

Ramesh Kumar Jha – CFO: In overseas projects, we generally make better margins. The margin differential between domestic and overseas projects is around 200 to 300 basis points, with overseas margins being higher.

We will not be able to provide the specific margins for the projects we are targeting in the overseas market. However, compared with the domestic market, margins are better in the overseas market.

{? Atatraya ?} Banerjee – Nomura: Understood. Those are my 2 questions. Thank you for the opportunity, and all the best for the coming quarters.

Ramesh Kumar Jha – CFO: Thank you.

Operator: Thank you. The next question is from Vishal Periwal from PL Capital. Please go ahead.

Vishal Periwal – PL Capital: Thank you for the opportunity, sir. In terms of our profit and loss account, what could be the reason for the decline in depreciation? Is there any link with the revenue we recorded, or what is the reason behind it?

Ramesh Kumar Jha – CFO: There is no link between depreciation and revenue because depreciation is generally a time-related cost.

The number has declined because, as I explained in the opening commentary, we did not have much tunneling-related activity during this period.

We have explained in the past that we used to charge accelerated depreciation on the TBMs based on the running meters excavated. There was hardly any TBM-related tunneling activity during this period. That is why the number has declined.

Vishal Periwal – PL Capital: So that means it is linked to revenue, correct?

Ramesh Kumar Jha – CFO: It is linked to revenue only to the extent that the TBM activity was not present in this quarter.

Vishal Periwal – PL Capital: Fine. My second question is regarding execution. You clarified this in response to the previous questions, but if one had to identify the main reason, there are 2 possible explanations.

One is that our order book is relatively young and at an initial stage, and execution could pick up as the quarters progress.

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The other is that there are delays in client payments. Because clients are delaying payments, we are unable to deploy the money back into working capital and other activities that could improve execution.

Which of these factors would you identify directionally as the reason for the muted execution?

Ramesh Kumar Jha – CFO: As we explained, the orders we have booked so far, amounting to approximately 16,000 crores, will take some time to convert into revenue.

Regarding the order book we had in hand, of approximately 32,000 crores, there were a couple of projects that were progressing slowly. In some other projects, there were land acquisition-related issues or changes in scope, due to which work fronts were not available.

Because of this, revenue was muted in this quarter.

As things stand, we expect execution to pick up significantly from Q3 onward, and therefore we expect a very strong H2.

All the orders we have booked, together with the orders we will book during the remaining period of this year, will provide us with a sizeable order book that will be mature for construction in the next financial year, FY28.

That is why we are expecting a sizeable jump in execution in FY28.

Vishal Periwal – PL Capital: Thank you for the answers. I will come back in the queue.

Ramesh Kumar Jha – CFO: Thank you.

Operator: Thank you. The next question is from Rahul Bhutra from Anand Rathi Share & Stock Brokers Limited. Please go ahead.

Rahul Bhutra – Anand Rathi Share & Stock Brokers Limited: Hello, sir. My question is regarding cash flow from operations. Is it negative for this quarter as well?

Ramesh Kumar Jha – CFO: I am sorry, I did not get the question. What is that?

Rahul Bhutra – Anand Rathi Share & Stock Brokers Limited: Cash flow from operations. Is it negative for this quarter as well?

Ramesh Kumar Jha – CFO: Cash flow from operations generally remains negative in Q1. As we have explained in the past, customers try to release all payments up to date in the March quarter.

In Q1, they devote their time to planning and budgeting for the next financial year, so there is less activity from the customer side.

Payments also remain slow in Q1. Therefore, cash flow is negative.

Rahul Bhutra – Anand Rathi Share & Stock Brokers Limited: Thank you, sir.

Ramesh Kumar Jha – CFO: Thank you.

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Operator: Thank you. The next question is from Bhavik Shah from Invexa Capital LLP. Please go ahead.

Bhavik Shah – Invexa Capital LLP: Hi, sir. My question is regarding our JJM order book and receivables. Can you quantify the amount of orders pending in the order book and the receivables that we are still yet to receive?

Ramesh Kumar Jha – CFO: In the Jal Jeevan Mission, we have total orders of 1,221 crores. Of this, the balance order in UP is 510 crores, Madhya Pradesh is 414 crores, and Rajasthan is 297 crores.

In Madhya Pradesh, we do not have any major problem because we are receiving payment for the work we execute.

In Rajasthan, payments are also partly coming in.

The major problem is in UP. Recently, payments have started coming in because payments have started flowing wherever we have completed last-mile connectivity. However, the amount is not significant compared with our receivables.

As we have explained in the past, we had receivables of close to 400 crores in UP. We have received only a very small fraction of that amount. Therefore, for all practical purposes, receivables remain at a similar level.

Bhavik Shah – Invexa Capital LLP: Understood, sir. What is the unbilled amount?

Ramesh Kumar Jha – CFO: The amount we are discussing is a combination of receivables and unbilled amounts.

Bhavik Shah – Invexa Capital LLP: Understood, sir. Thank you.

Ramesh Kumar Jha – CFO: Thank you.

Operator: Thank you. The next question is from Ashok Shah from Eklavya Invesco Family Office. Please go ahead.

Ashok Shah – Eklavya Invesco Family Office: Thank you for taking my question. We have a very good order book position. However, over the last few years, we have faced execution problems and other types of issues, such as land-related issues.

What is the problem, and how are we managing it? How are we going to increase turnover or execution levels? What percentage of the sizeable order book is slow-moving? Can you explain or bifurcate it?

Management: As we explained in the last quarter's earnings call, some issues have been factored in. If we look at the overall order book value, roughly 5.65% is in the slow-moving category. Bangladesh orders constitute about 2%, and another approximately 3% comprises Jal Jeevan Mission orders.

Afcons Infrastruct.

Taken together, these 3 categories constitute roughly 11% of the order book, which we can categorize as either slow-moving or otherwise affected.

In some other cases, as we had explained, there were initial right-of-way and related issues that are being resolved. That is why we are saying that execution will pick up better in the third and fourth quarters.

There have been significant improvements in these areas through the proactive involvement of the Government of Maharashtra, which had contributed to some of the issues in the past.

With this proactive involvement, the issues are being resolved, and the projects will become available for execution.

We have already started work on the water portion and other activities. Work on the land portion will also commence in the second half of the year.

With that, things will improve.

Approximately 11% of the orders are slow-moving or otherwise affected, and another approximately 20% of the orders are in the initial phase. This is where there are challenges in converting the orders into turnover, and this will start improving in the second half of the year.

Ashok Shah – Eklavya Invesco Family Office: Thank you.

Operator: Thank you.

Analyst1: As stated in the call, we do plan to reduce our debt over the years by March. What level of debt reduction are we expecting?

Management: We are looking for a sizeable reduction in debt. As we said, we had to make payments for some of the capital equipment we purchased this year.

Despite that, we expect to see an improvement from the number we recorded in FY26. From that number, we expect at least a 5%–10% improvement.

Analyst1: Can you quantify that?

Management: I am sorry?

Analyst1: Yes.

Management: We are looking at debt closing at approximately {? 3,500 or so ?}.

Analyst1: So, at the consolidated level, will it be reduced by approximately 300–400 crores?

Management: What we are saying is that, compared with the FY26 debt number, we are looking at a similar number. However, this year we will make capex payments of approximately 700–800 crores.

Despite that, we will record a similar number on the debt front. In terms of working capital, there will be a similar amount of improvement.

Analyst1: So this 700 crores of—

Management: What I was trying to explain is that the absolute debt number will be similar to the number we recorded in March 2026.

However, since we will be undertaking sizeable capex this year, we will see an improvement in working capital. That is why I was saying that we will see at least a 5%–10% improvement in working capital.

Analyst1: So will net debt be reduced by 700 crores, or will the reduction be lower than that?

Management: Net debt will be reduced. Net debt will be approximately {? 2,700, 2,800 crores ?}.

Analyst1: That is all. Thank you, sir, and best wishes for the current year.

Management: Thank you.

Operator: Thank you. The next question is from Aditraj Banerjee from Nomura. Please go ahead.

Aditraj Banerjee – Nomura: Hi. Thank you for the opportunity for the follow-up question. I wanted to understand one point regarding the JV losses and higher taxes that you mentioned.

How are they accounted for in the profit and loss statement? I wanted to understand that.

Management: Are you asking about JV accounting or JV tax?

Aditraj Banerjee – Nomura: Tax, basically. Why did tax increase this quarter? I wanted to understand where that part is accounted for in the profit and loss statement.

Management: It is recorded as tax in the respective entity, based on the tax paid by the JV, and then it forms part of tax upon consolidation.

Most of these JVs form part of the standalone financial statements, so they are incorporated into the standalone financials as well.

Specifically, what I was trying to explain for this quarter is that the profitability at Afcons was low. Therefore, in percentage terms, the tax rate appears to be around 40%.

However, the absolute amount is not very large. It is approximately 4–5 crores.

If Afcons had recorded profit of approximately 150–200 crores, as we had been recording for several quarters, this 4-crore amount would not have made the tax percentage appear to be so high.

Aditraj Banerjee – Nomura: In that case, your tax would also have increased, correct? It would not have been a fixed amount. The 4 crores you mentioned would also have increased in that case, correct? I wanted some additional clarity on that.

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Management: In Afcons, most entities are paying tax at a rate of approximately 25%.

In some of the entities holding closed projects, we had to incur administrative costs because we are following up with customers for collections, and certain other closure aspects have not yet been completed.

In such entities, we are also required to make ECL provisions on receivables.

Because of this, those entities are reporting a loss-like situation, since the projects have been completed.

All these administrative expenses and ECL provisions are recorded only as costs. As a result, consolidated profitability is declining.

The losses incurred in these entities are causing the tax rate to increase, despite the company paying only approximately 25%–26% tax.

Aditraj Banerjee – Nomura: Understood, sir. That is clear. Thank you for answering the questions.

Management: Thank you.

Operator: Thank you. Ladies and gentlemen, if you wish to ask a question, you may press “*” and “1”. A reminder to all participants to press “*” and “1” to ask a question. The next question is from Shravan Shah from Dolat Capital. Please go ahead.

Shravan Shah – Dolat Capital: Hi, sir. Thank you for the opportunity again. Regarding capex, you said that we incurred 150 crores of capex in this quarter. However, on the cash flow front, this number must be higher.

Management: Yes. Some of the amount that was in CWIP as of March 31 had to be paid for during the quarter.

Shravan Shah – Dolat Capital: For the full year FY27, are we looking at capex of 700–800 crores?

Management: Yes.

Shravan Shah – Dolat Capital: For next year, considering the orders we have secured so far, what broader capex number can we consider for FY28?

Management: In FY28, we are looking at capex in the range of approximately 600–650 crores.

Shravan Shah – Dolat Capital: Given the depreciation point you mentioned, with the TBMs starting full-fledged operations perhaps from November, should we expect a similar depreciation of approximately 83–85 crores in Q2? For the full year, what level of depreciation should we consider compared with FY26?

Management: You have understood it correctly. As TBM-related activity starts, there will be corresponding depreciation because the TBMs are currently in the initial drive and are still recorded in CWIP.

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Once they are capitalized, the corresponding depreciation will begin.

Therefore, in H2, depreciation will definitely be higher than the Q1 number. However, revenue will also increase correspondingly, and this is fully factored into all our calculations. It will be reflected accordingly.

Shravan Shah – Dolat Capital: Even if we consider full-year depreciation, it should definitely be lower than the FY26 figure of 454 crores. If we take 83 crores for this quarter and a similar number for the next quarter, that would be approximately 160 crores. Even if depreciation increases to approximately 130 crores thereafter, would it be fair to say that the full-year number could be close to 400 crores or even lower?

Management: We will not be able to provide that number. However, for all practical purposes, you can consider the FY26 depreciation number.

Shravan Shah – Dolat Capital: Regarding finance costs and the ECL provision, was there any ECL provision in this quarter? Also, how should we think about finance costs?

Management: Regarding ECL provisioning, we explained last time that we created an ECL provisioning framework. It was approved by the Board, and we obtained professional guidance from experts in this field. Based on that guidance, the framework was devised.

Based on this framework, we started making provisions last year and continue to make provisions accordingly.

There was no specific provision for any particular project because we do not foresee any such eventuality going forward.

Regarding any project-specific provisions that we had to make previously, if we evaluate the company over the last 20–25 years, those were aberrations. We had never experienced such instances before. At most, I would say there was a 1%–2% possibility.

We do not foresee that such provisioning will be required going forward. However, on a prudent basis, we have established a robust provisioning mechanism, taken guidance from professionals, and have been making provisions based on that mechanism.

As far as finance costs are concerned, as we said, debt is higher than it was in March.

Regarding client advances, interest-bearing advances have remained at a similar level to what we had during the last 3–4 quarters. Therefore, finance costs are also at a similar level.

In terms of the average borrowing cost, we have reduced it significantly. We have replaced many high-cost debts with low-cost debt.

From an operational perspective, we have done our part wherever we had control over the situation. That is why, despite debt increasing, finance costs have not increased significantly.

Once we see an improvement in collections, we will see a marked reduction in finance costs.

Shravan Shah – Dolat Capital: In Q1 revenue, can you break down the domestic and international components? What would be the share?

Management: In terms of revenue from the overseas market, as we disclosed in March, overseas revenue had declined to around 13%.

In Q1, overseas revenue was around 16%, while domestic revenue was 84%.

However, the order mix is changing. At present, the order book has moved back to approximately 25% from the overseas market, and we are expecting several other overseas projects.

We hope to return to at least 30% from the overseas market.

As the order book reaches 30% from the overseas market, revenue will also return to 30% from the overseas market.

Shravan Shah – Dolat Capital: For the balance of the approximately 14,000–15,000 crores of order inflow that we are expecting, can we also assume that a sizeable portion will come from the international or overseas market?

Management: Yes.

Shravan Shah – Dolat Capital: Thank you, and all the best, sir.

Management: Thank you.

Operator: Thank you. As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

Management: Thank you very much. Thank you for your continued support, and we look forward to an exciting period ahead. Thank you all.

Operator: On behalf of Dolat Capital Advisors Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.