



“PNC Infratech Limited
Q1 FY2022 Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to PNC Infratech Limited Q1 FY2022 Conference Call hosted by IIFL Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anupam Gupta from IIFL Securities. Thank you and over to you Sir!

Anupam Gupta: Thanks, Tanvi and welcome everyone to the results conference call for PNC Infratech Limited. From the management, I would like to welcome Mr. Yogesh Kumar Jain – Managing Director, Mr. B. Sawhney – Chief Financial Officer and Mr. D K Maheshwari – Vice President (Finance). I will handover to Mr. Yogesh Kumar Jain for the opening remarks post which we can take the Q&A. Over to you Sir!

Yogesh Kumar Jain: Good afternoon friends and a very warm welcome to all of you present on the call to discuss our financial results for Q1FY22. Today along with me, I have Mr. T.R. Rao, Director (Infra), Dr Bupinder Sawhney, CFO, Mr. D. K. Maheshwari, Vice President (Finance) and Strategic Growth Advisors - our Investor Relations Advisors.

I hope all of you and your loved ones are healthy and safe.

I would like to discuss key sector highlights first, followed by financial and operational highlights of the Company.

The government continues to focus on the infrastructure development across sectors and highway sector will always stand in forefront of such development.

Though, there has not been significant increase in highway project award activity in Q1 of FY22 in comparison to Q1 of FY 21, awarding activity is expected to pick-up from Q3 onwards.

To control the more aggressive second wave of the pandemic COVID 19, several restrictions including lockdowns were imposed by the state during the peak periods. Though the restrictions were not severe this time and construction activities were largely allowed to continue, still progress was affected in the first quarter across the industry. As the monsoon already gets underway, has been very active across the regions, the pace of execution is expected to increase from September onwards.

As the economic activities started picking up the pace in July 2021 driven by receding of the COVID cases and increasing manufacturing output, toll collections through FASTag rose around 15% during July as compared to June 2021. Toll collections are expected grow further as monsoon will be receding September onwards.

Now coming to the key updates of the company –

In-line with our risk mitigation policy, the company continues to focus on optimal mix of fund based and non-fund based project development with very calibrated diversion in to

rural drinking water supply sector, which would help the company to maintain growth momentum without assuming risk concentration.

However, given the strong pipeline of upcoming projects from NHAI and MoRTH, our focus area would continue be the road sector.

Though, Jal Jeevan Mission is picking-up the momentum recently, a strong pipeline of projects from under mission is expected going forward, the company will focus on consolidation of already secured water sector projects.

At present, the company has a total of 18 projects on PPP format, comprising 4 BOT-Toll projects, 2 BOT Annuity projects, 1 OMT project and 11 HAM projects.

Out of these 18 projects, 11 projects are operational and remaining 7 projects are in construction stage.

Out of the total equity requirement of these 11 HAM projects totaling to Rs. 1,468 crores, we have already infused Rs. 622 crores till June 30, 2021.

The balance equity i.e. Rs. 846 crores will progressively be infused over period of 2-3 years and will be funded through internal accruals generated during the same period.

Now moving on to our order book.

As mentioned earlier, the company has secured few orders from non-roads segments i.e. drinking water and irrigation segments, which led to diversification of the order-book.

During the quarter the company received appointed dates for 2 EPC Projects and 1 HAM Project.

NHAI declared appointed date on 17th April 2021 for one of the Delhi – Vadodara section of Eight Lane Access Controlled Expressway EPC projects. Appointed date for other EPC project was declared on 18th May 2021.

For Unnao-Lalganj HAM project, NHAI declared the appointed date on 19th May 2021.

Our unexecuted order book on 30th June 2021 was Rs. 12,095 crores. Apart from these we have 4 water supply projects aggregating to Rs. 3,427 crores whose appointed dates are awaited. Including these 4 projects our contract under execution is over Rs. 15,500 crores which shows revenue visibility over the next 2-3 years

Out of the total order-book of Rs. 12,095 crores, the Roads EPC contracts contribute around 33%, HAM projects contribute around 57% and Water & Irrigation sector projects contribute around 10%.

I am also pleased to share that during the Q1, we received PCOD for three HAM projects.

For Aligarh – Kanpur Package II on 12 June, for Jhansi Khajuraho Package II on 21 June and for Chitradurga Davangere on 24 June 2021.

Now I moving on to the Standalone results for the quarter ended June 30, 2021.

Revenue of 1st quarter of FY22 is Rs. 1,251 crore which is higher by 38% as compared to Rs.905 crore in 1ST quarter of FY21.

The EBITDA for 1st quarter is Rs. 175 crore which is higher by 46% as compared to Rs. 120 crore in Q1 of FY21. The EBITDA margin for 1ST quarter is 14.0%.

The profit for 1st quarter of FY22 is Rs. 93 crore as compared to Rs. 60 crore in 1st quarter of FY21, a growth of 55% on YoY basis.

I'll now take you through Consolidated Financials for quarter ended 30th June 2021.

Consolidated revenue of Q1 FY22 is Rs. 1,463 crore as compared to Rs. 1,093 crores in Q1 FY21, with a growth of 34%.

The Consolidated EBITDA for 1st quarter of FY22 is Rs. 363 crore which grew by 26% as compared to Rs. 287 crore for 1st quarter of the corresponding quarter last year. The EBITDA margin for Q1 FY22 came in at 24.8%.

The consolidated PAT for Q1 FY22 is Rs. 118 crore as compared to RS. 92 crore in Q1 FY21.

On the standalone balance sheet side,

As on 30th June 2021 our net working cycle is 103 days as compared to 84 days as on 30th June 2020.

Our net worth on standalone basis is Rs.3002 crores as on 30th June 2021 whereas total standalone debt is Rs. 400 crores and all of which is equipment finance debt.

As on 30th June we do not have any working capital loan. The total cash and bank balance as on 30th June 2021 is Rs. 699 crore. We have a net cash of Rs. 300 crore.

On consolidated basis our networth is Rs. 3171 crores whereas total debt is Rs. 4344 crores as on 30th June 2021. The total cash & bank balance including current investments is Rs. 1370 crore. This translates to net debt to equity of 1.37 times.

With this, we now open the floor for question and answer. Thank you.

Moderator: Thank you. We will now begin the question-and-answer session. The first question is from the line of Mohit Kumar from DAM Capital. Please go ahead.

Mohit Kumar: Good afternoon Sir and thanks for the opportunity. Congratulations on good set of numbers in a very challenging environment. My first question is, last quarter we had given the order inflow guidance of Rs. 70 billion to Rs. 90 billion and Revenue guidance of 20%, are you maintaining those numbers or do you think there is any upside or downside to these numbers? That is my first question.

D.K. Maheshwari: We are maintaining the same guidance. Post this second quarter, this we will review it and then let you know in case of any change during the third quarter.

Mohit Kumar: Secondly on there was one project from Andhra Pradesh the Pothireddypadu Head Regulator have you received the appointed date, has the work started on the first project?

Yogesh Kumar Jain: Yes, we have received, and work has started.

- Mohit Kumar:** Lastly on the UP-irrigation scheme, when do you expect the work to start? Has the DPR been submitted, what is the issue?
- T. R. Rao:** We have total 3,430 villages, out of that we have already submitted DPRs for 900 villages. Yesterday we executed tripartite agreement for one of the districts and this week also we will be executing few more tripartite agreements, and the work will be commenced from September onwards.
- Mohit Kumar:** So, will it become part of order book from Q2?
- T. R. Rao:** Yes, this is a part of our order book as on date; 3,430 villages roughly translates to similar amount in crore. This is the part of our order book and part of that will be executed during the current year.
- Mohit Kumar:** Understood Sir. Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Shravan Shah from Dolat Capital Markets. Please go ahead.
- Shravan Shah:** Thank you Sir. First is in terms of the EBITDA margin, I hope we are maintaining the same 13.5% to 14% number.
- Yogesh Kumar Jain:** Yes.
- Shravan Shah:** Just a clarification on this water project, so out of 3,430 by September, how much value we are going to start work and the entire when we will start the work?
- T. R. Rao:** In the first week of September, we expect to commence the physical execution, but we do not expect any significant turnover during the month of September, as these works will be initial enabling works and other activities, so in the Q3 and Q4 there will be sizeable amount of work executed.
- Shravan Shah:** So, in terms of the value, are we going to start work on Rs. 1,000 Crores by September and in the ballpark, number also will be fine?
- T. R. Rao:** Ballpark number would be between Rs. 600 Crores and Rs. 800 Crores value that will be commenced by September.
- Shravan Shah:** By December, we would be starting work on entire Rs. 3,400 odd Crores?
- T. R. Rao:** No, actually this depends on state governments' decision because the government of India has to give 50% funding for this project and the State Government has to put the remaining

matching amount. They also want to put in a kind of a progressively, so out of 3430 villages, we expect that entire number of DPRs will be approved by end of this year, and then going forward, the works will be executed on progressively.

Shravan Shah: Couple of numbers - mobilization advance, retention money even the inventory and payable also?

D.K. Maheshwari: Mobilization advance was Rs. 587 Crores as on June 30.

Shravan Shah: Retention, inventory and payable?

D.K. Maheshwari: Retention was Rs. 140 Crores and inventory was Rs. 405 Crores.

Shravan Shah: Payable?

D.K. Maheshwari: Payable was Rs. 534 Crores.

Shravan Shah: And order books for remaining projects which are not in the presentation, so starting with Nagina-Kashipur, then Varanasi-Gorakhpur?

D.K. Maheshwari: Chakeri – Allahabad Rs. 635 Crores, Nagpur-Mumbai Rs. 475, Nagina-Kashipur Rs. 253 Crores, and Varanasi-Gorakhpur only Rs. 36 Crores.

Shravan Shah: Nagina-Kashipur?

D.K. Maheshwari: Rs. 253 Crores

Shravan Shah: Varanasi-Gorakhpur?

D.K. Maheshwari: Rs. 36 Crores.

Shravan Shah: Bhojpur-Buxar, Koilwar-Bhojpur

D.K. Maheshwari: Koilwar-Bhojpur Rs. 121 Crores, and Bhojpur-Buxar Rs. 128 Crores.

Shravan Shah: Chitradurga- Davanagere?

D.K. Maheshwari: Chitradurga is almost completed.

Shravan Shah: Jhansi-Khajuraho both package one and package two?

D.K. Maheshwari: Jhansi-Khajuraho package one is Rs. 158 Crores and package 2 is Rs. 23 Crores. Purvanchal package 5 is Rs. 216 Crores

- Shravan Shah:** Okay and Purvanchal can you repeat it package 5?
- D.K. Maheshwari:** Five is 216 Crores. Package 6 is Rs. 252 Crores.
- Shravan Shah:** Nagpur- Mumbai you said Rs. 450 Crores?
- D.K. Maheshwari:** Rs. 475 Crores
- Shravan Shah:** Okay and Aligarh-Kanpur package 2?
- D.K. Maheshwari:** Almost completed.
- Shravan Shah:** Okay. In terms of their bids, any idea how much bids we have submitted and still not open and then secondly how much are they planning to bid in the three months to four months?
- T. R. Rao:** There are 10 EPC bids which are under evaluation and 6 HAM projects which are under evaluation, for an aggregate cost of Rs. 11,000 Crores and there are around 35 to 40 bids in the pipeline, which NHAI has already launched and we are evaluating., Say around Rs. 30,000 Crores worth of bids would be submitted in the next two to three months.
- Shravan Shah:** Capex 125 Crores last time you said remains the same?
- D.K. Maheshwari:** It should be in the range of Rs. 100- Rs. 125 Crs.
- Shravan Shah:** Okay Sir. Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Vibhor Singhal from PhillipCapital. Please go ahead.
- Vibhor Singhal:** Good evening. Thanks for taking my question and congrats on great execution once again. Just wanted to understand a little bit on the UP-water projects, so you mentioned that work on Rs. 600 Crores of the project in September and after that as we keep on submitting the DPR, remaining project we can start it, is that right Sir?
- T. R. Rao:** Yes. The initial DPRs we are expecting around for 1000 villagers as they want us to complete the DPR approval process and commence, then further we will be submitting DPRs concurrently and as we execute the first 1000 villages and then as these DPRs get approved, so we will again commence work on those villages as we have total three years for this project.

- Vibhor Singhal:** Sure, Sir and this is the modus operandi for all these projects, right? that wherever these projects are going to come initially five to six months we will have to prepare and show it DPR and then after that work will be in progress, am I right?
- T. R. Rao:** Yes. We have to conduct the studies then design and submission of DPR. The DPR also get approved at three different levels at district, at state and there is a screening committee for approval. So, once the committee approves the DPR, we will be executing the tripartite agreement with district water and sanitization mission and village sanitization mission and accordingly we will commence the work.
- Vibhor Singhal:** Got it Sir and any similar kind of projects, do you think they are upcoming either in the state of UP or neighboring states of MP, Rajasthan, Bihar where we might be interested in taking this kind of projects?
- T. R. Rao:** As our MD has just mentioned, so we want to consolidate the awarded work because these 3,430 villages also is a significant size in number., Since we are new to this sector, we want to consolidate our position in UP, before going forward. we will see if similar kind of projects are coming in other states, we will definitely capitalize on the opportunity.
- Vibhor Singhal:** Right and in the past we have bid for airport projects, recently we also had bid for BOT project from NHAI also, so what is our stance on that, are we looking to bid for airport, road projects on BOT basis or was that just testing waters and we remain focused on EPC, what is our company stand on that Sir?
- T. R. Rao:** As of now we do not have plans to bid airport projects on BOT, but certainly we will bid for the airport projects are coming on EPC mode as a cash contract, .In case of NHAI our focus will continue to be on HAM and EPC projects, and we will see in case of any BOT toll opportunities and on projects specific basis we will evaluate and then we will take a call accordingly.
- Yogesh Kumar Jain:** We have very less focus on BOT toll projects as of now.
- Vibhor Singhal:** Great to hear that. One just last question from my side, as you mentioned, the current balance sheet is good enough and equity requirement for the HAM project should be easily doable by the internal accruals, how many more HAM projects, do you think that we can take, so long as our balance sheet will not deteriorate and there could be basically funded , so what is our target as well that we are looking at right now that we have portfolio of HAM projects, how many more are you willing to take before you say that it is too much and this is now straining my balance sheet?
- D.K. Maheshwari:** We can take comfortably three-four projects of big size of the HAM project because on equity part we do not have any problem as we presently require Rs. 840 Crores equity in

next three years where the internal generation would be around Rs. 2,300 Crores (including available long term credit facilities). On equity part and EPC part we do not have any problem, so three-four big projects we can take presently.

- Vibhor Singhal:** Sure Sir, great. Thank you so much for taking my questions and wish you all the best.
- Moderator:** Thank you. The next question is from the line of Seetaraman from Spark Capital. Please go ahead.
- Seetaraman:** Thank you. What is the equity infusion that in the HAM projects you have see FY2022 alone and FY2023 if you can give us split that will be helpful?
- D.K. Maheshwari:** Actually, in FY2022 we require Rs. 350 Crores equity and FY2023 we require Rs. 319 Crores, but it may vary because we infuse equity at the time of the taking disbursement to maintain the debt-equity ratio.
- Seetaraman:** What is the capex that you expect to invest this particular year FY2022?
- D.K. Maheshwari:** About Rs. 100 to Rs. 125 Crores
- Seetaraman:** Okay and from a long-term perspective I just wanted to understand how do you to expect actually monetize these HAM section, what is the time line for various monetization, you have any vision for all these HAM assets?
- D.K. Maheshwari:** We are expecting to finalize in this current financial year. Presently, we are discussing on the valuation part with the prospective investors. We may finalize and may start due diligence, so that we expect by end of this financial year these should be finalized.
- Seetaraman:** Thank you.
- Moderator:** Thank you. The next question is from the line of Kalpit Narvekar from Allianz Global Investors. Please go ahead.
- Kalpit Narvekar:** Congratulations on a good quarter and thanks for taking my question. Firstly on the roadside when you are bidding how does the competitions scenario look in this quarter while bidding for this project in EPC as well as HAM versus the last year, has there been any major changes on the competitive front and also the water projects in UP that you are bidding, how is the competition and margin profile of those projects?
- T. R. Rao:** In the road sector competition is severe. The reason is that NHAI and MoRTH diluted the qualification criteria, also there is no entry barrier or hurdle like bid security etc. The competition is more in the projects of value less than Rs. 1,000 Crores as there are lot of

players in that particular segment. But projects of size more than Rs 1,000 Crores and even in case of HAM projects of more than Rs. 1,500 Crores we do not foresee such kind of severe competition there. In the first quarter, majority of projects which we bid are of small size, where naturally competition was there. In water sector also there is competition and we got them through competition, but there also we should be having similar kind of EBITDA Margin what we are getting in road sector.

Kalpita Narvekar: Sorry for repetition but EBITDA margins what is the exact number you said my line was unclear?

D.K. Maheshwari: EBITDA would be around 13.5% to 14%, in fact Q1 we maintained that 14% EBITDA so in the water sector also we expect the same level of EBITDA margin.

Kalpita Narvekar: Thank you. In the water segment, so how do you expect the receivables or the working capital to play out in the water projects, the 50% is coming from the state, right?

T. R. Rao: The state government says they have enough amount of money to fund these projects and, the billing date is one month only so whatever billing will be of one month that will be the working capital and that we should be able to meet from whatever the fund limits we are having.

Kalpita Narvekar: One last question from my side, I was looking at the debtor days in your presentation have gone up to 100 days some 70 days last quarter any particular reasons for that?

D.K. Maheshwari: Actually, the debtor days increase from 62 to 76 days mainly because of the payment for the work of June'2021, we have received in the first week of July that was mainly Nagpur-Mumbai Rs. 132 Crores, Purvanchal Rs. 47 Crores and Lucknow-Indore Rs. 24 Crores. Earlier Payment for work executed in March, we have received before the end of the March but this time, June payments we have received in the first week of July, that is why debtor days have increased from 62 days to 76 days.

Kalpita Narvekar: On the networking capital the increase from 51 days to 103 days?

D.K. Maheshwari: That is also mainly because of increase in debtor days, as already explained earlier and decrease in trade payable, from Rs. 719 Crores to Rs. 534 Crores

Kalpita Narvekar: Thank you so much Sir and good luck.

Moderator: Thank you. The next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

- Parikshit Kandpal:** Congratulations on a decent performance. My first question is on the Aligarh-Ghaziabad project, I mean the Aligarh-Ghaziabad, so seek some update there, in terms of approvals and payments when can we expect the payments to come in?
- D.K. Maheshwari:** We have already received the NOC from all the bankers and NOC from NHAI is under process at NHAI Head Quarter, the delay is mainly because of the change of Chairman of NHAI, but now we are expecting it by the end of October and accordingly deal should be finalized
- Parikshit Kandpal:** Any final consideration how much amount will be coming, anything will be finalized on that?
- D.K. Maheshwari:** That will depend at the time of the closing only, however there should not be any requirement of provisions.
- Parikshit Kandpal:** About Rs. 300 Crores around about that is something may come. Last time you had indicated this amount?
- D.K. Maheshwari:** Actually we have also infused additional unsecured loan, but we are expecting that there should not be requirement of provision in the books after receiving the payments.
- Parikshit Kandpal:** Okay loss provisioning will not be required?
- D.K. Maheshwari:** We expect so.
- Parikshit Kandpal:** Okay, second question is asset monetization where you have said that we are talking and something will get finalized this year, so are we talking about selected projects or are you talking about existing BOT projects or only on HAM projects, if you can just at least quantify in terms of the projects which are been evaluating in terms of equity infused in these projects and which have been there?
- D.K. Maheshwari:** We are talking on the HAMs project of which we have received the PCOD and one operational annuity project of NHAI
- Parikshit Kandpal:** One is annuity, and 6 HAM projects.
- D.K. Maheshwari:** In these projects around Rs. 4,700 Crores debt is there, and we have infused around Rs. 940 Crores equity.
- Parikshit Kandpal:** One time price to book even if we have Rs. 940 Crores happen by next year, minimum that much can happen?

- D.K. Maheshwari:** We are expecting that is to be cleared by the end of financial year at least.
- Parikshit Kandpal:** My last question, on Ganga Expressway, if there is any update there? Is that bid happening now or now have to go after election next year?
- T. R. Rao:** No, Ganga Expressway many of the bidders have raised some observations and some amendments they sought in the bid documents including increase in the concession period etc. Now, UPIDA has to take an approval from the Cabinet and accordingly bid dates will be announced that . maybe in the month of October. Let us see how things will unfold going forward.
- Parikshit Kandpal:** But this is being bid on BOT only, right Sir as of now it is?
- T. R. Rao:** Yes, it is a BOT toll, with viability gap funding.
- Parikshit Kandpal:** But are we looking to bid if it is a BOT?
- T. R. Rao:** Yes, we are evaluating, we have not taken any call as of now. Once our studies and analysis completed then we will be in a position to decide.
- Parikshit Kandpal:** One last on GST on the HAM annuity which will come during the project operational period, so any clarity from NHAI??
- T. R. Rao:** No, all new projects post this GST Committee's clarification, NHAI issued a circular stating that they will be reimbursing the GST. Both for the construction phase payments as well as annuity and operational payments. The bids which have been bid out before the implementation of GST i.e., 2017 July, any how NHAI is reimbursing the GST amount under the change-in-law provision of the contracts.
- Parikshit Kandpal:** Okay, so for older the projects it is change in law and for new projects has already included for you accordingly bidding?
- Yogesh Kumar Jain:** Yes, right.
- Parikshit Kandpal:** Any clarity on the interest portion which NHAI will pay. NHAI will be bearing GST on that also?
- Yogesh Kumar Jain:** The entire amount will be paid by NHAI as far as GST is concerned
- Parikshit Kandpal:** Okay, thank you Sir. All the best. That is all from my side.

- Moderator:** Thank you. The next question is from the line of Jiten Rushi from Axis Capital. Please go ahead.
- Jiten Rushi:** Good evening, Sir. Thanks for taking my question and congratulations on good set of numbers. Sir, can give a toll collection number for the project?
- D.K. Maheshwari:** The MP highway is Rs.12.6 Crores, the Kanpur Ayodhya OMT project is Rs.101 Crores, Kanpur highway is Rs.24 Crores, Bareilly-Almora is Rs.10.9 Crores and Narela is Rs.10.6 Crores.
- Jiten Rushi:** Okay, Ghaziabad?
- D.K. Maheshwari:** Ghaziabad is Rs.50.3 Crores.
- Jiten Rushi:** Okay, and Sir I just need the outstanding order but for the AP irrigation project which is under execution and the Delhi–Vadodara project both packages?
- T. R. Rao:** AP irrigation project, we have started execution in the month of April.
- Jiten Rushi:** Okay, package 31 going to gain. So, still it is in the funding?
- D.K. Maheshwari:** The outstanding order book would remain same for all three projects – Delhi- Baroda both and Canal project.
- Jiten Rushi:** So, we are part of the bid portion?
- T. R. Rao:** Yes, almost same of as the contract value.
- Jiten Rushi:** Okay, got it and Sir, Lucknow Ring Road what is the outstanding order backlog?
- D.K. Maheshwari:** It is at Rs. 867 Crores.
- Jiten Rushi:** The guidance of the taxation part obviously we have shifted to the new tax regime now, so what could be the tax rate for the next nine month and the full year guidance, Sir?
- D.K. Maheshwari:** It should be in the same line, 25.168%.
- Jiten Rushi:** For the full year, Sir?
- D.K. Maheshwari:** Yes,
- Jiten Rushi:** Right, and next on the outstanding bids which Sir said, like you said some 10 EPC project, actually I could not hear it; can you please repeat if it is okay with you, Sir?

- T. R. Rao:** Yes, outstanding bids as I mentioned there are 10 EPC bids and 6 HAM bids, with an aggregate cost of Rs.11,000 Crores.
- Jiten Rushi:** Rs.11,000 Crores?
- T. R. Rao:** Yes
- Jiten Rushi:** So, these projects are in the Northern region, or it is spread in the Western, how are these spread?
- T. R. Rao:** Largely Northern and Northwest.
- Jiten Rushi:** Okay, Northwest also.
- T. R. Rao:** Yes, because this Delhi–Katra projects are in Punjab, so that Northwest also there are some and some of them in Northern region.
- Jiten Rushi:** Sir we are looking to for in the water segment as you said around Rs. 33,000 Crores you are planning to bid around Rs. 35,000 Crores – Rs. 40,000 Crores of which Rs. 30,000 Crores you bid for NHAI, so any bids in the water segment we are looking for now or how are you planning, Sir?
- T. R. Rao:** As of now no. See we want to commence these works and consolidate our position in the water sector and maybe after three-four months we will review the situation and then in case of any good opportunities then we will evaluate them.
- Jiten Rushi:** Sir we are maintaining our revenue guidance of 25% - 30% or we are in a position now to give any higher guidance?
- D.K. Maheshwari:** As of now we maintain the same as 20% because monsoon has been very active across our project sites, so in case of any upward revision then we will share during the third quarter.
- Jiten Rushi:** Sir labour position and the execution are back to 100% pre-COVID level, Sir?
- Yogesh Kumar Jain:** Yes, back to 100%.
- Jiten Rushi:** This is it from my end. Thanks a lot, and all the best, Sir.
- Moderator:** Thank you. The next question is from the line of Prem Khurana from Anand Rathi. Please go ahead.

- Prem Khurana:** Thank you for taking my question, Sir, and congratulations on good set of numbers. Sir, my question was with respect to the Jal Jeevan Mission orders that we have in UP, I think if I remember correctly, I mean you talked about 16 months of execution cycle for these projects. Now, given that fact that these would be taking up in phase manner, I mean you would start with the certain number of villages and then you would try and make some progress and then only you would go for the next set of villages. So, in a fair assumption how long could it take to absorb the entire thing essentially since you are taking these things and we would not be able to finish in 16 months, right?
- T. R. Rao:** No, actually this 16 to 18 months from the date they handover the land to us. See, as of now out of 3,430 villages they handed over us the land only for 1,200 villages. So, as they progressively hand over the land to us from that particular date 18-month period will start. So, the entire order book of these 3,400 villages, we expect to complete in next 30 months.
- Prem Khurana:** Next 30 months, okay with days on the availability?
- T. R. Rao:** 24 months to 30 months, within 24 months we should be able to complete majority of the order book and then subsequently if any residual projects are there, we will be completing in the remaining six months period.
- Prem Khurana:** Sure, and Sir in terms of payments the money would come from the budget, or I mean these are the planning to have some financial infusion place which would disburse payments on the regular basis?
- T. R. Rao:** No, it is only the 50% would be from the state budgetary allocation and the remaining 50%, Ministry of Jal Shakti will provide under the Jal Jeevan Mission as a grant. The State formed a mission, State Water and Sanitation Mission with a designated account. So, the money will be coming therewith which will be further disbursing to the contractors.
- Prem Khurana:** What I wanted to understand, let us say was to get 50% odd so they are planning to give it from their budget or they are planning to rope in a financial institution to have fund this part, I mean eventually there could be a situation wherein you will open a financial partner or lending institution which would disburse money and you would not required to rely on the budgetary allocation to be able to meet this 50% which is supposed to come from state?
- T. R. Rao:** As of now as we understand they are not going for any financial institutes for funding these projects, only in state of road projects only we are going for such kind of things. So, they are securitizing their future toll revenue to seek funds from financial institutes. For the water projects, it will be only budgetary allocation.
- Prem Khurana:** Yes, and we do not see any risk given that there is election due in UP sometime next year?

- T. R. Rao:** That will be on a positive side because Government of India is giving money to the state on priority basis. State government is also allocating funds because water supply has got a very significant and positive social impact. As such we do not foresee any problem in getting the payments.
- Prem Khurana:** Sure, and Sir as far this Ghaziabad-Aligarh transaction is concerned, you said there would not be requirement of any provision, I mean there would not be loss provision whenever we do these transactions. So, when you say there would not by any provision that is including claim amount as supposed to come to us or that is excluding claim in would be over and above that money that you see?
- D.K. Maheshwari:** After the amount we would be receiving from Cube Highways as well as from NHAI against our claim, we don't expect that there should be any requirement of provision in the books.
- Prem Khurana:** Sure and how long do you think it will be able to get your claims in place?
- D.K. Maheshwari:** Along with the payment of Cube Highways.
- Prem Khurana:** Okay, sure. That is it from my end. Thank you.
- Moderator:** Thank you. The next question is from the line of Faisal Hawa from H G Hawa and Company. Please go ahead.
- Faisal Hawa:** My question is Sir, is the competitive intensity for the larger project in roads particularly NHAI, do you see that only five people or six people are participating and how do you feel that most balance sheets have coped up with taking the HAM projects?
- T. R. Rao:** Relatively the competition will be lesser in the larger size projects and also fund-based projects when compared to EPC because fund-based projects, bidders should have good credibility, healthy credit ratings and also, they should have tie ups with the banks. So, we do not know who would be the potential bidders, but the competition will be certainly less in large as well as fund based projects.
- Faisal Hawa:** Secondly, Sir Mr. Nitin Gadkari, Honourable Minister for Roads is on record saying yesterday to CII that we will go up to 100 kilometres a day. Do you feel that the government machinery is equipped to really take up such a large and ambitious target?
- T. R. Rao:** Yes, government can take up provided enough funds are available with the government and adequate bandwidth is available with the industry.. So, achieving Rs.100 kms per day is not an impossible task, but it will be a very ambitious target.

- Faisal Hawa:** Because we could be seeing a situation where there are handful of hardly ten infrastructure companies who are in good shape and this could be like a very, very big opportunity, I mean it could really change the orbit of most companies?
- T. R. Rao:** To achieve that kind of progress in a day then that kind projects also should be awarded for execution. So, NHAI has to gear up the awarding activity and then only such kind of progress would be possible.
- Faisal Hawa:** Okay, thank you, Sir.
- Moderator:** Thank you. The next question is from the line of Parvez Akhtar Qazi from Edelweiss Securities. Please go ahead.
- Parvez Akhtar Qazi:** Good afternoon, Sir. Congratulations for the great performance and thanks for taking my questions. So, the first question is what kind of order intake are we targeting this year and what could be a broad mix between let us say road, HAM and EPC projects and the second is what was the capex and equity that we infused in Q1? Thank you.
- T. R. Rao:** As far as projects are concerned, HAM and EPC would be 50:50. We are targeting if X amount of HAM projects, we would be targeting equal amount of EPC projects and the breakup would be 50:50 and our focus will continue to be on the road sector only.
- Parvez Akhtar Qazi:** What quantum of projects are we looking at winning?
- D.K. Maheshwari:** We are looking at a new projects of value Rs.8,000 Crores before the end of this financial year.
- Parvez Akhtar Qazi:** Okay, Sir and what were the capex and the equity in Q1?
- D.K. Maheshwari:** In Q1 capex was Rs.14 Crores.
- Parvez Akhtar Qazi:** And equity that we infused?
- D.K. Maheshwari:** Equity we have infused Rs.22 Crores, in first quarter.
- Parvez Akhtar Qazi:** Thanks. That is it from my side and all the best.
- Moderator:** Thank you. The next question is from the line of Shravan Shah from Dolat Capital Markets. Please go ahead.
- Shravan Shah:** Sir, in terms of the early completion bonuses, how much and from which project this year we can expect?

- T. R. Rao:** Early completion bonus for which particular project?
- Shravan Shah:** Yes, so are we expecting any early completion bonus because previously we are saying Mumbai-Nagpur, Aligarh-Kanpur anything finalized and when can we expect early completion bonus?
- T. R. Rao:** See, for Purvanchal package 5 & 6 we are expecting because the scheduled completion is January 2022; we definitely will be completing the project before that as such we were expecting early completion bonus for both the packages of Purvanchal. In case of Nagpur also we are expecting subject to approval of the extension of time on account of force majeure event by the authority.
- Shravan Shah:** So, Purvanchal it would be around 3% of the value, half a percent every month that is the way it is?
- T. R. Rao:** In Purvanchal it is 0.04% every day with the maximum of 150 days, which will translate to 6% of the contract price. But depends upon how many days early we complete it, to get the full bonus, we have to compete five months ahead of the schedule. We will see how much bonus we can get as we are expediting the progress and will try to complete these packages to secure maximum amount of bonus.
- Shravan Shah:** Nagpur you said still we have not received the revised completion COD date extended COD?
- T. R. Rao:** Extended COD given without any financial commitment, so all the bidders are trying to pursue MSRDC to make it an unconditional kind of extension so that they will become eligible for the bonus, but it will take some time by MSRDC to decide upon.
- Shravan Shah:** So, what is the COD now?
- T. R. Rao:** Scheduled COD is July 2021, extension they have already given up to October, but further extension is also on the anvil, but we have to see finally till what date they will give the extension then according to what date we will be able to complete within the remaining period and we would become eligible for bonus, if they take call in this respect.
- Shravan Shah:** But we expect it to be over by October–November?
- T. R. Rao:** Yes.
- Shravan Shah:** Okay, thank you Sir. All the best.

- Moderator:** Thank you. The next question is from the line of Darshit Lakhani from BA Consultant. Please go ahead.
- Darshit Lakhani:** Congratulations on good set of numbers, Sir. I just have two questions, what is the amount of revenue we are targeting from governments Jal Se Jeevan Yojna and are we planning to bid for metro projects via joint venture probably and if you can? Thank you.
- T. R. Rao:** That we had earlier mentioned, for this current financial year we are targeting Rs. 600 to Rs.800 Crores of projects to be taken-up under Jal Jeevan Mission, but again the profit will depend on how these projects will progress, because projects being of underground water supply, we have to go up to 150 m. So, we are targeting Rs.600 Crores to Rs.800 Crores worth of projects to be commenced.
- Darshit Lakhani:** Are we planning to bid for metro projects via joint venture or something that at the same point?
- T. R. Rao:** As of now no, because in metro also there is a significant competition because the players who are there in the metro have been there for a quite long time. They already have adequate equipment and expertise, so there would be able to compete.. As of now we are not considering any metro projects either on a standalone or in a joint venture.
- Darshit Lakhani:** Thank you so much, Sir.
- Moderator:** Thank you. The next question is from the line Drishent Chakrabeti an individual Investor. Please go ahead.
- Drishent Chakrabeti:** Thank you for the opportunity and congratulations on good set of numbers. Sir, my question is with respect to something that was just mentioned on this call that you expect to generate about Rs.2,300 Crores of cash over the next three years and if I take into consideration the HAM projects equity infusion of Rs.850 Crores and even if we assume that we win two – three more HAM projects, my question is that we still expect certain amount cash and strictly cash flow will be left. So, what is your view about using that extra free cash that we plan to generate in the next three years?
- D.K. Maheshwari:** The generation of the three years will be mainly used for infusion of the equity. As I said that the generation of over Rs.2, 300 Crores (including available long term) and presently the requirement of project equity is of Rs.850 Crores. We are also bidding for HAM projects which may have an additional requirement of Rs.1,000 to Rs.1,200 Crores of equity.
- Drishent Chakrabeti:** Okay, so new HAM projects we are bidding which would require Rs.1,000 Crores to Rs.1,200 Crores more alright.

- D.K. Maheshwari:** Yes, we can take new HAM projects with requirement of equity up to Rs.1,500 Crores at this point of time.
- Drishent Chakrabeti:** Alright, so that is what we plan to do with the extra cash flow which we are going to be generating, right. Is that understanding current?
- D.K. Maheshwari:** Yes, additionally we require for capex.
- Drishent Chakrabeti:** Yes, Sir if you could just help me with the planned capex for next two years, because this year you have given us the numbers of Rs.100 Crores to Rs.125 Crores, what would be FY2023 and FY2024?
- D.K. Maheshwari:** FY2023 should also be in the range of Rs.125 Crores and in FY 2024 more or less will be same.
- Drishent Chakrabeti:** Okay, same Rs.125 Crores got it. Sir, my second question is with respect to debts. So, in Q4 of FY2020 I had the same question and at that point of time we were targeting a gross debt equity of somewhere in the range of 1.5x, so now considering that this number has increased quite a bit and I guess is at that level or even more than that. So, my question is what do we expect the debt-to-equity ratio to be going forward in the future and are there any plans that you have to pay down which would ultimately result in reduced finance cost to the company as well?
- D.K. Maheshwari:** That debt to equity you are talking about the consolidated amount?
- Drishent Chakrabeti:** Yes, consolidated?
- D.K. Maheshwari:** So, it was 1.34 times in March and this June is also 1.37 times. So, as soon as we will monetize this project, certainly debt-equity ratio will come down.
- Drishent Chakrabeti:** Alright, got it. So, we do plan to basically reduce this number going forward?
- D.K. Maheshwari:** Yes
- Drishent Chakrabeti:** Okay, so we have already started to make this end, alright. Sure, Sir thanks a lot. That is it from my side.
- Moderator:** Thank you. The next question is from the line of Ashish Shah from Centrum Broking. Please go ahead.
- Ashish Shah:** Good evening, Sir. Sir, first question is that, in any of our projects is there likely to be any de-scoping or de-linking which might happen?

- T. R. Rao:** See, in Ghaziabad–Aligarh, we have applied for the final COD after the descoping of the uncompleted work. So, that descoping and other positive and negative change of scope everything is now being settled in a consolidated and comprehensive manner. So, once we get the final COD, there would not be any further work to be executed.
- Ashish Shah:** Sure Sir, but I meant more in terms of our ongoing projects in the order book right now any of the EPC or the HAM projects, is there any project where the NHAI is not able to give us the balance maybe 5% - 10% of the land and that might be de-scoped our delinked something like that?
- T. R. Rao:** No, there would not be. In almost all projects, we expect the execution of 100% bid project cost. Even in case any kind of de-scoping happens it will be counter-balanced by the positive change of scope as all these projects have a positive change of scope of particularly additional structure etc. So, those positive change of work done will be counter-balancing the de-scoped amount, if any. So, net there will not be any decrease in the BPC.B2C.
- Ashish Shah:** Sure, Sir secondly in our water projects and also the irrigation do we have mobilization advance and as these been released, for the water it might not be but for the irrigation one?
- T. R. Rao:** Yes, in case of irrigation project as per Government of Andhra Pradesh policy, there is no mobilization advance as there is no provision in the contract. Whereas in case of water projects, 10% mobilization advance is payable, which is without interest, once we execute the tripartite agreements.
- Ashish Shah:** Sure Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.
- Parikshit Kandpal:** Just on Aligarh–Ghaziabad you said that claims will come along with the payment from Cube Highways, so have we gone for reconciliation in this project?
- T. R. Rao:** Reconciliation with respect to what?
- Parikshit Kandpal:** Are we gone for the conciliation of the same?
- T. R. Rao:** Conciliation is underway, so the whole thing as we mentioned, including de-scoping, change of scope, claims everything now consideration of the conciliation committee..
- Parikshit Kandpal:** So, Sir when the inflow comes from Cube this will include the amounts which you have agreed for the conciliation purpose?

- D.K. Maheshwari:** Before that we may receive this amount from NHAI, because the change in ownership will be issued only after settlement of all these pending issues.
- Parikshit Kandpal:** So, now what is the total claim I mean I am not asking about the agreed claim but what is the total claim which you have put on?
- T. R. Rao:** See, the claim is just a number as it does not have any significance unless the amount is received in the banks
- Parikshit Kandpal:** Sure, Sir. So, second thing on the credit ratings, I mean credit rating has been AA- for quite some time and we have so much of robust cash flows surplus in the balance sheet. So, are we making any case for our credit rating upgrade from here on?
- D.K. Maheshwari:** Rating recently has been upgraded, it has been upgraded to AA from AA minus
- Parikshit Kandpal:** Understand Sir, sorry my mistake. Lastly on the fund based and the non-fund-based limits if you can just give us that number and how much is the utilization?
- D.K. Maheshwari:** Fund based limit is Rs.1,000 Crores and there is no utilization, and non-fund-based limit of Rs.5000 Crores taken for the bank guarantees which is utilized around 50%
- Parikshit Kandpal:** Okay, and lastly for that any loss funding in Aligarh-Ghaziabad projects in this quarter?
- D.K. Maheshwari:** It would be around Rs.28 Crores.
- Parikshit Kandpal:** Now this deal has happened so now this money will come back to us after the deal or is it take a loan and come back to us or till the deal consummate, the loss funding is on us?
- D.K. Maheshwari:** This money will be returned. As from the particular date to closing date, whatever we have infused, we will get from Cube.
- Parikshit Kandpal:** Okay, Sir from the cut of date where you have signed the agreement with them from that day till whatever we have infused till the closure date you will get all the money back and all funding. What is the total amount as of now standing after the agreement date in terms of loss funding at times it is called quarter tax, last quarter also how much will be because I think that we will be first?
- D.K. Maheshwari:** Total unsecured loan PNC Infratech infused as on June 30 is Rs. 287 Crores.
- Parikshit Kandpal:** Rs. 287 Crores, Sir. That is it from me. Thank you.

- Moderator:** Thank you. The next question is from the line of Faisal Hawa from H G Hawa and Company. Please go ahead.
- Faisal Hawa:** So, now that our total volumes are going up as far as our road construction is concerned. Do you have any plans to go into some kind of backward integration into manufacturing the metal barriers or even the bitumen ourselves or really save and increase our margins, because amongst the top companies our EBITDA margins are little lower than the absolute top companies?
- T. R. Rao:** See, as of now our backward integration is there in the space of mining.+ In mining, then crushing in that space we are already having our backward integration. In case of manufacturing of road furniture like MBCD, barbed wire etc we are analyzing and we will take a call if such kind of backward integration is required; as of now nothing on the cards.
- Faisal Hawa:** Sir that we are doing for doing the repairs and maintenance of the equipment ourselves or during the project planning there we do not have to outsource any of these jobs?
- T. R. Rao:** We have our own central workshop at Agra, also we establish workshops at every project site. We have a large number of mechanical and automobile staff posted at these workshops. So, we do not outsource the maintenance as well as the overhauling activities. We will do the planning in house as we have a planning section at the headquarters as well as planning cells at each of the project sites. So, as of now we are not outsourcing these activities to any consultant.
- Faisal Hawa:** Thank you, Sir.
- Moderator:** Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Anupam Gupta from IIFL Securities, for closing comments.
- Anupam Gupta:** I thank PNC Infratech for giving us the opportunity to host the call. I would like to handover to Mr. Yogesh Jain for any closing comments that you might have.
- Yogesh Kumar Jain:** Thank you everyone for your participation in our Earning Call. We have uploaded the presentation on our company's website in case of further queries you may get in touch with the Strategic Growth Advisors, our Investor Relations Advisors or feel free to get in touch with us. Thank you very much.
- Moderator:** Thank you. On behalf of IIFL Securities Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.