



**“PNC Infratech Limited Q3 FY2022
Earnings Conference Call”**

February 17, 2022



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Moderator: Ladies and gentlemen, good day and welcome to PNC Infratech Limited Q3 FY2021-2022 Earnings Conference Call hosted by DAM Capital Advisors Limited. This conference call may contain forward-looking statements and the Company will not assume any warranty or representation or anything implied or said, and these are subject to all kinds of risks and uncertainties and also then the actual results would be materially different from what the statements the Company will be making today. So the sharing of information on the call will be subject to the statutory disclaimer and safe harbor. 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, 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. Mohit Kumar from DAM Capital Advisors. Thank you, and over to you Mr. Kumar!

Mohit Kumar: Thank you Nirav. Good afternoon, on behalf of DAM Capital I welcome you all to the PNC Infratech Q3 FY2022 Earnings Conference call. From the management side, we have with us Mr. Yogesh Kumar Jain – Managing Director; Mr. B. Sawhney – Chief Financial Officer; and Vice President, Finance – Mr. D K Maheshwari.

To begin with, we will have opening remarks from the management followed by Q&A. Over to you, Sir.

Yogesh Kumar Jain: Good afternoon, everyone and a very warm welcome to all present on the call to discuss Q3FY22 our financial results.

Along with me, I have Mr. T.R. Rao, Director (Infra), Dr Bhupinder Sawhney, Chief Financial Officer and Mr. D. K. Maheshwari, Vice President (Finance) and Strategic Growth Advisors - our Investor Relations Advisors.

I hope everyone is safe and taking all the necessary precautions to protect yourself and others.

I will, first share my views on the key sectoral developments and highlights and then share operational and financial highlights of the Company.

Though overall highway bidding activity by NHAI has been active during FY22, the awarding activity by NHAI has been a bit subdued during January & first half of February.



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It is expected that awarding activity will be picked-up by NHAI during the next one and half months of FY 22 to match FY21 figure of 4818 km.

In the recently announced Union Budget, Government continued its focus on infrastructure development, across the sectors.

As per the budget announcement, the National Highway network in the country will be expanded by 25,000 kms in 2022-23.

With emphasis on road development for accelerated socio-economic growth and employment generation, government increased allocation for development of roads and highways by 69% to Rs. 1.98 crores in FY 23 budget from Rs. 1.18 lakh crores initially made in FY 22 budget.

In comparison to budget of FY 22, absolute increase in allocation towards roads sector has been Rs. 81,000 crores, of which increase in allocation to NHAI being more than Rs. 76,600 crores.

The proposed increase of national highway network and substantial increase in budgetary allocations for roads sectors, is a sign of encouragement and inspiration to the highway development firms in the country.

PM Gati Shakti Master Plan will encompass the seven engines for multi-modal connectivity in the country with speedier implementation of projects through technology, digitization and networking, to facilitate faster movement of goods and people so that overall logistic costs are reduced.

Government also allocated Rs 60,000 crore for FY 2022-23 for the Jal Jeevan Missions to provide potable water to 3.8 crore households in villages.

In the budget, government also announced that the draft DPRs for five river linking project have been finalized, which include Ganga-Pinjal; Tapi-Narmada; Godavari-Krishna; Krishna-Pennar and Pennar-Kaveri.

FASTag-based toll collections picked up significantly in Q3FY22 and reached record high monthly collection of at Rs.3,679 crore in December 2021, which roughly translated into an average daily collection of Rs. 119 crore per day.



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As per the data released by the National Payments Corporation of India, the toll collection increased by Rs.502 crores in December 2021 on a month-on-month basis, which was primarily driven by increased economic activities led by festive season and spurt in manufacturing activities.

Now coming to the key updates of the Company:

During the quarter, the company received LOA from NHAI for Collection of User Fee at 135 km long Eastern Peripheral Expressway Fee Plazas in the States of Haryana and Uttar Pradesh for One Year, for a contract value of Rs. 369.00 crore.

Also, on 25th January 2022, the company in Joint Venture received (LoA) for three (3) new EPC Projects namely “Survey, Design, Preparation of DPR, Construction, Commissioning and O&M for 10 years of Rural Water Supply” for total villages of 2,337 in the following districts of Uttar Pradesh from the State Water Supply & Sanitation Mission, Namami Gange & Rural Water Supply Department, Government of Uttar Pradesh.

The approximate aggregate value of 3 water projects is Rs. 2,337 crores and, specific value will be known at the time of execution of agreements, after preparation and approval of Detailed Project Reports.

These projects are to be constructed in 12 months upon approval of DPRs and signing of the agreements and operated for 10 years, post-commissioning. The Company’s share in the JV is 90%.

As mentioned in the previous earnings calls, the company continued to focus on diversification in the project development business to continue the growth momentum without assuming the concentration risk.

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

The recent trend of contract awarding in the water sector is very encouraging.

We look forward to increasing our presence in the water sector through Jal Jeevan Mission.

We believe that a pipeline of projects to remain robust from this mission in the long term.

However, the company will focus to consolidate the ongoing water sector projects first.



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At present, the company has a total of 19 projects on PPP format, comprising BOT-Toll, BOT Annuity, OMT and HAM assets.

Out of these 19 projects, we have 11 HAM projects with a total Bid Projects cost of Rs. 16,144 crores. From our HAM portfolio of 11 projects, we have achieved COD/PCOD of 5 projects and the balance 6 are under construction.

In terms of equity investment, total requirement for all these 11 HAM projects would be around Rs. 1468 crores; out of which we have already invested Rs. 749 crores till December 2021 and the balance will be invested over the next 2-3 years. The internal accruals generated over the next 2-3 years should be sufficient to fund the total equity investment.

Now moving on to our order book.

As mentioned earlier, the company has focused on diversification of the order-book and the results are visible in the current order book.

Our unexecuted order book on 31stDecember 2021 was over Rs.12,000 crores. By including all the projects for which we have already received letters of award, our order-book would be over Rs. 14,300 crores, that gives strong revenue visibility for the company over the 2-3 years.

Of the total order-book of Rs. 12,000 crores, the Roads EPC contracts contributes around 24%, HAM projects contribute around 45% and Water and Irrigation projects contributes around 31%.

Update on Ghaziabad Aligarh Project divestment

We have signed the Share Purchase Agreement on 1st April 2021 with Cube Highways and as on date we have received NOC from all 10 bankers.

NOC from NHAI for Change-in-Ownership has also received.

Formal approvals for Final COD and Extension of Concession Period on account of reduction traffic are awaited from of NHAI.

We are expecting receipt of consideration from this transaction from Cube Highways upfront on the closing date and our share of the agreed 'Earnout' after FY'23.



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However, the Company considered an 'Impairment' amounting to Rs. 39 Crore in its investment in the SPV, during the quarter ending 31 December 21.

Balance of impairment, if needed, would be considered upon receipt of consideration from Cube Highways, which is expected by the end of FY22 and assessment of earnout in FY23.

Now I would present the results for the quarter ended December 31, 2021.

Before discussing financial performance, I would like to share that during Q3 of FY22 the company has considered an impairment of Rs. 39.0 crores in the investment made in the Ghaziabad Aligarh Road Project and has provided the same under 'other expenses'.

We have adjusted the above to make financial performance comparable with the previous corresponding periods.

Financial results of standalone and consolidated without considering the impact of impairment are

Revenue of 3RD quarter of FY22 is Rs. 1,522 crore which is higher by 15% as compared to Rs. 1,322 crore in 3RD quarter of FY21.

The adjusted EBITDA for the 3RD quarter is Rs.205 crore which is higher by 15% as compared to Rs. 179 crore in Q3 FY21. The EBITDA margin for the 3RD quarter of FY22 is 13.5%.

The profit for the 3RD quarter of FY22 is Rs. 120 crore as compared to Rs. 103 crore in the 3RD quarter of FY21, a growth of 17% on YoY basis.

Standalone 9 months Result ended December 31, 2021

Revenue of 9 months FY22 is Rs. 4,388 crore which is higher by 34% as compared to Rs. 3,281 crore in 9 months of FY21.

The EBITDA for 9M FY22 is Rs. 602 crore which is higher by 37% as compared to Rs. 440 crore in 9M FY21. The EBITDA margin for 9 months of FY22 is 13.7%.

The profit for 9 months of FY22 is Rs. 349 crore as compared to Rs. 233 crore in 9 months of FY21, a growth of 50% on YoY basis



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Consolidated Financials for the quarter ended 31stDecember 2021.

Consolidated revenue of Q3 FY22 is Rs. 1,722 crore as compared to Rs. 1,582 crores in Q3 FY21, with a growth of 9%.

The consolidated EBITDA for the 3RD quarter of FY22 is Rs. 365 crore. The EBITDA margin for Q3 FY22 is 21.2%.

The consolidated PAT for Q3 FY22 is Rs. 117 crores.

9 Month Financial Performance

Consolidated revenue of 9M FY22 is RS. 4,982 crore as compared to Rs. 3,923 crores in 9M FY21, with a growth of 27%.

The consolidated EBITDA for 9 months of FY22 is Rs. 1,093 crore which increased by 10% as compared to Rs. 998 crore for the corresponding period last year. The EBITDA margin for 9M FY22 is 21.9%.

The consolidated PAT for 9M FY22 is Rs. 362 crore as compared to Rs. 347 crore in 9MFY21, a growth of 6%.

ON THE STANDALONE BALANCE SHEET SIDE,

As on 31ST December 2021 our net working cycle is 96 days.

Our net worth on standalone basis is Rs. 3,205 crores as on 31ST December 2021 whereas total standalone debt is RS.339 crores.

As on 31ST December 2021, we do not have any working capital loan.

The total cash and bank balance as on 31ST December 2021 is RS. 246 crore. This translates to net debt to equity of 0.11 times.

On consolidated basis our networth is Rs. 3,374 crores whereas total debt is Rs. 4,421 crores as on 31ST December 2021.



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The total cash & bank balance including current investments is Rs. 854 crore. This translates to net debt to equity of 1.31 times.

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

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Vibhor Singhal from Phillip Capital India. Please go ahead.

Vibhor Singhal: Good afternoon, Sir, thanks for taking my question, and congrats on strong executions once again. My first question was basically on the order inflow this year, during the previous three quarters, our order inflow has been very weak from NHAI, hardly any new order EPC after HAM, and towards the end of January we were awarded Jal Jeevan Mission, so any specific reason throughout the year can we expect any other projects on EPC or HAM from NHAI side and in the next one and a half months, or whatever period is left, we will be able to basically capture more orders from HAM project?

Yogesh Kumar Jain: During the past few months, there has been a severe competition in bidding for NHAI project. We have targeted certain bids that include 12 HAM, 5 EPC and 2 ToT projects for an aggregate value of Rs. 17,000 Crores. We expect to be L1 in four to five bids, out of them.

Vibhor Singhal: Okay and all these bids, we will get it within March or they can go through next year also?

T. R. Rao: This should all be done by March. For all these projects financial bids are expected to be opened before the end of March. As all of us know, the competition has been very steep and very aggressive because of the widespread relaxation of the qualification criteria as well as relaxation of the bid security. Now recently, the ministry has taken a decision to restore the bid security in both EPC as well as HAM bids. Certainly, this will have a positive effect on the competition and will work as a barrier. We see going forward, the competition will be subsided, but nevertheless, we have submitted a total of 19 bids of an aggregate value of 17,000 Crores which are under evaluation and will be opened before the end of this financial year and as our MD said we expect around 4 to 5 projects out of these bids.

Vibhor Singhal: Okay Sir, got it. If I go beyond a little, as you said that because of competition, we were not able to get more projects and in next one, one and a half months, there is a possibility of getting four, five projects, if I take this forward a little, in NHAI we are seeing more and more competition, so do you think we will be getting continuous order inflow from NHAI, wherein we can get growth of 15%.



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Yogesh Kumar Jain: Qualification criteria has been changed by NHAH wherein they re-introduced the earnest money. Some other changes they have made in the qualification criteria of both BOT and HAM. So, going forward there will not be much competition.

Vibhor Singhal: Sir, secondly, in your opening remarks, you had mentioned we are getting more orders under Jal Jeevan Mission and we are talking about the interlinking river projects, like in UP and in MP we are doing the linking the rivers which are first of its kind, which is getting awarded, the project is worth Rs.43,000 Crores so are you interested in those, kinds of projects of Jal Jeevan Mission?

T. R. Rao: Which project is this that you are talking about?

Vibhor Singhal: Ken-Betwa interlinking River, which is in UP and MP, which is one of its kind, Ken-Betwa link?

Yogesh Kumar Jain: We will be pursuing the opportunities in river interlinking space .

T.R. Rao: We are actively evaluating this type of opportunities. As these are all in the initial stage as of now, we are evaluating them.

Moderator: Thank you very much. The next question is from Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal: Sir, congratulations on a decent quarter. My first question is on JJM project. Can you tell us out of the Rs 3,200 Crores order book, which was there, what is the pending order book and how much was the revenues in nine months and the third quarter of this financial year?

T R Rao: In case of Jal Jeevan Mission, under phase two, we got around 2,476 villages that is the PNC share out of 3400 villages we got under JV. Out of 2,476 villages we already submitted DPRs for 2003 villages, which roughly translates into 82% of total DPRs and we also signed the tripartite agreements for the DPRs approved by the State-Level Committee, for about 1077 villages. Out of 1077 villages, we commenced work at more than 400 villages, 200 bores already drilled and remaining bores are underway. During the first nine months we raised bills for the DPR preparation, and during the fourth quarter we will be doing billing say around Rs. 75 Crores before end of this financial year and also we received more than Rs.130 Crores interest-free mobilization from the Authority so far.

Parikshit Kandpal: What is the total order book as of now nine months order book on these projects?



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- T. R. Rao:** Nine-month order book, we got a project of 2337 new villages. Earlier, we have a 2476 and total we have 4,813 villages. Though we are considering Rs.1 Crore per village, when we prepare the DPR and get them approved, cost is coming on an average of Rs.1.4 crores per village. Therefore 4,800 villages will roughly translate into more than around Rs.7,000 Crores, but final cost we will come to know only once these all DPRs are approved and we sign the agreements.
- Parikshit Kandpal:** Okay. My second question is on the Aligarh-Ghaziabad project. Can you highlight some numbers if I remember correctly, we had about including loans and advances equity and receivables to be realized from the SPV about Rs.300 Crore plus, so can you highlight how that number increased now and this Rs.39 Crores write-off is the funding part which we did for this quarter; that is why you have taken the write-off; can you just highlight on that.
- D K Maheshwari:** Presently, we have received the NOC from all the lenders, we have received the change in ownership NOC from NHAI and as regards the COD extension of time, which has already been approved and minutes is awaited from NHAI, which is expected shortly. After discussing with the auditor and as conservative, the management has assessed that the amount we have infused on account of the unsecured loan and the debtors; we have provided 10% as an impairment in this quarter.
- Parikshit Kandpal:** The total amount is you are saying Rs.390 Crores is the total exposure there.
- D K Maheshwari:** Yes, 390 Crores on account of unsecured loans, debtors.
- Parikshit Kandpal:** How much we are expecting to realize from Cube on this deal Sir that means about Rs.360 Crores we will get after deducting Rs.40 Crores, so we should get about Rs.350 odd Crores from this?
- D K Maheshwari:** Certain things are still unclear such as earnout amount from Cube Highway and certain amount to be received from NHAI, therefore as soon as we receive the minutes of NHAI then settlement and distribution will be cleared. That is why Yogesh ji has confirmed that we will consider in the FY2022 impairment in case if needed or in the FY2023 after receiving the earnout.
- Parikshit Kandpal:** Got it Sir, understood. Thank you, Sir.
- Moderator:** Thank you. The next question is from the line of Mayur Liman from Profitmart Securities. Please go ahead.



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- Mayur Liman:** Thank you for the opportunity. I just want to ask what is the outlook for the next quarter what are your thoughts on that. Thank you.
- D K Maheshwari:** As already informed in the earlier call that this year we are expecting the top line with growth of around 20% and certainly we will achieve the topline growth of 20% as compared to FY2021.
- Mayur Liman:** Okay. Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Jiten Rushi from Axis Capital. Please go ahead.
- Jiten Rushi:** Good afternoon, Sir, thanks for taking my question and congratulations on good set of numbers. My first question will be on the order backlog breakup project wise, so I would require the order backlog for Delhi-Vadodara package 31, Delhi-Vadodara package 29 and there are more orders, I will repeat, so if you can tell me one by one then I can just note it down.
- D K Maheshwari:** Package 31 outstanding is Rs.637 Crores and package 29 of Vadodara is Rs.590 Crores.
- Jiten Rushi:** Sir this Purvanchal package 5, 6 and Mumbai-Nagpur Expressway.
- D K Maheshwari:** Purvanchal 5 almost completed it is negligible and Purvanchal 6 is also around Rs.89-90 Crores.
- Jiten Rushi:** Mumbai-Nagpur.
- D K Maheshwari:** Nagpur-Mumbai is Rs.110 Crores.
- Jiten Rushi:** On the toll packages of Bhojpur, Koilwar, Nagina, Varanasai what is the status.
- D K Maheshwari:** Bhojpur outstanding is Rs.90 Crores and Koilwar is Rs.85 Crores, and Nagina-Kashipur is Rs.120 Crores.
- Jiten Rushi:** The Varanasi completed.
- D K Maheshwari:** Yes.
- Jiten Rushi:** Sorry Sir Rs.120 Crores you said Nagina.



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- D K Maheshwari:** Yes.
- Jiten Rushi:** Varanasi complete.
- T. R. Rao:** it will be completed during the current quarter. Varanasi also we completed and there is no significant order backlog there. We completed and received the completion certificate for the project.
- Jiten Rushi:** Sir this Jhansi package one and Chakeri-Allahabad.
- D K Maheshwari:** Jhansi package one also we received completion certificate on 28th January this quarter and there is no order backlog as on that, there is no significant order backlog in Jhansi Package one
- D K Maheshwari:** And Chakeri-Allahabad outstanding is Rs. 460 Crores.
- Jiten Rushi:** Which package Sir.
- D K Maheshwari:** Chakeri-Allahabad.
- Jiten Rushi:** Continuing on that what is the Andhra Pradesh because you said that till December, we cannot do the execution because of the extended monsoon and the status so whether have we done any execution in December or the order backlog is still Rs 975 Crores and the execution has started from January.
- T. R. Rao:** No. In the December quarter, we have done some execution where water is not released and again we will resume the canal works and other works from the first week of March.
- Jiten Rushi:** What is the outstanding order backlog there in that project.
- T. R. Rao:** It is around Rs 960 Crores.
- Jiten Rushi:** Sir this UP water supply project of Rs.275 Crores, which we had received. What is that order backlog?
- D K Maheshwari:** Rs.2,700 Crores.
- Jiten Rushi:** No Rs.2,700 Crores opening one, so last quarter it was Rs.255 Crores as on September.



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- D K Maheshwari:** Rs.246 Crores.
- Jiten Rushi:** You have not booked any revenue from this other two UP project of Rs.32 billion; you will be booking revenue from Q4 of around Rs.100 Crores right Sir.
- T. R. Rao:** In Q4, we will be booking the revenue.
- Jiten Rushi:** Next question is on the balance sheet number, so if you can give me the debtors, creditors, inventory, unbilled revenue, retention and mobilization advances.
- D K Maheshwari:** Mobilization advance was Rs.536 Crores as on December 2021, debtors is Rs.1,600 Crores, and debtor days are of 96 days.
- Jiten Rushi:** Creditors, inventory, retention, unbilled.
- D K Maheshwari:** Retention was Rs.203 Crores.
- Jiten Rushi:** Inventory and creditors Sir.
- D K Maheshwari:** Rs.494 Crores of inventory.
- Jiten Rushi:** Rs.494 Crores. Creditors would be.
- D K Maheshwari:** Creditors is Rs.629 Crores.
- Jiten Rushi:** Any unbilled Sir or this is small only as usual.
- D K Maheshwari:** It is negligible.
- Jiten Rushi:** Sir, why the debtor days were high like 96 days, it is very high as compared to the usual run rate, so any reason why or we have done some late bookings which resulted in high debtors.
- D K Maheshwari:** As you aware that PNC Infratech is not having utilization limit that is why we are not taking the disbursement from our HAM project from the lenders. Irrespective as some amount we are discounting on the rate of 4%, instead of taking the disbursement from lenders,. That is why debtor days are higher because of the outstanding at the HAM projects Rs.940 Crores.
- Jiten Rushi:** So, Rs.940 Crores is the outstanding from HAM projects as on December.



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- D K Maheshwari:** It is 61% of the total debt outstanding.
- Jiten Rushi:** Will this strategy continue in this quarter also that we will be not taking in traditional debt from the...
- D K Maheshwari:** We started to take a disbursement.
- Jiten Rushi:** Sir. What is the toll collection numbers for the projects?
- D K Maheshwari:** Toll collection in MP Highway was Rs. 12.8 Crores.
- Jiten Rushi:** This is in Crores right Sir.
- D K Maheshwari:** Yes, and OMT project Kanpur Ayodhya is Rs.121.5 Crores, Kanpur Highway is Rs.33.5 Crores, Narela is Rs.10.7 Crores and Bareilly Almora is Rs.40.30 Crores and Ghaziabad is Rs.64.5 Crores.
- Jiten Rushi:** Sir nine-month Capex in Q4 target and next year Capex target and revenue growth guidance next year and margin guidance.
- D K Maheshwari:** The Capex, we have earlier informed around Rs.125 Crores, but in nine months we have taken only Rs.20 Crores and we expect in total it should be around Rs.40 Crores in FY2022.
- Jiten Rushi:** And next year.
- D K Maheshwari:** Next year it would be around Rs.125 Crores.
- Jiten Rushi:** What is the revenue guidance for next year.
- T. R. Rao:** Subject to the disclaimer, next year revenue guidance will be 10% to 15%.
- Jiten Rushi:** Are you bidding for any projects at Ganga Expressway subcontracting? Are we looking to bid for such project because you are bidding for TOT model which is again the asset heavy model, so if we have not participated in the BOT projects of Ganga Expressway and what is the logic of bidding for this TOT project and are you interested in taking a subcontracting? That is it from my side.



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- T. R. Rao:** All the TOT bids are brownfield projects, where we have a tangible toll revenue history. In case of the Ganga Expressway, being a greenfield project and completely a greenfield alignment, there we perceived some risks in that, whether or how the traffic will be diverted from the existing network to this road and how much time it will take to ramp up the traffic. The key consideration being the traffic revenue risk, we have not participated.
- Jiten Rushi:** Are we signing to take any subcontracting from Adani and IRB for this Ganga Expressway? If it takes award because we are the expert in UP.
- T. R. Rao:** As of now it is being between the two corporates, we do not want to discuss much on that.
- Moderator:** Thank you very much. The next question is from the line of Faisal Hawa from H.G Hawa & Co. Please go ahead.
- Faisal Hawa:** Do we see any kind of risk emerging from the high debt levels that NHAI is having at this point of time and could it be a reason for their releasing these orders not on time in this financial year also.
- T. R. Rao:** Because of the code of conduct being still in force in Uttar Pradesh and also in four more states, where these projects are located. It is understood that the evaluation is taking more time because they also want to appoint the independent engineers before awarding these contracts to the concessionaires and the contractors, so this is getting delayed. But we expect the opening of the financial bids as well as the awarding activity will be picked up in the next one and half months before the end of this financial year, so that the NHAI could reach their targets.
- Faisal Hawa:** Do you feel about the high debt levels that NHAI is carrying, could it be a risk to the entire industry?
- T. R. Rao:** This is a very larger issue and I think we do not want to comment on that, but being a government authority and also NHAI got huge asset base and also they want to go for monetization in bid way we do not foresee any major risk regarding cashflows. They also have other frameworks like InvIT and SPVs to garnet the funds.
- Faisal Hawa:** Thank you.
- Moderator:** Thank you. The next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.



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Shravan Shah: Thank you Sir. Most of my questions have been answered. Just trying to understand, if we can get a 20% top line growth for this year, does that mean we are looking at a design in the fourth quarter on the top line front.

T. R. Rao: Fourth quarter would be definitely better than the corresponding quarter of the last year and the top line, as my colleague has mentioned, would be 20% minimum.

Shravan Shah: Next year when we are seeing a 15% so that is based on the assumption that what even if you can repeat in terms of the order inflow, we are expecting four, five projects out of 19 bits, so how much is the value of each of these projects or average size and in general how much we are targeting to get the order inflow in this one and a half months.

T. R. Rao: We have already secured orders worth Rs.2,700 Crores and as we had earlier mentioned our total expected order inflow for the current financial year would be around Rs.8,000 Crores. Since we already got Rs.2,700 Crores, we are looking forward to have an order of around Rs. 5000 Crores before end of this current financial year.

Shravan Shah: Then as it is slightly on the lower side, so next year can we look at our Rs.10,000 plus Crores kind, because to sustain the growth of 15% we need a sizeable order inflow or rather we need to keep on increasing the order inflow from FY2023 onwards. I am just trying to understand if that is the case, are we only looking at the road as a case because previously we are looking at airport and other, so now as we said in water we will be first now consolidating, so are we looking further order inflow in the water also or only the road that would be the driving 70%, 80% of order inflow and there also how much are we now comfortable to look at the HAM projects as a inflow for this out of this Rs.4000 to 5000 Crores and for next year also how much we can take HAM projects.

T. R. Rao: Our road sector portfolio in the order flow also we are expecting around 70% to 75% because that will continue to be our focus area and focus sector; and whatever orders we will be expecting from the roads and highways sector would be around that percentage. We always look forward to have 50% HAM projects and 50% EPC projects so that there is a balance between the fund-based and non-fund-based projects. Because the government has already allocated Rs.60,000 Crores in the FY2023 for the Jal Jeevan Mission, many other state governments will also come with projects, and also it is expected that fourth phase also will come in from Uttar Pradesh. There also we look forward to bid, in case good opportunities are there under the Jal Jeevan Mission. As our Managing Director has mentioned before embarking on the new projects, whatever projects we got 4800 villages we want to consolidate them; we want to submit the DPRs and start the work for those



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projects before venturing further. But definitely, before end of FY2023, we have another 13 months from now so we look forward to have more projects in that space. In case of airport sector, we have a lot of synergy between the roads and the airports particularly airfield pavements, so we also see if good EPC opportunities are there we will bid for them.

Shravan Shah:

Sir just if you can help me in terms of the asset monetization so previously you said that we were looking at five HAM and one annuity project so where Rs.680 Crores kind of a equity has invested. Where are we, will it be a direct phase or InvIT form how much time it will take when can we see the announcement and at the same time in terms of this water continuing to on that part, the previous three water projects is Rs.3500 odd Crores and I think correct me if I am wrong you mentioned that in terms of the DPR post that does that value can increase sizably in terms of after finalizing the DPR and broadly how much revenue are we looking at in FY2023 from this Rs.3500 odd Crores.

T. R. Rao:

Definitely once the DPR gets finalized, there will be increase in the estimate. Now we are assuming @ Rs.1 crore per village, which can go up to Rs.1.3 to 1.4 Crore on an average per village. There will be around 30% to 40% increase in the value of these water projects and accordingly in first phase we have 2476 villages will roughly translates to Rs.3,000 Crores and 50% of that we are expecting in FY2023. It roughly comes to around Rs.1500 Crores it may further increase, but it would be around Rs.1,500 Crores execution in FY2023.

Shravan Shah:

That is great and now on the asset monetization front of five HAM and one annuity.

D K Maheshwari:

We have received a pre-proposal for monetization which are still under evaluation

Shravan Shah:

Are we only looking at direct sale and not the InvIT format or that option is also available.

T. R. Rao:

Yes, that option is also available, but we will see what kind of valuation we are getting finally from these proposals what we received. Then we will take a call before end of this financial year accordingly.

Shravan Shah:

Broad timeline in terms of getting our equity back, is it fair to say that in FY2023 we may not see any kind of an inflow coming back in terms of the equity coming back it most likely would be in the FY2024 is it a right understanding.

T. R. Rao:

Yes, largely it is a right understanding.



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Moderator: Thank you. The next question is from the line of Alok Deora from Motilal Oswal Financial Services Ltd. Please go ahead.

Alok Deora: Good afternoon and congratulations on decent quarter. A lot of questions already answered, just one question on the TOT bidding. I just wanted to understand the strategy there because how much of this kind of asset heavy projects we are willing to take because a few quarters back we have mentioned that we are not looking at any sort of a toll projects, so now that we have looking to bid for TOT projects which has a very long-term kind of toll collection so how much of this would we are looking to keep as a part of our overall order book going forward.

T. R. Rao: Yes, this is particularly what we have done, out of three TOT bundles, we bid for two bundles. As you know bundle six is virtually in our backyard. It is Agra bypass, we know about the project, in fact we executed the EPC of that project. With certain considerations, we bid for that and in the case of the TOT bundle seven where we got user free collection contract for one year, as we are the highest bidder and we got the project and we started toll collection from 1st of January. There also we got some kind of first-hand information, but as a long-term strategy we are not looking at TOT as the kind of area, where we will be pursuing, but these two we bid with some specific reasons and also they are very close to our area of business and the center of our operations.

Alok Deora: The water project which we won very recently when is that expected to start.

T. R. Rao: Water project what we got in the month of January, has 2337 villages and we are expecting the list of villages will be provided by State Water & Sanitation Mission by March 22 and then we will have a three-month time to prepare the DPRs and getting them, approved, say by the end of June. Once the DPRs get approved, then we will commence execution of these projects from the Q2 of FY2023 onwards.

Alok Deora: Large part would come in the second half of FY2023 in terms of revenue recognition.

T. R. Rao: Initially when we start these projects, there will be some enabling works and other activities such as boring etc, so the substantial execution will start from the H2 of FY 2023.

Alok Deora: Yes, that is all from my side Sir. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Bharani Vijay Kumar from Spark Capital Advisors India Pvt. Ltd. Please go ahead.



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Bharani Vijay Kumar: Good afternoon, Sir. My question is on this Jal Jeevan Mission project. If the final project cost or value is not finalized based on what is this order awarded the 2337 L1, that is just an initial estimate and it will change after your DPR preparation is that the understanding.

T. R. Rao: Yes, it is the initial estimate of Rs. 2337crore say Rs.1 Crore per village subject to preparation and approval of the DPRs.

Bharani Vijay Kumar: Right and still the L1 mechanism is what is used to award these projects right.

T. R. Rao: Yes, these projects are awarded based on L1 basis. There is a set of BOQ and on those rates, one has to bid either the plus or minus percentage and whoever quotes the lowest the bids are awarded. On the quantities of the DPRs, this already pre-agreed BOQ rates are applied and then accordingly project cost is decided for each village.

Bharani Vijay Kumar: Understood, so how was the cost pass-through mechanism in this Jal Jeevan Mission projects? Would we have any problems due to the material cost increases?

T. R. Rao: In phase two we have an escalation provision for the resin and in case of any increase in the HDPE material there is the escalation provision there, but in phase three that provision they have removed it. Otherwise there is no provision for the escalation in the Jal Jeevan Mission projects, whatever the BOQ rates or whatever so it has considered some kind of an escalation factor in that. Any steep increase or any unexpected increase in the basic input materials, it will have some pressure on the margins but there is something already inbuilt in these rates.

Bharani Vijay Kumar: What will be the typical mix of components in a project like how much percentage of cost would be say pipes, pumps, electrical works and civil works?

T. R. Rao: We do not have the break up readily available and we can share with you separately.

Bharani Vijay Kumar: What are the kind of margins we are expecting in this project including some margin pressures in the next one year.

Yogesh Kumar Jain: It will be something around 14% EBITDA margin.

Bharani Vijay Kumar: Okay that is it from my side. Thank you so much Sir. I will probably get in touch with you on this water project split.

T. R. Rao: Sure.



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Bharani Vijay Kumar: Okay thank you.

Moderator: Thank you. The next question is from the line of Vibhor Singhal from Phillip Capital. Please go ahead.

Vibhor Singhal: Yes, thanks for taking my question again. Sir two questions one a bookkeeping question what is the outstanding order value of Lucknow Ring Road in the order book.

D K Maheshwari: It is Rs.700 Crores.

Vibhor Singhal: Just one last question from my side. Sir, like you said, in the past nine months, we had seen a very high intensity of competition, and we also were awarded very less projects and we are expecting more projects in the next 45 days. Sir, are we constraining ourselves in bidding for projects only in the north and central part of India because in the past nine months, we have seen in AP, and in Vizag, we were awarded projects, we were awarded projects in Kerala, and we are getting projects from Tamil Nadu, we are also obviously doing projects in Mumbai, Nagpur, and are also getting projects from Karnataka, but if I see the order book, our order book majority in today's date, we get projects from UP, MP, Rajasthan, Gujarat, and Bihar, so are we are trying to restrict ourselves going into the south of India and bid for only in the north, south and central part of India or is it just coincidence?

Yogesh Kumar Jain: It is not like that we are executing projects in north as well as central part of India. We are executing the projects in Maharashtra, Karnataka, , Andhra, Telangana, MP, Rajasthan in addition to UP , but the maximum bids which are coming from Punjab, and it is mostly for the North, but it is not that the competition has been in the bids, but the targeted bids which were there for us, which were submitted, those bids have not opened. Bids should be opened and we are bidding all over India except Kerala.

Vibhor Singhal: Any specific reason why we are not bidding in Kerala?

Yogesh Kumar Jain: We are not having that good experience in Kerala before. That is the reason.

Vibhor Singhal: Thank you so much Sir, thanks for answering my questions and wish you all the best.

Moderator: Thank you. The next question is from the line of Uttam Kumar Srimal from Axis Securities. Please go ahead.



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Uttam Kumar Simal: Thank you Sir for giving the opportunity and congratulations on good set of numbers. Sir can you give the breakup of equity investment and HAM what has been how much we had invested in this year and balance that will be invest in this year and the bifurcation for the next two years in the HAM projects.

D K Maheshwari: Actually, we require Rs.1,470 Crores total equity in 11 HAM projects, out of that Rs.754 Crores we have already increased till December the remainder is Rs.720 Crores we have to infuse in this quarter and next two years.

Uttam Kumar Simal: How much will be invested in the fourth quarter?

D K Maheshwari: Fourth quarter around Rs.200 Crores FY2023 will be Rs. 320 Crores and FY2024 will be Rs.200 Crores so totally Rs.720 Crores,

Uttam Kumar Simal: Okay sir that is all from my side. 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: Hi! Good afternoon and thanks for taking my question. Overall, just wanted to get your views on the impact of commodity prices on our margins for the HAM project execution that we are doing at a blended level what is the kind of margins that we will see in FY2023. Yes, I am talking about the EPC work that we do on HAM project.

Yogesh Kumar Jain: It will be between 13% and 14%.

Parvez Akhtar Qazi: Sure thanks.

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 questions and congratulations on a decent set of numbers this quarter. Sir just a small clarification on this water supply orders in Uttar Pradesh you said the cost estimate could change from or Rs.1 to or Rs.1.2, or Rs.1.3 or Rs.1.4 Crore per village I am assuming this variation would essentially be because of change in the BOQ and not the price that you would have given for each of these items that you need to use. Am I right in my understanding?



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T. R. Rao: Yes, increase in the quantities only should result in the increase in the overall cost of the project and the base rates will remain the same.

Prem Khurana: Could there be a situation wherein let us say I mean you submit a DPR with certain number in terms of BOQ that you would be required to use and the authority was not to agree with that quantity and make you go back your estimates because assuming there is a loophole right, I mean at the time of bidding I could quote a number in terms of BOQ which is lower and then suddenly go and revise that number so you could...

T. R. Rao: At the time of quoting the thing we are neither quoting for the rates nor quoting for the items because in fact these items and rates also fixed so we are only quoting plus or minus percentage over the BOQ. Subsequently based on this type surveys and type studies, we are arriving with the quantities for each village and then we are preparing the DPR. After approval of the DPR only, we will start the execution, so there would not be any kind of a differences later because while they approve the DPR, they approve the quantity for each item and the rate what was pre-decided that will be applied and then execution will be undertaken accordingly. So there would not be any different because whatever DPRs we are supporting, they are duly approved.

Prem Khurana: No, I understand that so I was wondering I mean could there be a situation so we have not had that situation till this time but could there be a situation where you give a certain number in terms of BOQ and the authority says no I mean this is not the right number I mean it is possible to be able to do it for a lesser quantity could there be a situation I understand you have not had that issue till this time.

T. R. Rao: They have issued guidelines for each item and DPR. Their set guidelines are there and we are preparing DPRs based on those guidelines.

Prem Khurana: Sure Sir understand this and on the cash side our cash balance has come down. Is it possible to explain this Rs.250 odd Crores of cash reduction on a sequential basis what would explain this because when I look at our networking capital cycle, it essentially seems like it is lower than last quarter which essentially means I mean working capital may we would not have infused any significant money so Rs.95 Crores I understand is the equity infused? What would explain the balance around Rs.160 odd Crores of reduction in the cash balance?

D K Maheshwari: As I told you that we have not taken the disbursement in our HAM projects because of the non-utilization of the working capital limited. That is why cash balance has reduced



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accordingly debtor days also, increased to that extent. In case we take the disbursement in our HAM project, certainly the cash and bank balance would have increased.

Prem Khurana: Sir, just on this you gave creditors I mean would you be able to kind of repeat that number again, please.

D K Maheshwari: It is Rs.629 Crores.

Prem Khurana: Thank you and all the very best for the future.

Moderator: Thank you. The next question is from the line of Amruta Deherkar from Wealth Managers. Please go ahead.

Amruta Deherkar: Thank you for the opportunity. My question is regarding what you have mentioned about the change in the qualification criteria for the NHAI awarding so when is this applicable of these changing the criteria from is it going to impact or is it going to benefit in the Q4 or will it be from the Q1 of FY2023 onward.

T. R. Rao: The real effect of this reintroduction of EMD, bid security, and also the rationalization of qualification will have a positive impact from the Q1 of next financial year.

Amruta Deherkar: How are the awarding activity in the Q4 right now in January and February?

T. R. Rao: Till in January and February, the awarding activity was a bit subdued because the elections are going in the five states. What we had mentioned earlier, and what we see that the awarding activity definitely will be picked up during the March before end of the current financial year.

Amruta Deherkar: Thank you.

Moderator: Thank you. The next question is from the line of Kalpit Narvekar from Allianz Global Investors. Please go ahead.

Kalpit Narvekar: Hello Sir thanks for taking my question and congratulations on a decent quarter. My first question was in terms of the Rs.1,520 Crores of a top line that you did in this quarter; do you think there was some loss in terms of execution because of monsoons or because of UP elections, say some sites had some rallies or something for you is there any do you think the execution could have been higher in this quarter because of that and also do you think that



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fourth quarter will have some impact on execution due to the elections, particularly in the projects in UP.

T. R. Rao: No. The elections in Uttar Pradesh will not have any significant impact on our execution. When compared to Q2, in Q3 there was this reduction of a few crores because in Q2 for some major projects we achieved the PCOD and before the achieving the CODs there were spurt in the activities to achieve the CODs and the execution has been expedited and that is why we could able to achieve a higher income in Q2 compared to Q3. Otherwise for a few Crores kind of a difference there is no specific reason and we do not foresee any problem with the elections even in Q4 also.

Kalpiti Narvekar: My second question is again related to the same thing. In terms of your exposure to UP state, what would be the order book exposure to say UPEIDA on the roadside and also on these water side 50% is funded by the state right, so do you see any impact on getting payments from these agencies given that elections are happening. Firstly how much exposure and secondly is there any risk in terms of getting payments on these projects from UP state.

T. R. Rao: First thing is that Jal Jeevan Mission projects will have agrant of 50% from the government of India and 50% funded by state governments. What we understood from them that the allocations have been made by the state government also. Even during the election time also, we are getting our payments released including mobilization advance. As such allocation and funding should not be a problem. We do not foresee any funding problem would be there for the Jal Jeevan Mission projects and also, we do not foresee any funding program for the UPEIDA whatever the amounts are left out. As of now UPEIDA is not launching any new project. We will see in case any new opportunities come up, otherwise, we do not see any funding problem in UP.

Kalpiti Narvekar: Great Sir that is very helpful. Thank you, so much and good luck.

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

Parikshit Kandpal: Thank you. My question is on the bid news that you have received three offers for your HAM assets. Last time I remember you had said there were five HAM assets and one BOT assets with total equity investments of about Rs.6.7 billion, which we were expecting bid, so is the amount same now this Rs.670 Crores.

T. R. Rao: Yes, five HAM projects we achieved the COD.



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- Parikshit Kandpal:** This Aligarh Ghaziabad is not included in this. Right?
- D K Maheshwari:** Yes, that is not included.
- Parikshit Kandpal:** If we go for monetization and if these things go through, we are expecting at least somewhere around Rs.1,000 Crores of inflows to come in over the next year FY2023.
- D K Maheshwari:** Yes.
- Parikshit Kandpal:** Okay, great Sir. My second question is on mobilization advanced received from JJ mission so what interest rate have we got this mobilization advance sir.
- T. R. Rao:** The mobilization advance Jal Jeevan Mission phase 2, there is no interest on the mobilization advance/
- Parikshit Kandpal:** It is an interest-free mobilization advance.
- T. R. Rao:** Yes, it is 10% of the approved DPR cost interest-free, in Phase II.
- Parikshit Kandpal:** On another question, you said that this total villages 2476 is what we had got in the earlier announced the orders which we have got earlier. In the order book you have only included 2476 Crores, or you have revised it to that 1.3 or 1.4 factor and this Rs.12,000 Crores.
- T. R. Rao:** As of now we are still maintaining that Rs.2,476 Crores only in the order book and also the new orders also. Once all DPRs are approved, we will revise this order book numbers
- Parikshit Kandpal:** Total Rs.4,800 Crores is what like including the Jan order we are reporting it which has an upside of Rs.2,200 Crores once the orders get approved so Rs.7,000 Crores number comes from there right.
- T. R. Rao:** Yes, around Rs.7,000 Crores maybe slightly 5% plus or minus.
- Parikshit Kandpal:** Lastly on this project Rs.1,500 Crores revenue will come from the old orders of 2476 villages and you said the new set of orders will start contributing from the second half of next financial year. So that itself should have another Rs.700-800 Crores so is not it right to expect that next year we should have about Rs.2,000 Crores to Rs.2,300 Crores of contribution from JJM orders.



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- T. R. Rao:** As of now we are estimating around Rs.1,500 Crores including the new orders that we receive. Once the DPRs are prepared for the new orders and then these DPRs get approved and how timelines we will be able to tell you what would be the figure may be, going forward during the first or second quarter of next year, but as of now, we are maintaining it as a Rs.1,500 Crores in the total order book.
- Parikshit Kandpal:** Just last thing on the political risk now there is an election going on so do you perceive any risk from that to our execution. If there is any change of government or change on guard, do you think these programs will continue or do you think because now water is almost Rs.7,000 Crores of the other book, which is almost half of the order book. So do you think any risk there because I understand it will continue but more on the water side do you think the state government if there is a change but can it impact the execution?
- Yogesh Kumar Jain:** No, it will not impact. 50% is given by the central government under the Jal Jeevan Mission.
- Parikshit Kandpal:** Sure, thank you Sir.
- Moderator:** Thank you very much. Now I hand the conference order Mr. Mohit Kumar for closing comments.
- Mohit Kumar:** Thank you everyone for joining in. We would like to thank the management for giving us the opportunity. I will hand over the call to the management for closing remarks. Over to you, Sir.
- Yogesh Kumar Jain:** Thank you everyone for your participation in our Earning Call. We have uploaded the presentation of our company's website. In case of further queries, you may get in touch with the Strategic Growth Advisor our Investor Relations Advisors, or feel free to get in touch with us. Thank you very much.
- Moderator:** Thank you very much. On behalf of DAM Capital Advisors Limited that concludes this conference. Thank you for joining us, you may now disconnect your lines. Thank you.