



“PNC Infratech Limited
Q1 FY '24 Post Results Earning Conference Call”
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MODERATOR: **MR. VISHAL PERIWAL – IDBI CAPITAL**

Moderator: Ladies and gentlemen, good day, and welcome to Q1 FY '24 Post Results Earnings Conference Call of PNC Infratech hosted by IDBI Capital.

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As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vishal Periwal from IDBI Capital. Thank you, and over to you, Mr. Periwal.

Vishal Periwal: Yes. Thanks, Neerav. Good afternoon everyone. I welcome you all for the PNC Infratech Limited post result earnings call with the management. From the management team of PNC, we have with us, Yogesh Jain Ji, Managing Director; T.R. Rao Ji, Director (Infra); and D.K. Maheshwari Ji, Vice President -Finance.

As usual, we'll have an opening remarks from the management and followed by the live Q&A session. Thank you, sir. Over to you.

Yogesh Jain: Yes. Good afternoon, everyone. On behalf of PNC Infratech Limited, I extend a very warm welcome to everyone for joining us today on this call.

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

We have uploaded the financial results and Investor Presentation on the Stock Exchanges as well as Company's website for your reference.

Initially, I would like to mention key updates in the industry followed by key operational developments of the Company and highlights of financial performance during Q1 of FY24, post which we will be happy to answer your questions.

- ✓ According to industry reports, road construction as well as projects awarding activity slowed down during Q1 of FY24.
- ✓ As per industry reports, during Q1 of FY24, a total of 611 kms new projects only awarded and a total length about 2,250 kms roads constructed.
- ✓ As per recent MoRTH's announcement, road construction target for the year 2023-24 has been revised from 12,500 to 14,000 kms.
- ✓ Similarly, 12,000 kms target set for award of new projects during the year 2023-24.
- ✓ Considering the ambitious targets set-forth for FY 24 and bidding process has still not picked-up till date, pace of bidding and awarding activities by the authorities are expected to be intensified during the second half of FY24.

- ✓ As part of National Highways Authority of India's monetization plan, NHAI floated bids under Toll-Operate-Transfer model, for TOT 13 and 14 bundles for an aggregate length of 300 km and an operation period of 20 years, each.
- ✓ NHAI is in the process of awarding project packages of 610 km long Varanasi - Kolkata highway with an estimated projected cost of Rs. 35,000 Crores.
- ✓ After completion of this highway, the current travel time between Varanasi and Kolkata is expected to be reduced by 50%.
- ✓ I am pleased to share with you that our Company secured 3 packages out of 14 packages of this highway floated so far by NHAI on HAM format.
- ✓ Transport ministry proposes to deploy advanced technology, Global Navigation Satellite System, or GNSS to completely do away with the barriers at toll plazas. As GNS System will enable gateless plazas, vehicles will no longer have to halt at plazas. The technology consultants appointed by IHMCL for the mandate, are already working on it.

Now coming to the updates on the company:

- ✓ Our company signed concession agreements for the four recently secured Hybrid Annuity Model (HAM) highway projects secured in FY 23, having an aggregate Bid Project Cost of Rs. 4,083 crore.
- ✓ The above HAM mandates include package 2, 3 and 6 of six lane greenfield Varanasi Ranchi - Kolkata highway of NHAI and package 3 of four lane highway from Singraur Uphar to Baranpur Kadipur Ichauli of NH-731A of MoRTH.
- Company's strong balance sheet, financial prudence, constant credit rating upgrades, enable company to secure debt at competitive rates.

Now, moving on to the operational and financial performance of the company.

- The company is currently having 27 BOT-Toll, BOT Annuity and HAM assets
- Company's fund based portfolio of 27 projects comprise, 22 HAM projects with an aggregate Bid Projects Cost of 28,673 crores.
- Out of 22 HAM projects, company completed and achieved PCOD/COD for 7 projects, 11 projects are under construction and 4 projects are under development.
- With regard to equity investment, cumulative requirement for the 22 HAM projects amounts to around Rs. 2,900 crores.
- As of June 2023, we have already infused Rs. 1,716 crores and the remaining equity is to be infused over the course of next 2 to 3 years.
- The internal accruals that would be generated over the next two to three years should be adequate to meet the above equity investment requirements.

Now moving on to our order book. -

- As of 30 June 2023, our unexecuted order book stands at 14,900 crores, which doesn't include EPC value of about Rs. 4,000 crores of the four new HAM projects secured recently. Accordingly, unexecuted order book value would be about Rs. 19,000 crores.

- Out of the above total unexecuted order book, highway and expressway contracts contribute around 72%, and Water projects contribute around 28%.
- The company has achieved notable progress in Rural Drinking Water Projects under the Jal Jeevan Mission (JJM) during the past two quarters.
- Till 30th June 2023, the company has booked a total revenue of Rs. 1,454 crores under JJM.
- The revenue booked during the quarter ending 30 June 23 in the water segment was Rs. 421 Crores.

Now I would present the results for the quarter ended June 30, 2023.

Before discussing financial performance, i would like to share that during q1 of FY23, the company received an early completion bonus of Rs. 37.02 crores, which was included in the revenue.

We have not taken the above in to consideration make financial performance of Q1 of FY23 objectively comparable with 1st quarter of FY24.

Standalone Quarterly Result:

Revenue of 1st quarter of FY24 is Rs. 1,861 crore which is higher by 8% as compared to Rs. 1,721 crore in 1st quarter of fy23.

The EBITDA for the 1st quarter is Rs. 245 crore which is higher by 11% as compared to Rs. 221 crore in Q1 FY23. The EBITDA margin for the 1st quarter of FY24 IS 13.2%.

The profit for the 1st quarter of FY24 is Rs. 157 crore as compared to Rs. 130 crore in the 1st quarter of FY23, a growth of 21% on yoy basis. The PAT margin for the 1st quarter of FY24 is 8.4%

I'll now take you through Consolidated Financials for the quarter ended 30th June 2023.

Consolidated revenue of Q1 of FY24 is Rs. 2,092 crore as compared to Rs. 2,016 crores in Q1 FY23, with a growth of 4%.

The consolidated EBITDA for the 1st quarter of FY24 is Rs. 436 crore. The EBITDA margin for Q1 of FY24 is 20.9%.

The consolidated PAT for Q1 FY24 is RS. 181 crore. The PAT margin for the 1st quarter of FY24 is 8.6%

ON THE STANDALONE BALANCE SHEET SIDE,

As on 30th June 2023, OUR net working cycle is 83 days as compared to 87 days as on 31ST march 2023.

Our net worth on standalone basis is RS. 4,098 crores as on 30th June 2023 whereas total standalone debt is Rs. 489 crores

The total cash and bank balance as on 30th June 2023 is Rs. 186 crore. We have a net debt of Rs. 303 crore. This translates to net debt to equity of 0.17 times.

ON CONSOLIDATED BASIS, our networth is Rs. 4,476 crores whereas total debt is Rs. 6,774 crores as on 30TH June 2023. The total cash & bank balance including current investments is Rs. 943 crore. This translates to net debt to equity of 1.46 times.

With this, we now open the floor for Question & Answer.

Moderator: Thank you very much. We will now begin the question-and-answer session. First question is from the line of Shravan Shah from Dolat Capital.

Shravan Shah: Sir, First is on the just going back to the guidance what we have talked last time. 15% revenue growth, 13.5% EBITDA margin, and order inflow of INR10,000 crores to INR12,000 crores, so out of that 30% from non-road. So all these numbers, stand remains same or any change?

D K Maheshwari: Growth will be around 10% to 15% which we have informed in the last quarter and the EBITDA margin will continue in the 13% to 13.5% and the contract inflow in FY '24 is expected around INR10,000 crores.

Shravan Shah: Out of that, what are we looking at from non-road order inflows?

T.R. Rao: We still maintain around 20% to 30% from non-road sectors and around 70% to 80% from the roads and highways sector.

Moderator: Shravan, sorry to interrupt you, but your voice is breaking very badly. I will request to rejoin the queue again. Next question is from the line of Ashish from JM Financial.

Ashish: Congrats on good performance. Sir, wanted to check on this non-highway, so what is it that we are looking for, which segments we'll look to get this maybe about INR2,000 crores to INR3,000 crores of inflows?

T.R. Rao: See, water will continue to be one of the sectors, which we are looking at. And also, we'll be looking at the projects like railways. As you know that we got one Orbit Rail project last year for INR755 crores in Haryana. So similar kind of projects like rail, metro rail or whatever we see. So that is one area we are looking at. Apart from the water sector, which we are already working and other state governments also coming out with projects under JJM. So we are looking at those opportunities as a part of our non-road sector.

Ashish Shah: Yes, sir. Okay. So sir, what I was asking is that, given that there has been a delay in the ordering this year as well, so is there any risk in terms of the target for the awards? Or you think this INR10,000-odd crores can be still managed?

T.R. Rao: It can still be managed because the government has fixed a target of 12,000 kilometers of highways to be awarded during the financial year FY '24. Even though the awarding activity slowed down in Q1 and even till date it is still slowed down, so what we expect that this will picked-up, geared-up during the second half of the current financial year. So we are still hopeful of getting INR10,000 crores of new projects during the current financial year.

Yogesh Jain: Even we have already submitted 9 bids, that amounts around...

T.R. Rao: INR11,000 crores of bids are under realization. We submitted for 4 HAM projects and 5 EPC projects, which are under evaluation. So as of now, we don't see any issue in the business development as well as the targets.

Yogesh Jain: So second half will be better.

Ashish Shah: Right, sir. Sir, just the last thing. Some specific projects, if you can update in terms of status. One is the Haryana Orbital Rail. By when do we expect that project to commence? Are all the land and other ROW-related issues taken care? And secondly, what is the status for the JJM? We earlier were looking at something like INR2,000-plus crores of revenue for FY '24. We seem to be on track, but just checking on that number again and also on the AP irrigation canal project?

T.R. Rao: First thing, Haryana Orbital Rail, we executed the contract agreement in the month of May, then we commenced the work there and work is going on. In the last week only we started the Indian Structures Works also. There is no issue with the land. So we feel that this project will be on track as per the time line set forth in the contract document.

And the second thing, we are maintaining the same thing, INR2,000 crores plus revenue under the Jal Jeevan Mission. So in the first quarter, we achieved INR400 crores plus revenue. Maybe second quarter, there will be slight dip, given the intense monsoon and widespread monsoon. But we should be able to achieve INR2,000 crores plus margin revenue from the JJM during the current financial year.

Third, with respect to AP canal, as of now, as you know, that one would be able to do only 5 to 6 months work. Now water is being flown into the canal system. So almost we stopped our works. And this year, again, we'll commence the work during the next working season. And also, we are looking forward to have some payments because we have not received any payments so far from them.

Ashish Shah: Sir, any number you'd like to leave us, how much execution to expect in the AP irrigation project this financial year?

T.R. Rao: This financial year, we are expecting around INR100 crores maximum.

Ashish Shah: Around INR100 crores. Sir, So this project becomes very very long tenure right? I mean it was a INR1,000 crores project where I still may have...

T.R. Rao: Till April 2024 because of the limited working season availability and also there is a -- we have already slowed down, and we've written a letter to them, saying that because paucity of funds and other things. So this project can take longer time.

Moderator: Next question is from the line of Mohit Kumar from ICICI Securities.

Mohit Kumar: Congratulations on a very, very good set of numbers. My first question is, sir, can you update us on the monetization, where we are right now? And are we confident that we will close this in next couple of quarters or by end of fiscal year '24?

- Yogesh Jain:** Actually, earlier, we have informed in the last call, the company continue to give highest priority to the monetization of operational assets, therefore, unlock its equity and deleverage its balance sheet. In the first level, total 12 projects floated for monetization, including 11 HAM assets as 1 BOT toll asset, which would have a total debt over INR6,900 crores and total equity of over INR1,700 crores. Strategic advisor retained for running the process and interested buyers submitted their non-binding offer for the said assets.
- Mohit Kumar:** Okay. Understood. So we expect this to be -- to be finalized in next couple of quarters. Is that a fair assessment?
- Yogesh Jain:** Yes, yes, yes.
- Mohit Kumar:** My second question is, sir, on the tender pipeline for NHAI. How is it looking like at this point of time? Do we see the number of more than INR1 lakh crores?
- Yogesh Jain:** Yes. NHAI already floated RFP for over 68 projects that comprising EPC and HAM, that is costing around more than INR65,000 crores for bidding. Bid due dates for the above projects are staggered up to 31st October '23.
- T. R. Rao:** Yes. And post that also, we have another 5 months, November, December and 3 months in the next calendar year. So, that's another INR30,000 crores to INR40,000 crores. As you said, the pipeline would be around INR1 lakh crores during the current financial year.
- Mohit Kumar:** My last question is sir, how has the land acquisition progressed on the 4 projects which we have won recently, especially the Varanasi-Ranchi highway?
- T.R. Rao:** See, in terms of Varanasi-Ranchi highway, NHAI already achieved 3G—3G at a more than 70% 3G has been done. Now it is the 3H which has to happen, the deposited money nominee within the designated accounts and only 3H has to happen. So, they're taking up with their respective state governments to expedite the process of 3H so that the disbursements are distributed to the landowners and the land is taken into possession. So, we hope that this should happen before the appointed date and the conditions different and what is available to NHAI, including 5 months to work for the financial year.
- Mohit Kumar:** So by end of Q3, we should be able to start the work. Is that a fair assessment?
- T. R. Rao:** Because we signed just now...
- Yogesh Jain:** So, it will take around 5 months time.
- T. R. Rao:** Yes, yes, 5 months. Maybe Q4, we'll be able to start the preliminary works.
- Mohit Kumar:** Understood sir. Thank you and best of luck.
- Moderator:** Thank you. Next question is from the line of Jiten Rushi from Axis Capital. Please go ahead.

- Jiten Rushi:** Sir, firstly, book keeping question. If you can give us the details of the outstanding order backlog for the projects, which I may ask. So sir, the outstanding order backlog for Lucknow Ring Road 1, Delhi-Vadodara Package 31 and 29?
- Yogesh Jain:** Lucknow Ring Road is complete -- already completed. And DV 29 is already completed and 31 balance amount is around INR100 crores.
- Jiten Rushi:** Okay. And then on the other HAM projects of Chakeri-Allahabad then Challakere-Hiriyur, Unnao-Lalganj, Jagdishpur, Aligarh-Kanpur package and Meerut Nazibabad. ?
- D K Maheshwari:** Yes Chakeri-Allahabad is almost completed, it is only INR34 crores remaining. Then Meerut-Nazibabad is INR165 crores, Challakere INR227 crores and Jagdishpur – Faizabad.
- Jiten Rushi:** Challakere, you said INR227 crores, right, sir?
- D K Maheshwari:** Yes.
- Jiten Rushi:** And Unnao-Lalganj?
- D K Maheshwari:** Around INR300 crores.
- Jiten Rushi:** Sir, this Jagdishpur and Aligarh-Kanpur Package 5?
- D K Maheshwari:** Aligarh-Kanpur Package 5, around INR150 crores.
- Jiten Rushi:** Jagdishpur?
- D K Maheshwari:** And Jagdishpur – Faizabad is around INR90 crores.
- Jiten Rushi:** And sir, this canal project, still the status quo is INR979 crores, there's no change, right?
- D K Maheshwari:** Well, we have executed this in this quarter, around INR14 crores work, it is outstanding around INR964 crores.
- Jiten Rushi:** And sir, the EPC value of this 4 HAM project, where we have signed the concession agreement should be almost like 85% of the BPC. That is a fair assumption?
- Yogesh Jain:** Around 85% to 90%
- T. R. Rao:** 85% of the BPC, of course, but BPC doesn't include GST. Likewise, EPC also – 85% will also not include GST
- Jiten Rushi:** Sir, can you give us the equity breakup because at the start of the call, you said balance equity requirement. Can you give us breakup for the next 2 years? How are we planning?
- D K Maheshwari:** For 18 projects, we require the INR2,440 crores. And for remaining new project, INR500 crores, total requirement around INR2,900 crores, and we have already invested INR1,716 crores till June '23. So, we require only INR1,228 crores in next 2 years, 3 years.

- Jiten Rushi:** So can you break up, sir 9 months, '25-'26?
- D K Maheshwari:** FY '24 in nine months, you can take around INR80 crores, FY'25 will be around INR450 crores, FY'26 will be around INR350 crores and remaining on FY '27.
- Jiten Rushi:** Okay, INR80 crores will be 9 months. Got it. And sir, what is the toll collection at the operational assets, if you can highlight?
- D K Maheshwari:** Yes. Toll collection MP highway it was INR12.3 crores in first quarter and Kanpur highway, around INR26.5 crores and Bareilly Almora, INR16.2 crores.
- Jiten Rushi:** And Narela?
- D K Maheshwari:** Narela it was INR12.5 crores.
- Jiten Rushi:** Rae Bareli is the annuity project. Right, sir.
- D K Maheshwari:** That is INR32 crores.
- Jiten Rushi:** And sir, on the other breakup, if you can give like capex incurred in Q1 and the targeted capex for full year and mobilization advance, retention unbilled debtors, inventory and payables?
- D K Maheshwari:** Capex we are expecting FY '24, around INR100 crores to INR120 crores. And out of that INR13 crores, we have already taken in the first quarter and the retention as on 30th June is INR120 crores and advances from clients is around INR490 crores.
- Jiten Rushi:** And unbilled, if any?
- D K Maheshwari:** Unbilled amount as on 30th June, around INR53 crores.
- Jiten Rushi:** And if you can share the debtors inventories and payables?
- D K Maheshwari:** Debtors almost same in the March, it is 93 days, which we already uploaded in the presentation. And in case you want the breakup, EPC is around 43% and 56% HAM outstanding.
- Jiten Rushi:** And in value terms, if you can give, otherwise it's okay, I think inventory and payables, if possible?
- D K Maheshwari:** We will share.
- Jiten Rushi:** Thank you sir. I have more question, I will get back in the queue.
- Moderator:** Thank you. Next follow-up question is from the line of Shравan Shah from Dolat Capital. Please go ahead.
- Shравan Shah:** Sir, Unnao-Lalганj order book and Meerut-Nazibabad order book is how much?
- D K Maheshwari:** Unnao-Lalганj is around INR300 crore.

Yogesh Jain: It is unexecuted order.

D K Maheshwari: Meerut-Nazibabad is INR165 crores.

Shravan Shah: INR165 and Gaju Village -Devinagar bypass, that is the package 1C?

D K Maheshwari: Package 1C is INR480 crores.

Shravan Shah: And Haryana Rail, the value will be the same, INR772 crores?

D K Maheshwari: Yes. Right, right.

Shravan Shah: Okay. And water debtor is how much, sir, out of EPC debtors you mentioned, but how much is JJM debtors?

D K Maheshwari: As on 30th June, it was around INR400 crores, but most probably we have recovered during this July and August. Presently, it will be around INR250 crores this is of current month billing.

Shravan Shah: Okay. And inventory and trade payables would be how much? So last March, it was -- inventory was INR764 crores. So, what would be the broader number as on 30th June?

D K Maheshwari: Inventory in 30th June is around INR880 crores.

Shravan Shah: And trade payable would be?

D K Maheshwari: Around INR600 crores, sir.

Shravan Shah: INR600 crores. Okay. And sir, when we say that in terms of the HAM monetisation, so just to clarify two things. One is, --we are saying deal will be done in 'FY24. But in terms of the cash payment or cash received from the buyer, when are we going to get the money from them?

Yogesh Jain: We are expecting in this financial year.

Shravan Shah: Okay. The entire money we are expecting to get in this FY '24 only?

Yogesh Jain: Yes.

Shravan Shah: Okay. sir, any water projects -- you said that we are looking at, so is it anything left in UP or the MP, one we are now going to bid for?

T.R. Rao: One project is left in UP under Phase 4, around INR950 crores. Apart from that the projects that are coming up in the States of MP, Rajasthan and also other states.

Shravan Shah: Okay. And in terms of the bonus, sir, still that Aligarh-Kanpur Package 5 and INR15 crores of Aligarh-Moradabad that we have already received -- INR15 crores we have received and this Aligarh-Kanpur is pending?

- T.R. Rao:** No. In case of Aligarh-Moradabad, we're yet to receive the bonus because the final bill and other things to be settled. So we are talking to them. In case of Aligarh-Kanpur Package 5, so once COD is declared, then we'll exactly know, what will be the early completion bonus for the particular HAM project.
- Shravan Shah:** Apart from any other bonus that, this year, we can expect?
- T.R. Rao:** See the details -- the HAM projects -- but this financial year, as of now, we are not expecting any bonus. Going forward, if you complete any new ongoing HAM projects ahead of schedule, then we'll be able to get the bonus.
- Moderator:** Shravan, sorry to interrupt you. I'll request you to join the queue again for a follow-up question. Next question is from the line of Ankit from JHP Securities.
- Ankit:** I just want to confirm one thing. So in last quarter, you had given a guidance of 10% to 15% in terms of revenue and EBITDA margin around 13% to 13.5%. So in current quarter, you are already making EBITDA margin of around 21%. So why the guidance is such that? So it is on the consolidated or it is on standalone basis? The guidance?
- Yogesh Jain:** It is standalone basis.
- Ankit:** Okay. It's on standalone basis?
- T. R. Rao:** The guidance what we had given last year is on standalone basis only, 13% to 13.5%. Last quarter, Q1 also, it is around that only.
- Moderator:** Thank you. Next question is from the line of Prem Khurana from Anand Rathi.
- Prem Khurana:** Sir, my question was with respect to the JJM opportunity in Uttar Pradesh, Phase 4. I think last time, the figure that you gave us, it was supposed to be almost a INR15,000-odd crores sort of opportunity. And earlier in your comments, you said or mentioned around INR950 crores, which is pending. So does it mean that the balance is already awarded?
- And, if it is awarded, does it mean we couldn't get any orders? So would that mean the competition has gone up? Or how should we kind of consider this that we couldn't secure any order from almost INR14,000-odd crores of number that was bid in the recent past?
- T.R. Rao:** That is correct. The balance projects have been awarded. See, the projects -- majority of the projects comprising the distribution network, which we have not focused in the past, because already we are doing distribution networks for 2,880 gram panchayats.
- So we focused upon the surface water and including the cross country pipeline and rising main and all. There is a limited number of projects, but we couldn't get the -- any of these projects because of the steep competition. So one project is there, so we'll be trying for that.
- Prem Khurana:** Okay. And so from our existing bids how many DPRs would have been approved by now and the work has started? So how many more are yet to be approved from the existing...

T.R. Rao: Out of 2,880, almost 2,750 DPRs have been approved. So as of now, we have a total workable projects of INR6,500 crores. If you take out INR1,500 crores nearly, as on date, we have completed more than that. So around INR5,000 crores work is left. So here, we are expecting INR2,000-plus crores and remaining, work we would be able to execute in FY '25.

Prem Khurana: Sure. And just one last question from my side. So sir, when I look at our segment performance, right, and thank you for giving us a break-up between road, EPC and water. So what I realize is and what is evident from the numbers is essentially, the road seem to be kind of declining.

So in this quarter when I compare it on a Y-o-Y basis, we seem to be down almost around 12%. And when I look at the last year number as well, the growth that we delivered was because of water and road was largely flat. When do you see the situation to change wherein the roads again would become a larger share?

I mean, it still is a larger share, but then it doesn't appear that the growth driver for the time being and growth seems to be the -- water seems to be the only growth driver. So where -- I mean do you see this situation will change wherein road again will start growing and we would also get to that support from water, which is when both the segments would drive growth rather than 1 of 2 segments driving growth?

T.R. Rao: See, the growth will be on a balance kind of platform only. See, what has happened in the road sector, some of the projects we were on the fag end, like what our MD mentioned, DAV 29, LRR, AKP5 and also we completed Bihar and all. So again, what has happened now the 7 HAM projects, now they are picking up.

So we started the last quarter and now there is a picking up and they'll have a peak during the next quarter and coming quarters, two quarters. So road continue to be our flag bearer, road will continue to be the focus area. So definitely, the margin -- the revenue as well as the EBITDA margin will improve. Maybe there's going to be some temporary kind of aberration during this particular quarter. But otherwise, road will remain to be our main focus area and also revenue contributor.

Prem Khurana: And one just lastly, with your permission, please, I mean this is more sort of bookkeeping kind of question. So when I look at our depreciation number, possible for you, and I mean I'm not sure if you have that number readily available with you or not, possible for you to break it down between how much of this is because of the road and how much is attributable to the water segment?

So the idea was to try and understand the water margin a little better because when I look at the segment margin, water is doing around 15-odd and I'm assuming these are EBIT margins, so wherein we would have adjusted depreciation. So would that...

T.R. Rao: Water, we don't have any major machinery deployed. Certainly, the depreciation in the water sector is very insignificant, when compared to where we deploy heavy machinery. So practically, water, we have not deployed any plant and machinery except kind of intermission

and other things. Even the dredging of boats and all done by expert agencies using their own boats and their own rigs and they do it. So it is not on the company books.

Prem Khurana: And then how should I look at margins? Because, in roads, we tend to take that equity infusion requirement as well and despite that, the margin -- segment margin are lower and with water, which is pure play EPC, at least you are able to get access to mobilization advances as well as hardly any capex, but it seem to be generating much better margins. So how should I reconcile, whether there's -- wherein -- I mean there's water which is generating more with lower capital intensity and then road is generating less?

T.R. Rao: No, once these new projects, new road products are picked up, see, the cost of thing now -- marginal cost would be less when we have a higher revenue from the road sector. And even despite of the depreciation and other things, road will continue to a 13% to 13.5%. EBITDA will sustain in the road sector alone. So this is a -- now -- as of now, as I said, that depreciation is almost nil in the case of water, it is showing optically.

But going forward, there should not be any issue in the road sector also. So that also on a stand-alone basis, still will have a 13% to 13.5% once these new projects and the ongoing completing projects also would be adding some amount and all several projects are in full swing, which we started sometime in the beginning of this year.

Moderator: Thank you, Prem, sorry to interrupt you. I'll request you to join the queue again for a follow-up question. Next question is from the line of Nikhil from HDFC. Please go ahead.

Nikhil: Sir, I had a question. Last quarter, you said that you have identified around 11 HAM and 1 EPC for monetization. So where are we -- like what's the position as on date on the monetization plan?

T.R. Rao: Yes, that is as my colleague mentioned, the same thing, 11 HAM assets, and 1 BOT toll asset. Out of 12 assets, already we have a completion for six assets, one more asset also is getting the COD and this same portfolio will continue.

Nikhil: So you're expecting monetization of the plants and all those things by the year-end, right?

T.R. Rao: Yes, yes, yes.

Nikhil: Okay. And sir, on the JJM revenue for the full year, you mentioned INR2,400 crores or INR2,000 crores?

Yogesh Jain: That is above INR2,000 crores.

Nikhil: Okay. And sir, the four new HAM assets that you had won in the last year, so what is the expected appointed date for them?

T.R. Rao: We are expecting appointed date for these projects during the fourth quarter of this current financial year.

- Nikhil:** Okay, sir, understood. And sir, what will be the current bid pipeline?
- Yogesh Jain:** There are so many bids, NHAI floated already over 68 projects that includes EPC and HAM, both, that around -- that is costing around INR65,000 crores.
- Moderator:** Thank you, Nikhil. Next question is from the line of Mohit Kumar from ICICI Securities. Please go ahead.
- Mohit Kumar:** My question is, are you looking to refinance the existing debt of the completed road project? And what are the opportunities which are available?
- Yogesh Jain:** We are already working on monetization. So we are not thinking that.
- T. R. Rao:** Debt is in a sustainable level only. As we mentioned, during the course of our speech, that it is 1.41, which is a sustainable kind of a thing. Post-monetization, this will further get reduced, we are expecting it will be below 1% -- below 1.
- Mohit Kumar:** Understood, sir. My second question is, sir, what are the kind of tie-ups, the debt tie-ups that you're looking for the new projects? And what kind of money is available and at what rate and reset?
- D K Maheshwari:** We have already tied-up with the bank. We have already received in principle sanction of all the four projects and the final sanction is under process.
- Yogesh Jain:** It will be share separately.
- Mohit Kumar:** Is there a possibility to raise -- to tie up the debt in the bond market?
- D K Maheshwari:** No, we are taking the long-term debt from the banks.
- Mohit Kumar;** Understood. What are the reset debt, sir? One year or it's more than one year?
- D K Maheshwari:** One year.
- Moderator:** Thank you. Next follow-up question is from the line of Jiten Rushi from Axis Capital. Please go ahead.
- Jiten Rushi:** Sir, on the bid pipeline, you highlighted that you have bid for INR11,400 crores which can open for the next couple of few months. But sir, anything which you can highlight on the non-road segment as we are also targeting INR2,000 crores to INR3,000 crores of inflows from metros, rail and water supply? So what are the particular bids which are outstanding as of now? And any upcoming bids which you can give in terms of value from various states, if possible?
- T.R. Rao:** See, what we had already submitted 11 bids, 5 HAM and for 6 EPC, most of them are highway sector only, and except, there is one major bridge is there -- elevated structure is there, over INR3,000 crores, others are from the highway sector only.

- Jiten Rushi:** Okay. So 11 bids plus 1, 12 bids, that is what you are trying to say, right?
- T.R. Rao:** 11 bids, that includes the elevated corridor of INR3,000 crores.
- Jiten Rushi:** And these are all NHAI?
- T.R. Rao:** NHAI, MoRTH, both are there.
- Jiten Rushi:** Sir, interestingly, sir, this time, MoRTH, we have started participating in – and even competitor are participating in the MoRTH projects. So what kind of pipeline do we see? Because we have already got one project and -- so what kind of view you can give towards the MoRTH pipeline? Because NHAI is always big pipeline -- large pipeline. But on the MoRTH, what kind of pipeline you see other than NHAI, where we can participate?
- T.R. Rao:** See, I'll tell you. If you look at 12,000 kilometers roads to be awarded during the FY '24, that is what target set by the ministry, 50% by NHAI, 6,000 kilometers, and the remaining 50% by MoRTH and NHIDCL, infrastructure development corporation, to do this Bharatmala and other things in the border roads. So this time, MoRTH is also coming out with bids on their own. And we see some kind of a substantial amount of pipeline from MoRTH also.
- Jiten Rushi:** So basically, we can see around INR30,000 crores, INR40,000 crores from MoRTH also other than INR65,000 crores of NHAI?
- T.R. Rao:** We've not really assessed to what would be the value in terms of estimated costs, but we should be around that only.
- Jiten Rushi:** So that is again a big positive for us in terms of inflows.
- T.R. Rao:** Yes, yes, yes. Because earlier also, we executed successfully two MoRTH projects, executed through state NH departments...
- Jiten Rushi:** And sir, anything on railways or metros and state highways this year which you can throw some light on?
- Yogesh Jain:** We are expecting some bids from the Maharashtra government also, from MSRDC, that is costing around INR30,000 crores.
- Jiten Rushi:** So when you have to submit this bid, sir?
- Yogesh Jain:** Prequalification document is already submitted. And we're expecting next month...
- T.R. Rao:** Maybe next couple of months, RFP should be there. Bids floated by MSRDC in the state of Maharashtra.
- Jiten Rushi:** Likely awarding would be November, December, probably?
- T.R. Rao:** Yes, yes.

- Jiten Rushi:** We'll participate in all the projects? We are qualified to participate in all the projects?
- T.R. Rao:** Yes. Majority of the things we submitted over RFQ and we are qualifying.
- Moderator:** Thank you. Next question is from line of Ash Shah from Elara Capital. Please go ahead.
- Ash Shah:** Sir, you mentioned about the Jal Jeevan Mission bid. So can you just give some value on that? So you said, apart from Uttar Pradesh, you are participating in MP and Rajasthan. So if you could provide some color on what is the total value size of those projects that you're looking to bid or something like that?
- T.R. Rao:** See, some of the bids are there already floated, and some of the bids yet to float because, again, under JJM. So exactly value, don't know in hand, but we'll share with you separately.
- Moderator:** Thank you. Next question is from the line of Uttam Kumar Srimal from Axis Securities. Please go ahead.
- Uttam Srimal:** Sir, my questions pertain to competitive intensity, both in HAM as well as the EPC projects because one of your competitor, in its con call said that they are basically bidding for higher EPC project over INR1,000 crores. So how do you see the competitive intensity currently, both in EPC as well as in HAM?
- T.R. Rao:** Sir, on a relative terms, definitely, competition in EPC is more than HAM because HAM requires a 60% investment by the concessioner. So certainly, competition in the EPC is more. And similarly, competition in the lesser value of the work is more when compared to competition with the higher value of works, because even EPC also, if you have a larger works of INR3,000 crores to INR4,000 crores, it would require some kind of working capital. Similarly, in case of larger HAM projects, 60% of the debt and equity has to be infused by the concessioner. So that also requires credibility with the banks and vendors. So this, as simple as that, size is more, less is the competition and the investment is more, less is the competition.
- Uttam Srimal:** So you are also looking to bid for higher EPC projects, more than INR1,000 crores, something like that?
- T.R. Rao:** Definitely, our preference would be that. In case, given the basket of projects, our focus would be on higher value, both in terms of HAM as well as EPC.
- Uttam Srimal:** Okay. And sir, are you also looking to bid for rail station redevelopment projects because government has just come with INR24,000 crores of projects for rail station redevelopment? So what's your take on that?
- T.R. Rao:** We are evaluating the opportunity. So we have not taken any call on that. So we'll share with you once we have some kind of findings of our internal evaluation.
- Moderator:** Thank you. Next question is from the line of Vishal Periwal from IDBI Capital. Please go ahead.

Vishal Periwal: Sir, on the margin front, I think if we look at on 15% growth rate and plus we are targeting better revenues from JJM projects, which is a higher margin. Now, but our guidance on the margin is still the same. So I mean, just trying to understand like are we conservative enough on the guidance front or probably it can surprise on upside, the 13.5% that you guided?

T.R. Rao: If you see the JJM total portfolio of JJM is around INR7,000 crores, what we achieved around INR1,400-plus crores, which is just 20%. Now it will be premature to say that JJM will have a higher margin and all because the items are there, we are executing. The situation will crystallize only once we reach more than 50% of the JJM whether JJM projects are giving higher margin and all. But overall margins, still we are maintaining at 13% to 13.5%. That includes both JJM as well as road sector. So it would be too premature to say that JJM should be giving higher margin until and unless we attribute at least more than 50% of the order book available under the JJM.

Vishal Periwal: Okay. Sure, sir. And second question is on, I mean, like the road sector opportunity. I mean the opportunity remain, but within that, on a quarterly basis, we are seeing not much of bid pipeline or probably like the bids are not coming. So at a sector level, can you share like, it is more to do with like NHAI or probably anything that you can highlight? That'll be helpful.

T.R. Rao: Actually, pipeline is there. Even pipeline was there even in the last financial year also, because the NHAI wants to ensure that land is in place before award of the projects and other internal issues and all. See, these bid due dates are continuously getting postponed. See, whatever bids they plan to bid before the 31st March, '23, they postponed to first quarter, and now first quarter again, further they postponed to second quarter.

So pipeline is there, both with NHAI and MoRTH. Because of their some internal issues, and they also want to have a land in place. So the bid dates are getting shifted from time-to-time. Otherwise, there is enough pipeline. Because see, once they set a target of 12,000 kilometers of road, so then they have to do, it comes to around INR2 lakh crores kind of a thing. So they have to award. That's why, as our MD said during his speech, the intensity of award would be much higher during the second half of the current financial year. Because until and unless they don't bid, they don't bid out an award. So they would not be in a position to achieve the target of INR12,000 crores before the end of current financial year.

Vishal Periwal: Okay. Sure, sir. And in terms of -- just on the first question, which I just asked on the margin and coming on the revenue contribution, so irrigation, as a sector or probably like other than roads, so in FY '24 itself, it will contribute more than 30%, and that will be continuing even in the next year?

T.R. Rao: See, as you said, INR2,000-plus crores, and last year, we had around -- 15% our revenue guidance comes to around INR8,000 crores. So INR2,000 crores-plus would be, I'd say, around roughly around 25% to 30% from the non-road sector and 70% to 75% from road sector for the current financial year.

Moderator: Thank you. Next question is from the line of Nikhil from ICICI Securities. Please go ahead.

- Nikhil:** Just a couple of questions, sir. Sir, our water margins have dipped Q-o-Q. I understand Q4 is always a better quarter for execution. But should we expect our margins to become, again, go back to 17%, 18% levels for water by Q4? EBIT margins, I'm saying.
- T.R. Rao:** Yes, in the second quarter, since because, as I mentioned, the monsoon is very intense and also very active, because -- our fixed costs will remain same, whereas revenue would be lesser than what we have achieved in the Q4 and Q1. So we need to see how this -- whether this 16%, 17% to be able to sustain or not, because of the low volume of -- low revenues in the Q2, because of the monsoon season.
- Nikhil:** Okay. And sir, just one more question. We will receive somewhere around INR2,500 crores of cash, and we have an equity investment requirement of around INR1,100 crores. So will the excess go entirely to reduce the debt?
- D K Maheshwari:** Let us see. Actually, we have INR1,200 crores equity requirement of the existing project. As MD sir had told taht we are also going to bid and we are expecting around INR10,000 crores in this year. So we require the equity to be infused in those projects.
- T.R. Rao:** Apart from we have a capex.
- Moderator:** Thank you. As there are no further questions, I will now hand the conference over to the management for closing comments.
- Yogesh Jain:** Thank you, everyone, for your participation in our earnings call. We have uploaded the presentation on our company website as well as on our exchanges. In case of further queries, you may get in touch with the Strategic Growth Advisors, our investor relations advisors. So feel free to get in touch with us. Thank you very much.
- Moderator:** Thank you very much. On behalf of IDBI Capital, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.