

“PNC Infratech Limited Q2 FY23 Earnings Conference Call”

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MODERATOR: **MR. BHARANIDHAR VIJAYAKUMAR – SPARK CAPITAL
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Moderator: Ladies and gentlemen, good day, and welcome to PNC Infratech Limited Q2 FY23 earnings conference call hosted by Spark Capital Advisors India Private Limited. As a reminder, all the participants' 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 for an operator by pressing "*" and then "0" on your touch-tone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Bharanidhar Vijayakumar from Spark Capital. Thank you, and over to you, sir.

Bharanidhar Vijayakumar: Good afternoon everybody. Thanks for logging into the 2Q FY23 earnings call of PNC Infratech. Representing PNC Infratech are Mr. Yogesh Kumar Jain – Managing Director; Mr. B. Sawhney – Chief Financial Officer; Mr. D. K. Maheshwari – Vice President, Finance. Handing over the call to Mr. Yogesh Jain now for opening remarks. Over to you, sir.

Talluri Raghupati Rao: A small request. Please read out the standard disclaimer clause before our Managing Director will start the speech because he will be making forward-looking statements in the speech.

Moderator: Ladies and gentlemen, please note, this conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

With that, I hand it over to the management for their opening remarks. Over to you, sir.

Yogesh Kumar Jain: Good afternoon and season greetings to 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; Dr. Bhupinder Sawhney, CFO; Mr. D. K. Maheshwari, Vice President (Finance); and Strategic Growth Advisors, our investor relations advisors. We have uploaded the financial results and investors presentation on the website of the stock exchange as well as on our company's website for reference.

I will quickly highlight major developments in the sector before sharing key happenings in the company and financial performance during quarter 2 and H1 of financial year '23 with you.

As per the Ministry of Transport and Highways, 3,559 kilometers length of National Highways built during the first half of current financial year as compared to 3,824 kilometers built during the corresponding period previous year. Awarding of new projects stood at 4,092 kilometers during the same period compared to 4,609 kilometers awarded during last year, reflecting 11% lesser awarding activity in H1 of financial year '23. Government recently announced that MoRTH is planning to take over a greater number of State Highways, having high traffic volumes from respective state governments for a 25 years' period to develop and upgrade them into either 4- or 6-lane National Highways. The industry believes that this move would be highly beneficial to the Roads and Highways sector as a whole and would greatly help accelerate the

country's socioeconomic growth as many of the state governments are not able to undertake major capital projects due to paucity of funds. As per CRISIL a weaker movement on highways witnessed a recent recovery during April to August this financial year, this coupled with sizable hike in user fee rates, owing to higher WPI resulting in significant revenue growth during the period.

Now coming to the key update of the company. We achieved financial closure for 3 HAM projects, Kanpur-Lucknow Expressway package I & II and Akkalkot Karnataka project with an aggregate bid project cost of Rs. 4,501 crores. Historically, the company has maintained a healthy track record of achieving financial closures within a stipulated time, which reflects healthy financial position and credibility.

Now I will share the operational and financial performance of the company. At present, the company has a portfolio of 23 projects on PPP format, comprising BOT-Toll, BOT-Annuity, and HAM assets. Out of these 23 projects, we have 18 HAM projects with an aggregate bid project cost of Rs. 24,590 crores. Out of eighteen, company has achieved COD and PCOD for 5 projects, six are under construction, concession agreement executed for 7 projects, and for 3 projects the company has achieved financial closures. Out of the remaining 5 PPP mandates, three are BOT-Toll and two are BOT-Annuity projects.

In terms of equity investment, the total requirement for all these 18 HAM projects is around Rs. 2,390 crores, out of which Rs. 1,109 crores infused till September 2022, and the balance will be infused 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. Our unexecuted order book on 30th September 2022 is over Rs. 19,000 crores that includes EPC value of all 7 HAM projects for which appointed dates are expected during the current financial year. Out of the total order book of Rs. 19,000 crores, the Roads and Highways sector is around 65% and water and irrigation projects is around 35%. In water supply projects, the company booked a total revenue of Rs. 348 crores till 30th September 2022, which includes Rs. 108 crores revenues booked during the last financial year. Total revenues booked in first half of financial year '23 is Rs. 240 crores, we expect up to Rs. 760 crores more revenue from water supply space during the second half of financial year '23, which would get translated into Rs. 1,000 crores revenue during financial year '23.

As on 30th September 2022, total value of DPR approved and cover agreements signed for physical execution of the projects under Phase 1 and 2 was Rs. 2,250 crores. It is expected that at the end of financial year '23, the total value of approved DPR for execution would be around Rs. 4,000 crores. As such, it is expected that net executable work would be around Rs. 3,000 crores at the beginning of financial year '24 and remaining DPR are expected to be approved during the financial year '24.

Now I would present the stand-alone and consolidated results for the quarter and half yearly ended September 30, 2022. The stand-alone revenue of second quarter of financial year '23 is

Rs. 1,561 crores. EBITDA for the second quarter is Rs. 207 crores and the EBITDA margin is 13.3%. Profit for the second quarter of financial year '23 is Rs. 131 crores.

Consol revenue of quarter 2 financial year '23 is Rs. 1,795 crores. The consol EBITDA for the second quarter of financial year '23 is Rs. 326 crores and the EBITDA margin is 18%. The consol PAT for quarter 2 financial year '23 is Rs. 132 crores.

The stand-alone revenue of H1 financial year '23 is Rs. 3,319 crores, which is higher by 16% as compared to Rs. 2,866 crores of H1 FY22. The EBITDA for H1 FY23 is Rs. 465 crores, which is higher by 17% as compared to Rs. 397 crores in H1 FY22. The EBITDA margin for quarter 2 financial year '23 is 14%. The profit for H1 FY23 is Rs. 298 crores as compared to Rs. 229 crores in H1 FY22, a growth of 30% on year-to-year basis.

The consol revenue of H1 financial year '23 is Rs. 3,848 crores as compared to Rs. 3,260 crores in H1 FY22, with a growth of 18%. The consol EBITDA for H1 financial year '23 is Rs. 845 crores, which grew by 16% as compared to Rs. 729 crores for the corresponding period last year. The EBITDA margin for H1 financial '23 is 22%. The console PAT for H1 financial year '23 is Rs. 373 crores as compared to Rs. 250 crores in H1 financial year '22, a growth of 48%.

As on 30th September 2022, our net working cycle is 79 days. Our networth on a stand-alone basis is Rs. 3,623 crores as on 30th September 2022, whereas total stand-alone debt is Rs. 281 crores. As on 30th September 2022, the total cash and bank balance as on 30th September 2022 is Rs. 523 crores. We have a net cash of Rs. 242 crores. This translates to net debt to equity of 0.8x.

On a consol basis, our networth is Rs. 3,986 crores, whereas total debt is Rs. 5,526 crores as on 30th September 2022. The total cash and bank balance, including current investment, is Rs. 1,191 crores. This translates to net debt to equity of 1.09x.

With this, now the floor is open for questions and answers.

Moderator: Ladies and gentlemen, we will now begin the question & answer session. We will wait for a moment while the question queue assembles. The first question is from the line of Mohit Kumar from DAM Capital. Please go ahead.

Mohit Kumar: The order inflow has been very tepid not only for us but for the entire industry. And I think we had given an order inflow guidance of 90 billion to 100 billion. Do you think that it is possible in the H2, given everything?

Talluri Raghupati Rao: Normally, historically, as you all know, the awarding process by NHA and MoRTH during the first half of the financial year has always been lower when compared to awarding activity in the second half of the financial year – any given financial year. Similarly, this year also, the first year not many projects have been bid out, and many of them even after bidding out, the financial bids are not opened and awarding has not started. So, whatever target we had given for the financial year '23, it should be around Rs. 8,000 crores to Rs. 10,000 crores. We will stick by

that, and we expect to achieve the new business of this amount, before the end of the financial year and specifically in the second half of the current financial year.

And also, as we have a 2:1 kind of a highway sector and roads – around 66 and 33 in the water sector projects – we also expect around Rs. 3,000 crores new projects in the water sector and around Rs. 7,000 crores new projects in the highway sector. We are pretty sure about getting this new business before the end of the current financial year.

Mohit Kumar: Sir, on the water segment, is the new order entirely into JJM and these are entirely into Uttar Pradesh? Is this the opportunity we are talking about?

Talluri Raghupati Rao: Yes, that is one of the focus areas, because new water project is under JJM. And focus area has been Uttar Pradesh and it could be some other states also – Rajasthan and other states also. But it is primarily from JJM.

Mohit Kumar: Secondly, where are we in the process of monetization of our portfolio? Have we moved ahead? Can you please throw some color on that?

Talluri Raghupati Rao: We are giving the highest priority to the monetization, as we shared with you earlier. Though we have a total of more than 23 projects, as our MD mentioned, they are fund-based projects. We selected 8 projects for monetization. That includes HAM assets and 1 BOT-Toll and 1 BOT-Annuity project. So, we had already retained a strategic adviser for running the process. The process has already begun. Out of the 8 selected fund-based projects, the due diligence has already been commenced by a potential investor for the 3 HAM projects, which is underway. And these 8 selected fund-based projects for monetization have a total debt of around Rs. 4,700 crores and a total equity of Rs. 940 crores. We will update you on the progress as we move ahead. But we are giving the highest priority for the monetization, as we said earlier.

Moderator: Our next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.

Shravan Shah: Just to complete the last question, by the end of this year, we should be able to monetize?

Talluri Raghupati Rao: We are expecting at least execution of a definitive agreement for certain projects before the end of the financial year.

Shravan Shah: And in terms of the equity investment, Rs. 1,100 crores we invested. What is left in this year and FY24 and FY25?

D. K. Maheshwari: We have already infused Rs. 1,109 crores in the HAM projects and the balance we require is Rs. 1,280 crores. And this year in the second half, we are expecting Rs. 250 crores, in FY24 around Rs. 450 crores, and FY25 around Rs. 350 crores.

Shravan Shah: Now in terms of the execution revenue guidance, last time you said Rs. 7,200 crores, Rs. 7,300 crores revenue for this year, that is a 15%. This first half, we have already done kind of Rs. 3,300

crores. And if I take the same number, in the second half, we expect the same 15% to 16% growth. Is there any update? This is doable or we can do much higher?

D. K. Maheshwari: Our guidance is the same. Actually, this year we are expecting a growth of 10% to 15%.

Shravan Shah: So, we are lowering the number. The overall revenue may be lesser than what previously we were thinking. Is there any specific reason or any projects where earlier whatever we have factored and now we are not that confident that we will not be able to get the execution?

Yogesh Kumar Jain: This is due to extended rains in the October month. After that also, we are expecting 10% to 15% growth.

Shravan Shah: And in terms of the margin, 13.5% is doable?

Yogesh Kumar Jain: Yes.

Shravan Shah: And the 7 HAM projects by March end, we will be getting the appointed date for all the projects?

Talluri Raghupati Rao: Yes, before the end of this current financial year, we expect to get appointed dates for all the 7 new HAM projects.

Shravan Shah: I need a couple of data points on the balance sheet side and the project-wise order book. So, mobilization advance, retention money, if you can help me?

D. K. Maheshwari: Retention money, Rs. 150 crores; and mobilization advance is Rs. 419 crores, sir.

Shravan Shah: And HAM receivable is? HAM debtors?

D. K. Maheshwari: HAM debtors is Rs. 545 crores, sir.

Shravan Shah: And in terms of the project-wise order book, what is left for Bhojpur-Buxar and Koilwar-Bhojpur?

D. K. Maheshwari: Koilwar-Bhojpur is only Rs. 7 crores and Bhojpur-Buxar is Rs. 23 crores.

Yogesh Kumar Jain: It was inaugurated by Mr. Gadkari in Bhojpur yesterday, both the projects.

Shravan Shah: And Chakeri-Allahabad?

D. K. Maheshwari: Chakeri-Allahabad is Rs. 230 crores.

Shravan Shah: Delhi-Vadodara Package 29 and 31?

D. K. Maheshwari: 29 is Rs. 259 crores and 31 is Rs. 289 crores.

- Shravan Shah:** And the irrigation project in AP, what would be the value?
- D. K. Maheshwari:** Rs. 896 crores is outstanding.
- Shravan Shah:** Last time I think you mentioned Rs. 850-odd crores. So, is there any increase in scope or last quarter also the same amount was there?
- Talluri Raghupati Rao:** No. Actually, there is an increase in scope and also the billed amount Rs. 104 crores. We are considering the original scope only. So, Rs. 1,000 crores minus Rs. 104 crores is Rs. 896 crores.
- Shravan Shah:** And in terms of the CapEx, last time we said Rs. 100 crores to Rs. 120-odd crores. We have done only Rs. 22 crores in 1H. So, for the full year, how much now are we looking at?
- D. K. Maheshwari:** It will be in the range of Rs. 100 crores to Rs. 120 crores in the entire FY23.
- Shravan Shah:** The fund-based and non-fund based limit, and the utilizations?
- D. K. Maheshwari:** Fund-based limit, we have taken the bill discounting of Rs. 100 crores. And non-fund based limit is around Rs. 2,800 crores for bank guarantee and LCs.
- Shravan Shah:** That we have utilized, but our limit remains the same Rs. 5,000 crores for non-fund?
- D. K. Maheshwari:** Non-fund based sanctioned limit is Rs. 5,000 crores and fund-based limit is Rs. 1,000 crores.
- Shravan Shah:** Just a clarification on the JJM projects. Sir mentioned that Rs. 348 crores revenue till date we have booked, which includes Rs. 108 crores in FY22. So, Rs. 250 crores. But I think last time we mentioned that we have done Rs. 400 crores revenue till date. If you can help me with that and how much more revenue.... You mentioned Rs. 760 cores more we will be expecting. Once more DPR will come in, next year how do we see in terms of the execution?
- Talluri Raghupati Rao:** This Jal Jeevan Mission, we are precisely telling that Rs. 348 crores which we received the payments and we billed it and certain work was further done. That we will be receiving during the H2 of FY23. And as we said, the revenue target in the drinking water sector for the FY24 would be around Rs. 2,500 crores.
- Shravan Shah:** Debt level which is at Rs. 281 crores, can we see some more further reduction by end of year?
- Management:** It will be in the range of Rs. 250 crores, because we will take some equipment, CapEx. We would take the funding. So, it should be in the range of Rs. 250 crores by March 2023.
- Moderator:** We will take our next question from the line of Jiten Parmar from Aurum Capital. Please go ahead.

- Jiten Parmar:** Sir, my first question is, basically the top line has been flat for the quarter. Do we have any execution challenges for this quarter? And our consolidated margins are down to 18% from 25% quarter to quarter and 20% year to year. Any reasons for that?
- D. K. Maheshwari:** The main reason as compared to last year is only because of the 1 project we are executing – Eastern Peripheral Expressway Toll project. Where toll revenue here around Rs. 100 crores to Rs. 102 crores, and that project is only a breakeven point. In case, we will remove that project by turnover and EBITDA, my EBITDA margin comes to 14.6% as compared to 13.26%. That is the main reason. Last year, this project was not there.
- Jiten Parmar:** There was an answer to the question about monetizing the assets, and you mentioned 3 projects are underway and due diligence. You mentioned the monetizing figure but I think line was that time not clear, so I couldn't get it. What was that, can you repeat – by the year-end?
- Talluri Raghupati Rao:** Out of the 8 projects selected for monetization in the first lot, these 8 projects have a debt of around Rs. 4,700 crores and equity of Rs. 940 crores. Once we successfully monetize these projects, to that extent, our debt will get reduced and our equity will get unlocked for further investing.
- Jiten Parmar:** How much of that equity of Rs. 940 crores are we expecting in this year?
- Talluri Raghupati Rao:** As I said, this year, we are not expecting the consummation of the deal, but we are expecting signing of definitive agreements before the end of the financial year for a few of the projects.
- Jiten Parmar:** This equity requirement of around Rs. 1,250 crores to Rs. 1,260 crores, which we have in the next 2-3 years, what will be the mode of funding for that? How are we going to arrange for the equity?
- D. K. Maheshwari:** It is sufficient from own generation. Total equity requirement is Rs. 1,200 crores in the next 3 years.
- Jiten Parmar:** Last question I have is on the contingent liability. We carry a large contingent liability. What is the status on that? I see that around Rs. 2,900 crores are guarantees to NHAI or something. Apart from that, we have some others also. Can you just tell a bit more about it? Is this standard? Because I don't see that in other companies also these high liabilities? If you can throw some color on that?
- D. K. Maheshwari:** Major contingent liability reflecting in the balance sheet are mainly in the account of BG (bank guarantee) and LC. One guarantee reflecting earlier around Rs. 145 crores of NH24, that has been removed as Hon'ble Supreme Court given the decision in favour of the Company..
- Talluri Raghupati Rao:** As we are bidding, we will be submitting bank guarantees for the bid security, and for retention amount also, normally we don't keep any cash retention with the authorities. We submit the bank guarantees and we take our retention so that we will have the cash flows. Second thing is for performance security also, we need to provide. In case of UP projects and all, we need to keep

this performance security for 5 years during the maintenance and defect liability period. But some of the major projects we have completed and we expect to get back the retention bank guarantee in a sizable amount. And also, since in one of the projects we completed a 5 years defect liability period also, we will be getting back our performance security. It's a continuous process, a rolling process usually because we are executing 23 projects and also we are bidding new projects. We don't think this is any unusual different scenario.

Jiten Parmar: And are you in a position to give guidance for FY24 for revenue as well as margins and order intake?

Talluri Raghupati Rao: FY24, our guidance would be up to 10%. And the margins should be the same thing. EBITDA margin we will be able to maintain in the same levels as in FY23 and FY22. And order inflow also, we are expecting in the same lines, around Rs. 10,000 crores in FY24 also.

Moderator: We will take our next question from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal: Sir, my first question is on the bid pipeline. If you can highlight, especially on the non-road segment, what is your bid pipeline in water and Railways? That is my first question.

Talluri Raghupati Rao: In the water sector, as we mentioned, our primary target is the Jal Jeevan Mission projects where we find there is no constraint of funds. So, our primary target would be Jal Jeevan Mission where as we know, if you see the projects that have been floated by the different state governments, around Rs. 20,000 crores to Rs. 25,000 crores of new projects are expected to be bid out in the next 2-3 months. And in other things, as of now, our focus is on the roads and highways which will be our focus going forward and the water sector. We are not particularly looking at other sectors as on date.

Parikshit Kandpal: Sir, last quarter, we had about, if I remember correctly, Rs. 8,000 crores of JJM orders. If you can quantify.... And you said that about Rs. 2,300 crores of DPR has got approvals, and by this year-end, we will have another Rs. 4,000 crores of DPRs which you will get approvals. So, in FY25, we have a balance of about Rs. 2,000 crores, coming in in FY25?

Talluri Raghupati Rao: As of now, the total value of works in hand where we got the letter of awards is around Rs. 7,000 crores. We expect Rs. 1,000 crores execution within the current financial year, another Rs. 2,500 crores execution in FY24, and the remaining would be in FY25.

Parikshit Kandpal: For all these, you have secured all the DPR approvals now. So, is it part of the active order book or only a part of this will be moving into execution?

Talluri Raghupati Rao: No. Actually, the process is like that. Once the DPRs are approved, we execute cover agreements. Then only, the zero date starts after the cover agreement. So far, as I mentioned, as of 30th of September, around Rs. 2,260 crores, we expect DPRs worth of Rs. 4,000 crores will be approved before the end of the current financial year. The remaining Rs. 3,000 crores worth of DPRs will be approved during the next financial year, i.e., in FY24.

- Parikshit Kandpal:** Sir, any update on the related party transactions? How much is the peak outstanding and what is the outstanding right now at the end of September? And by when do you want to close it to zero?
- D. K. Maheshwari:** That transaction has already closed. There were 2 transactions of Rs. 30 crores each in FY21 and FY22. That entire Rs. 60 crores have been repaid to the RPT. So, as on date, there is no outstanding on this specific transaction of RPT.
- Parikshit Kandpal:** So, as of September, there is no outstanding on account of the related party transaction?
- Yogesh Kumar Jain:** As on date, there is no outstanding.
- Parikshit Kandpal:** And in future also, you are not looking to do any expansion or any support from the listed entity to the RPT, right?
- D. K. Maheshwari:** Yes.
- Parikshit Kandpal:** The Eastern Peripheral revenue contribution was how much in this quarter, Q2?
- D. K. Maheshwari:** Rs. 102 crores.
- Parikshit Kandpal:** On that, you had a breakeven EBITDA. So, you did not make any EBITDA on that?
- D. K. Maheshwari:** Yes.
- Parikshit Kandpal:** The appointed dates were expected to come in Q3 for the 7 HAM projects, but now it has moved to Q4. Any particular reason? Is there any delay there? And how confident are you that you will be achieving it? Some of these will come in Q3 and some of this in Q4. So, if can you just give some sense out of these seven, how many appointed dates will come in Q3 and Q4?
- Yogesh Kumar Jain:** Out of the total 7 projects, about 5 projects' appointed dates will come in this Q3 quarter and 2 projects' appointed dates will come in Q4 in January; both on time, there is no delay.
- Moderator:** Our next question is from the line of Ashish Shah from Centrum Broking. Please go ahead.
- Ashish Shah:** Sir, my question again is on the JJM. The pace of approval seems to be a little slower. We did mention that there is no funding constraint. But still the speed at which we have been getting the approvals, I think it is far slower than what we would have originally expected. Any reason that you think this is happening?
- Yogesh Kumar Jain:** Generally, Ashish, a complete DPR is required to be done in this. After the complete survey is over and when they hand over the land, all this process takes 4-5 months. After the 4-5 months when we submit it, then zero date for it will start after the approval. As of today's date, you can say that the total value of contracts secured in drinking water is around Rs. 7,000 crores. Value of the projects approved for execution till September is around Rs. 2,300 crores, i.e., we can say that we can execute Rs. 2,300 crores worth of work.

- Ashish Shah:** Basically, what I am trying to ask is, are there any administrative issues in this or are there any funding issues here?
- Yogesh Kumar Jain:** There is no funding issue. Regular process is there.
- Talluri Raghupati Rao:** Actually, in between what has happened is initially they approved DPRs worth of Rs. 1,550 crores and there was a pause of more than 6 months because of the local elections – Panchayati Raj elections and other elections and followed by the state assembly elections. Still they have not approved any new DPRs because of the code of conduct and other constraints and people are also engaged. Then again, they started approving after the assembly elections only. So, there was some pause. Otherwise, there is no funding constraint. It is a normal process. But going forward, we expect these DPRs will be approved progressively.
- Ashish Shah:** My other question is on the AP irrigation project. What is our experience there on the ground? Are we able to take the execution forward? The second half traditionally should be a better period. What execution we are expecting in the irrigation project?
- Talluri Raghupati Rao:** As you said, normally, only we will get a 6 months working period out of 12 months in a year. Right from July till December, we are not able to execute any significant work there because the water is left into the canal systems. And again, we will resume our work in January onwards. So, from January to June, we will have another 6 months of full fledged working period. Otherwise, we are executing. So, we expect this should be completed; maybe in the next 2 to 3 years, the project should be completed.
- Moderator:** Our next question is from the line of Ash Shah from Elara Capital. Please go ahead.
- Ash Shah:** My first question was towards Eastern Peripheral. As I recollect that the Eastern Peripheral was for 1 year only. By December 2022, we should be done with it or there is any extension or can you just give us some color on it?
- Yogesh Kumar Jain:** Yes, it is already handed over to NHAI on 10th November 2022
- Talluri Raghupati Rao:** The Eastern Peripheral NHAI, as you know, one of the ToT bidders secured this project for the next 15 years. So, on the 10th of November at 2400 hours, we handed it over back to NHAI, so 50 days before the scheduled date of 31st December.
- Ash Shah:** Are we looking for any more ToT projects going ahead? Given that they are margin dilutive, even for a brief period, are we looking forward to bid into this model?
- Yogesh Kumar Jain:** Not now.
- Talluri Raghupati Rao:** As of now, nothing.
- Moderator:** The next question is from the line of Nikhil Abhyankar from DAM Capital. Please go ahead.

- Nikhil Abhyankar:** Sir, I would like to know the total bidding pipeline for road projects in H2 and the amount of bids that you have already put in till date.
- Yogesh Kumar Jain:** The MoRTH and NHAI floated around 85 projects, including EPC and HAM. The aggregate value of these projects is around Rs. 80,000 crores. We are working on around 50 projects opportunities with an aggregate estimated project cost of Rs. 50,000 crores. The due dates are staggered up to December and January.
- Talluri Raghupati Rao:** There is a worth of Rs. 11,000 crores we already bid out, we submitted our bids. They are under evaluation. The price bids are expected to be opened before 31st December, maybe in the next 1 to 1-1/2 months. The bids we had already submitted.
- Nikhil Abhyankar:** And sir, we have received PCOD for multiple projects recently. Do we expect any bonuses from them in H2?
- Talluri Raghupati Rao:** PCOD for HAM projects or EPC?
- Nikhil Abhyankar:** Both sir.
- Yogesh Kumar Jain:** We are expecting bonus from EPC Gujarat and Delhi-Vadodara Expressway on both the projects.
- Nikhil Abhyankar:** What will be the quantum of it, sir?
- Talluri Raghupati Rao:** These projects have an original scheduled completion of April-May next year. We will get to know, maybe around 2 months we are expecting in each.
- Nikhil Abhyankar:** And sir, I did not earlier get the unbilled revenue as of September. What is the value for it?
- D. K. Maheshwari:** Around Rs. 74 crores to Rs. 75 crores.
- Nikhil Abhyankar:** Just a final question, sir. The provisions have increased – it is a very minor amount – to Rs. 15 crores, but it has increased from Rs. 1 crore to Rs. 15 crores. What exactly is this provision?
- D. K. Maheshwari:** That is on account of the provision of the taxation.
- Moderator:** Our next question is from the line of Parvez Qazi from Edelweiss Securities. Please go ahead.
- Parvez Qazi:** Sir, my first question is on the competitive intensity. Last couple of years, we have seen very high competition for road projects. What is the kind of competitive intensity that we expect this year? And also a similar question for the JJM or the water projects that we are targeting?
- Talluri Raghupati Rao:** As we know that due to dilution of criteria for the bidding, both in terms of networth and turnover and other things and also they dispensed with the requirement of bid security as a part of Aatmanirbhar Abhiyaan, the competition was much aggressive. Now the bid security

requirement they reintroduced and also then the eligibility and the experiential criteria and turnover criteria are also expected to be restored. So, competition would be less. But if you see typically, the competition for EPC projects will always be more than the HAM projects. And also, competition for the larger size of projects will be lesser when compared to smaller size of projects. This is the thing. If the project size is more, the competition will be less and where the fund-based projects, competition will be less when compared to non-funded based projects.

- Parvez Qazi:** And for JJM projects?
- Yogesh Kumar Jain:** You can say high-level competition is not there.
- Talluri Raghupati Rao:** Mainly because of the experiential criteria set forth.
- Parvez Qazi:** A couple of data questions from my side. First, if you could get the toll collection on the various projects this quarter?
- D. K. Maheshwari:** At the OMT project, Kanpur Ayodhya it was Rs. 100.05 crores and Kanpur highway is Rs. 18.5 crores, Bareilly Almora is Rs. 13.5 crores. And MP highway is lower, it is Rs. 4.7 crores and Raebareli Jaunpur Rs. 32.16 crores and EP-1 is Rs. 102 crores.
- Parvez Qazi:** And sir, I missed the pending equity commitment for second half FY24 and FY25. It would be great if you could repeat it.
- D. K. Maheshwari:** Second half commitment is around Rs. 250 crores. And FY24, it should be Rs. 450 crores.
- Moderator:** Our next question is from the line of Prem Khurana from Anand Rathi. Please go ahead.
- Prem Khurana:** Sir, my question was with respect to our guidance for FY25? If I heard you right, I think we are targeting around 10% growth in FY24. But I think somewhere in your comments, you mentioned that you expect JJM water to kind of contribute almost around Rs. 2,500 crores in FY24 versus Rs. 1,000 crores that you are expecting in FY23. There is a jump of almost around Rs. 1,500-odd crores in the water itself. Does it mean that we are targeting lower revenues in the road segment because the overall growth that you are talking about for FY24 is only around Rs. 700 crores or are we being a little conservative on the overall guidance?
- Yogesh Kumar Jain:** This is on conservative side because we are expecting appointed date in our HAM projects. After appointed date, we can give you a proper guidance.
- Prem Khurana:** And also, if you can help us with the execution time line for the water projects vis-a-vis for which we have DPRs approved and you have zero day, how many months does it take you to be able to kind of finish and how has our experience been? Are you able to stick to your timelines which are mentioned in the document that you will finish these projects by this time or these many months?

- Talluri Raghupati Rao:** Post signing of the cover agreements, i.e., after approval of the DPR and signing of tripartite agreement followed by cover agreement, post signing of cover agreement will have a 15 months' period for execution and testing and commissioning. We should be able to complete within 15 months except in few places where there is a delay on part of the clients regarding the provision of land for the pump house and other few things and also on the approval process – approval of ranks and what goes into the site and other things. But we should be able to complete within 15 months from the respective dates of signing of cover agreements for these projects.
- Moderator:** Our next question is from the line of Uttam Kumar Srimal from Axis Securities. Please go ahead.
- Uttam Kumar Srimal:** Sir, you have given a bidding pipeline of Rs. 80,000 crores. Can you bifurcate between EPC and HAM? What would be the proportion of EPC and HAM in this bidding pipeline of Rs. 80,000 crores?
- Talluri Raghupati Rao:** It would be something like 50-50% you can say. Maybe HAM slightly higher than EPC.
- Uttam Kumar Srimal:** How much balance equity investment will be done in FY23?
- D. K. Maheshwari:** The balance of, in the second half, Rs. 250 crores.
- Moderator:** The next question is from Parikshit Kandpal from HDFC Securities. Please go ahead.
- Parikshit Kandpal:** Sir, any idea on any new big state projects coming up besides the NHAI projects? UP or any other states?
- Talluri Raghupati Rao:** As of now, we don't see any major projects coming from the state governments, because most of the state governments, they have state highways. As mentioned by our MD, these state highways, they want to give it to the central government for the development. So, in maybe the next 2 to 3 months, we don't expect any major projects in the highway sector coming from the state governments.
- Parikshit Kandpal:** The greenfields like Ganga Expressway or anything like that, any major mega projects of states you are expecting? The Maharashtra government recently announced some big projects. Do you think any of these will be coming in the next 6 months?
- Talluri Raghupati Rao:** We are not specifically focused upon those bidding opportunities. We will share with you privately.
- Parikshit Kandpal:** And sir, the second question is on this monetization piece. You said about 6 HAM projects, 1 and 1 BOT Annuity, and about Rs. 940 crores of equity invested. But you said some of these may happen. Is it that there will be pick and choose or there will be one investor or multiple investors? How are you looking to monetize this?
- Talluri Raghupati Rao:** No, it is not pick and choose. Out of 6 projects, 5 projects we already achieved the PCOD and in a few projects we achieved the final COD, and 1 project we are expected to achieve the PCOD

in maybe next 1 month. These are the projects which are operational. Even one BOT Toll and 1 Annuity project also are operational projects. It is not particularly.... As we progress, as we do completion of construction and achieve the PCOD, then accordingly, we will give the priority. Of course, now NHAI has reduced the lock-in period, 6 months from the PCOD. So, all these projects are.... Out of 8 projects, 7 projects are eligible for the equity divestment.

- Parikshit Kandpal:** And this will be with one investor or this will have multiple investors?
- Talluri Raghupati Rao:** We are looking at multiple investors. We already retained a strategic adviser for handholding and just looking at the potential.
- Parikshit Kandpal:** But you have not entered into any exclusivity with anyone as of now?
- Yogesh Kumar Jain:** So far, not.
- Moderator:** Our next question is from the line of Alok Deora from Motilal Oswal. Please go ahead.
- Alok Deora:** Most questions are answered. Just a couple of questions. One is, of this Rs. 19,000 crores order book, how much is currently under execution at this point of time?
- Talluri Raghupati Rao:** Out of Rs. 19,000 crores, around Rs. 12,000 crores projects are under execution. If you precisely go for the sector of the road projects, it will be around Rs. 10,000 crores because the road projects only around Rs. 2,300 crores projects approved and HAM projects another Rs. 7,000 crores appointed dates are to be fixed. So, it will be around Rs. 10,000 crores.
- Alok Deora:** And sir, in one of the previous questions, you mentioned that after the DPR, it takes 15 months to get it kind of completed. I just want to understand, when you receive these projects, typically, how we should consider the execution timeline? Because the DPR will take its own time and then the execution will start and then there could be some delays in the DPR execution. Just if you could indicate what is the typical timeline we should consider for these kinds of projects?
- Talluri Raghupati Rao:** Typically, from the base, they give us the list of villages and also they give us the land for surveys and all. So, DPR and the approval of the DPR, then the execution, testing and commissioning 15 months, 5 months for this thing, and 3 to 4 months. So, 24 months from the day they give us the list of villages. They specifically say out of a district, you go ahead with this gram panchayat. From that zero point, it takes 24 months.
- Alok Deora:** Just last question. You mentioned you have bid for certain projects where the bids are yet to open. This would be all HAM projects?
- Yogesh Kumar Jain:** They are EPC and HAM both.
- Moderator:** Our next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.

- Shravan Shah:** Sir, when we are saying that we are looking at Rs. 7,000-odd crores inflow in roads. Mostly Rs. 5,000-odd crores would be from the HAM?
- Yogesh Kumar Jain:** We are expecting from both sides – EPC and HAM; we will see.
- Shravan Shah:** My point was, because the competition would be high in the EPC, that's why I was trying to understand, can the proportion be 60% to 70% of this Rs. 7,000 crores would be on the HAM?
- Yogesh Kumar Jain:** It may be because HAM projects are more than EPC.
- Shravan Shah:** And second, sir, last time we said we are expecting bonus on Mumbai-Nagpur also and Aligarh-Moradabad by March 2023 we will be able to see. Any update on that?
- Yogesh Kumar Jain:** In Aligarh-Moradabad, it is in the process, and you can say, Samruddhi Expressway is also in the process.
- Shravan Shah:** By when and if it comes, what would be the broad or rough value of the bonus?
- Talluri Raghupati Rao:** This Aligarh-Moradabad, we believe that we had already mentioned its bonus is around Rs. 15 crores. That still we expect it before current financial year. In case of Mumbai-Nagpur Samruddhi Expressway, the state government has to take some policy decision on the payment of bonus, because we completed before the extended completion time, because there was a COVID-affected period. How this government will take a view on that, we need to see. Otherwise, we have made a request for considering the bonus.
- Moderator:** Ladies and gentlemen, that was the last question. I now hand the floor back to the management for closing comments. Over to you, sir.
- Yogesh Kumar Jain:** Thank you everyone for your participation in our earnings call. In case of further queries, you may get in touch with the Strategic Growth Advisors, our investor relations advisors or feel free to get in touch with us. Thank you.
- Moderator:** On behalf of Spark Capital Advisors, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.