

# **“PNC Infratech Limited Q4 FY23 Earnings Conference Call”**

**May 27, 2023**

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**Management: Mr. Yogesh Jain – Managing Director, PNC Infratech Limited**

**Mr. Talluri Raghupati Rao – Director, Infra - PNC Infratech Limited**

**Mr. D. K. Maheshwari – Vice President (Finance), PNC Infratech Limited**

**Moderator :** Ladies and gentlemen, good day and welcome to the PNC Infratech Limited 4th Quarter FY23, Earnings Conference Call hosted by Equirus Securities. 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 date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. 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 phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Jainam Shah from Equirus Securities. Thank you and over to you sir.

**Jainam Shah:** Good evening, ladies and gentlemen. On behalf of Equirus Securities, I am pleased to welcome you all on the PNC Infratech Limited 4th Quarter FY23 Earnings Conference Call. We have with us the management team of PNC Infratech represented by Mr. Yogesh Jain, Managing Director and senior team members. We also have with us investor relations team of Strategic Growth Advisors. We will begin with the opening remarks from the management followed by interactive Q&A session. Thank you and over to you sir.

**Yogesh Jain:** 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), and 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 of the industry followed by key operational developments of the Company and highlights of financial performance during Q4 and FY 23, post which we will answer your questions.

Highway construction activities were impacted in FY23 on account of prolonged monsoon and other factors beyond control of contractors and concessionaires.

Till February 2023, only 8064 kms of national highways constructed in the country as against the set target of 12,000 km for the whole year.

However, highway construction activities have picked-up since January 23 and the same are expected to remain at elevated levels till June 23.

According to industry reports, NHAI missed the awarding target of 6500 km in FY23 by over 1000 km, as for several projects bid due dates scheduled before 31 March 2023, deferred by 2 to 3 months.

Ministry of Road Transport and Highways has recently announced its plans to award 12,000 km of highway and construct around 12,500 km of highways in FY24.

The average daily toll collection through FASTag in December 2022 reached to Rs. 134.4 crores with single day highest collection clocked Rs. 144.2 crore on 24<sup>th</sup> December 2022.

The growth in traffic revenues mainly due to increase in economic activities during second half of FY 23 and hike in user fee rates.

Now coming to the updates on the company:

- During the 4<sup>th</sup> Quarter of FY 23, the company achieved financial closure for one pending HAM project - 4 Laning of Sonauli - Gorakhpur by its due date.
- With the above closure, financial closures for all the seven HAM projects awarded to the Company during FY 22 have been achieved.
- We are happy to share with you that NHA declared appointed dates for all the above 7 HAM projects and accordingly construction activities got underway at all these projects.
- Above, seven HAM projects would contribute substantial EPC revenues to the Company in FY 24 and 25.
- The company received Provisional Completion Certificates for Koilwar to Bhoipur as well as Bhoipur to Buxar EPC Project from NHA
- The company also received Provisional Completion Certificate (PCOD) for Chakeri to Allahabad HAM project in FY 23.
- The company's robust balance sheet driven by prudent financial acumen has led to continuous upgrade in the credit ratings which have helped the company to raise the debt capital at the competitive rates.
- The company has divested its entire stake of 51% in its one of the subsidiary companies namely - Ferrovia Transrail Solutions Private Limited to BF Infrastructure Limited, which was formed for construction of 66 km long track and track related works of Dedicated Eastern Freight Corridor Project for a value of Rs. 132.0 crore. The said project completed in all respects, in JV with BF Infrastructure.
- On business development front, the Company has been declared as L1 bidder and received letters of acceptance from NHA for construction of 6-lane Greenfield Varanasi - Ranchi - Kolkata Highway HAM Project Packages Nos. 2, 3 and 6 for Bid Project Costs of Rs. 891 crore, Rs. 1113 crore and 1260 crore respectively.
- The company also received letter of acceptance for construction of 4-laning of Allahabad - Koshambi section of NH-731A for a bid project cost of Rs. 819 crore, from MORTH.
- Aggregate bid project cost of 4 HAM projects secured in FY 23 comes to Rs. 4,083 crores.
- All the above four HAM projects are to be constructed in 24 months and operated for 15 years, post construction.
- Apart from 4 HAM projects, the company also became L1 bidder and received letter of acceptance for design and construction of Civil Works for 25.9 km long 'New BG Double Railway Line' and its

connectivity to Indian Railways' Network as part of 'Haryana Orbit Rail Project' for a Contract Price of Rs.771.5 crore from Haryana Rail Infrastructure Development Corporation in FY 23.

- The total value of new business secured by the Company in FY 23 is Rs. 4855 crores.

Moving on to the operational and financial performance of the company.

- At present, the company has a total of 23 fund based ongoing mandates on various PPP formats including BOT-Toll, BOT Annuity and HAM.
- Out of these 23 projects, we have 18 HAM projects with an aggregate Bid Projects Cost of Rs. 24,590 crores.
- Out of 18 HAM projects, we achieved COD/PCOD for 6 projects and remaining 12 projects are under construction.
- In terms of equity investment, total requirement for all these 18 HAM projects is approx. Rs. 2,440 crores, out of which we have already infused Rs. 1,253 crores till March 2023 and the balance will be infused over the next 2 years.
- The internal accruals that would be generated over the next 2-3 years should be sufficient to fund the equity investment.
- If recently secured 4 new HAM projects are also taken in to consideration, total HAM portfolio would be of 22 projects with an aggregate bid project cost of Rs. 28,673 crore.

Now moving on to our order book.

- Our unexecuted order book on 31<sup>st</sup> March 2023 is over Rs. 15,600 crores, which doesn't include value of 4 new HAM projects and 1 EPC project, secured recently.
- Out of the total orderbook over Rs. 15,600 crores, the highway & expressway contracts contribute around 67%, and Water projects contribute around 33%.
- In Rural Drinking Water Projects Under JJM, the company has booked a revenue of Rs. 1,033 crores till 31<sup>st</sup> March 2023, which included Rs. 108 crores revenue booked during the previous financial year.
- During the FY 23, total Rs. 925 crores revenue has been booked from drinking water supply projects.
- As the government signs cover agreements of approved schemes progressively for execution during FY 23, the balance executable work as on 1.4.23 is around Rs. 4,500 crores and cover agreements for all the remaining schemes are expected to be signed during the current financial year.

**Now I would present Standalone and Consolidated results for the quarter & financial year ended March 31<sup>st</sup>**

**On Standalone Basis – 4<sup>TH</sup> Quarter**

Revenue for 4<sup>TH</sup> quarter of FY23 is Rs. 2,115 crore which is higher by 10%

EBITDA for the 4<sup>TH</sup> quarter is Rs. 281 crore which is higher by 25%

EBITDA margin for the 4<sup>TH</sup> quarter of FY23 is 13.3%.

Profit for the 4<sup>TH</sup> quarter of FY23 is Rs. 184 crore which is higher by 33% on yoy basis.

Profit margin for the 4<sup>TH</sup> quarter of FY23 is 8.7%.

**On Standalone Basis – of FY'23**

Revenue for FY23 is Rs. 7,061 crore which is higher by 12%

EBITDA for FY23 is Rs. 954 crore which is higher by 21%.

EBITDA margin for FY23 IS 13.5%.

Profit for FY23 is Rs. 611 crore which is higher by 37%.

Profit margin for FY23 is 8.7%.

**On Consolidated Basis – 4<sup>TH</sup> Quarter**

Consolidated revenue for Q4 of FY23 is Rs. 2,305 crore which is higher by 4%.

Consolidated EBITDA for 4<sup>TH</sup> quarter of FY23 is Rs. 411 crore.

EBITDA margin for Q4 FY23 is 17.8%.

Consolidated PAT for Q4 of FY23 is Rs. 146 crore.

PAT margin for Q4 FY23 is 6.3%.

**On Consolidated Basis – of FY'23**

Consolidated revenue for FY23 is Rs. 7,956 crore which is higher by 10%.

Consolidated EBITDA for FY23 is Rs. 1,600 crore which is higher by 4%

EBITDA margin for FY23 is 20.1%.

Consolidated PAT for FY23 is Rs. 658 crore which is higher by 13%.

PAT margin for FY23 IS 8.3%.

**ON THE STANDALONE BALANCE SHEET SIDE,**

As on 31<sup>ST</sup> March 2023, our net working cycle is 87 days

Our net worth on standalone basis is RS. 3,942 crores as on 31<sup>ST</sup> March 2023 whereas total standalone debt is RS. 337 crores including Rs.137 crores for equipment finance debt.

The total cash and bank balance as on 31<sup>ST</sup> March 2023 is Rs. 293 crore. We have a net debt of Rs. 44 crore.

our net debt to equity is 0.11 times

**ON CONSOLIDATED BALANCE SHEET SIDE,**

Our network is Rs. 4,285 crores whereas total debt is Rs. 6,282 crores as on 31<sup>ST</sup> March 2023. The total cash & bank balance including current investments is Rs. 1,017 crore.

Net debt to equity of 1.4 times.

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

**Moderator:** Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and 1 on their touch-tone telephone. If you wish to remove yourself from the question queue, you may press star and 2. Participants are requested to use answers while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. Our first question is from the line of Shravan Shah from Dolat Capital. Please go ahead.

**Shravan Shah:** Thank you, sir. Before asking any questions, I need a couple of data points and then I will ask the questions. So first, if you can share mobilization advance, retention money, HAM data, water data.

**D K Maheshwari:** Retention money in March 23 is Rs. 131 crores and mobilization advance is Rs. 329 crores.

**Shravan Shah:** Okay. HAM data, water data.

**D K Maheshwari:** And SPV debtors is Rs. 1079 crores.

**Shravan Shah:** Rs. 1079 crores. Okay. That's why the debtor has increased. Okay. JJM data?

**D K Maheshwari:** EPC debtors is Rs. 826 crores.

**Shravan Shah:** Sorry, water data is how much you said? JJM debtors?

**D K Maheshwari:** JJM debtors is Rs. 375 crores.

**Shravan Shah:** Rs. 375 crores. Okay. And unbilled revenue is how much, sir?

**D K Maheshwari:** Shravan Ji, most of the debtors, whether it's water or SPV, we have received payments in the month of April and mid of May.

**Shravan Shah:** Okay. So, debtor as of April or as of now, data on the standalone has reduced to how much, sir?

**D K Maheshwari:** On 31st March, debtor days was 99 days. And if we see as of date, it will be around 77 to 78 days.

**Shravan Shah:** Okay. Sir, unbilled revenue is how much?

**D K Maheshwari:** It is Rs. 52 crores, sir.

**Shravan Shah:** Rs. 52 crores. Okay. And now I need the project-wise order book breakup. So, first is Chakeri - Allahabad. So, as of March, I need the order book.

**D K Maheshwari:** Chakeri - Allahabad, Rs. 70 crores.

**Shravan Shah:** Sorry. Chakeri, Allahabad Rs. 72 crores?

**D K Maheshwari:** Rs. 70 crores,

**Shravan Shah:** Okay. Then Challakere - Hariyur.

**D K Maheshwari:** Challakere, Rs. 293 crores.

**Shravan Shah:** Lucknow, Ring Road, package 1.

**D K Maheshwari:** Lucknow Ring Road Rs. 110 crores.

**Shravan Shah:** Jagdishpur - Faizabad?

**D K Maheshwari:** Rs. 154 crores.

**Shravan Shah:** Aligarh, Kanpur, package 5?

**D K Maheshwari:** Rs. 256 crores.

**Shravan Shah:** Unnao, Lalganj?

**D K Maheshwari:** Rs. 464 crores.

**Shravan Shah:** Meerut - Najibabad?

**D K Maheshwari:** Rs. 238 crores.

**Shravan Shah:** Delhi, Vadodara, package 29 and 31?

**D K Maheshwari:** Package 29 is negligible Rs. 33 crores and package 31 is Rs. 160 crores.

**Shravan Shah:** So, has it increased - the scope because last time we said Rs. 22 crores. So, now we are saying Rs. 160 crores. Package 31.

**D K Maheshwari:** Delhi - Vadodara?

**Shravan Shah:** Yes, Delhi Vadodara. Package 31 you said 160 crores. December it was Rs. 22 crores.

**D K Maheshwari:** Is it for 29 - Rs. 22 crores?

**Shravan Shah:** Sorry, sir. Sorry, sir.

**D K Maheshwari:** It would be of Package 29 and in the last time in December it is Rs. 220 crores.

**Shravan Shah:** So, how much is it in March? Rs. 160 crores?

**D K Maheshwari:** Yes, yes.

**Shravan Shah:** So, that is an increase in scope.

**D K Maheshwari:** Slightly, it has increased.

**Shravan Shah:** Okay, and sir, this irrigation project, how much is the value?

**D K Maheshwari:** Rs. 979 crores outstanding.

**Shravan Shah:** Okay. And so, all the four water projects put together is Rs. 5,767 crores. `

**Shravan Shah:** Okay. Now, coming to the question part. So, first in terms of the broader guidance, for the FY23 was lower than what we were looking at, Rs. 8000 odd crores. So, Rs. 4855 crores. I hope this is the EPC value that we said in the opening remarks. So, now for FY23 in terms of revenue, margin, order inflow, what is the guidance?

**T. R. Rao:** In FY24, in case of revenue, we are expecting around 15% growth and in case of order book, it took around Rs. 10,000 crores. Maybe between -10,000 to 12,000 crores order book.

**Shravan Shah:** Okay. And margin will be the same 13.5% that we guided.

**D K Maheshwari:** It should be 13 to 13.5%.

**Shravan Shah:** Okay 13-13.5%. Okay got it. And in terms of the, including the 4 new, so the 4 new HAM first of all, when are we likely to get the appointed date and for guiding this 15%, how much roughly

we are taking the revenue from these 4 new HAM projects? And what is the, equity to be invested in these 4 new HAMs?

**D K Maheshwari:** The equity entity requirement is around Rs. 500 crores in the new 4 HAM projects and the execution part can start in the fourth quarter of FY24. It will take around six months to start the work.

**Mr. T. R. Rao:** We need to execute the concession agreements, we expect execution of concession agreements in the month of June. Then we'll have five months for the financial closure. So in the fourth quarter of FY24, we expect some marginal revenue for HAM projects.

**Moderator:** Sorry to interrupt. Thank you for the answer, sir. Mr. Shraavan Shah, may we request that you return to the question queue for follow-up questions as there are several participants waiting for their turn. Thank you. Our next question is from the line of Mohit Kumar from ICICI Securities. Please go ahead.

**Mohit Kumar:** Good evening, sir and congratulations on a good set of numbers. My first question is, sir, how do you see the tender pipeline at this point of time? And are you confident that the tender opportunity from NHAI will pick up for the rest of the year? And the related question is that do you think that we need to build a scale-up for other EPC segments because our dependence on the road is too high and that is limiting our opportunity size?

**T. R. Rao:** If you see, during FY23, NHAI planned to award more number of projects. Many projects were supposed to receive the bids before 31st March, but quite a few projects, they deferred. So, there will be 40-45 projects before 31st March. Now, bids are scheduled to be received between July. This is one of the reasons, whatever projects are targeted during the FY23, we should not leave them too much. So, there is a robust pipeline is available, NHAI. NHAI now, more than 100 projects are there, both on EPC and HAM. HAM is the majority, 75% HAM-based projects and 25% EPC-based projects, nearly 1 lakh crores worth of projects are there. Hopefully, awarding these projects is not quite a big thing, but we mentioned about Rs. 10,000 12,000 crores. Apart from this, we are also targeting some projects, surface projects in UP under phase 4. So, UP government, SWSM, they are bidding of 14 projects for a big value of around Rs. 15,000 crores. We are evaluating those. That is another area apart from roads we are pursuing to secure and we are hopeful that we should be able to secure around 10 projects in FY24.

**Mohit Kumar:** My second question is that, the last part of our order is Uttar Pradesh. I think it is around 90%. Do you think we need to raise our portfolio and diversify it to other states? Because, dependence of one state is just too high.

**T. R. Rao:** As you see, the last year we secured 5 projects. Out of 5 projects, 3 projects are in Bihar, Varanasi-Kolkata projects, all 3 packages falling in Bihar and one package we got from Haryana Orbital Rail Corporation. It is located in Haryana. So, only one project that is Prayagraj to Kaushambi is there in UP, HAM projects. So, we are also looking now, the new opportunities spread across the country. We are looking at other states other than UP also with the equal focus. So, we always endeavor to deconcentrate our risk only in UP. So, that will be there. We are hopeful of some projects outside UP also during the FY24.

**Mohit Kumar:** Understood sir. Thank you and all the best.



**Moderator:** Thank you. Our next question is from the line of Noel Vaz from Union Asset Management. Before you go ahead with your question, a reminder to all participants, you may press star and one to ask question. Mr. Noel Vaz, you can go ahead.

**Noel Vaz:** Yes. Actually, I just have one question. So, now that we have kind of our mix in the order book for road projects is likely to move slightly lower going forward if we are aiming for diversification of the order book, then what kind of all execution rates should we see for FY24 or even FY25 onwards? Thank you.

**Yogesh Jain:** We are expecting around 15% growth in FY'24.

**Noel Vaz:** Okay. But the execution timelines for the non-road projects are similar to road projects?

**Yogesh Jain:** Yes. We are targeting revenue for FY24 is around Rs. 2500 crores from water supply sector. And remaining from roads.

**Noel Vaz:** Okay, yeah understood. So, water supply, this is the same as irrigation or this is more of urban infrastructure?

**Yogesh Jain:** This is a rural drinking water supply.

**Noel Vaz:** Okay, fine. Thank you. I just wanted to discuss. Thank you.

**Moderator:** Thank you. Our next question is from the line of Nikhil Kanodia from HDFC Securities Limited. Please go ahead.

**Nikhil Kanodia:** Good afternoon, sir. Am I audible?

**Yogesh Jain:** Yes.

**Nikhil Kanodia:** So, the thing is that during some of the previous questions, it was not audible. So, pardon me if I repeat the questions. So, my first set of questions was on the guidance front. So, what will be the guidance on revenue from water segment for the year?

**Yogesh Jain:** Your question. Can you repeat, please?

**Moderator:** Sir, we request you to use the handset as the audio quality is not very clear while you asking the question.

**Nikhil Kanodia:** What is the revenue guidance from water segment for FY24?

**T. R. Rao:** Rs. 2,500 crores is the revenue from water segment from FY24.

**Nikhil Kanodia:** Okay. And sir, you have guided for 15% revenue growth for FY24 with EBITDA margins in the range of 13 to 13.5%, right?

**D K Maheshwari:** Right. Yes.

**Nikhil Kanodia:** So, what would be the order inflow guidance for the year?

**Yogesh Jain:** It is around Rs. 10,000 to 12,000 crores.

**Nikhil Kanodia:** Okay. And sir, what would be the equity infusion? Like you mentioned, there is some equity requirement for the 7 as well as the new 4 HAM assets. So, FY25, what would be the equity infusion?

**D K Maheshwari:** About Rs. 540 crores, sir.

**Nikhil Kanodia:** Rs. 540 crores is for FY24, right? Hello?

**D K Maheshwari:** Yes, yes.

**Nikhil Kanodia:** Yes, sir. So, if you can give the entire equity infusion like within what time it would be done, like FY24 its Rs. 540 crores, then FY25?

**D K Maheshwari:** Rs. 450 crores.

**Nikhil Kanodia:** Okay. And the balance will be in FY26?

**D K Maheshwari:** Yes.

**Nikhil Kanodia:** Okay. And sir, what is the CAPEX guidance that you are giving for FY24?

**D K Maheshwari:** FY24, we are expecting around Rs. 100 to 120 crores, sir.

**Nikhil Kanodia:** And you will be maintaining your NWC days there?

**D K Maheshwari:** It should reduce as compared to 31st March.

**Nikhil Kanodia:** Okay. And sir, what will be the debt levels?

**D K Maheshwari:** Presently, it is 99 days. We are expecting around 75 to 80 days.

**Moderator:** May we request you to re-join the question queue for follow-up questions as there are several participants waiting their turn. Thank you. Ladies and gentlemen, in order to ensure that the management is able to address questions from all participants in the conference, please limit your questions to one or two per participant. Should you have a follow-up question, we would request you to re-join the queue. Thank you. Our next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

**Parikshit Kandpal:** Hi, Yogesh ji. Congratulations on a good quarter, sir. My question is on asset monetization. So, we have Rs. 2,400 crores of equity requirement now, Rs. 1,200 crores we have invested, and another Rs. 500 crores we have to invest in new assets. But nothing is coming up, nothing is happening on the monetization front. Some of our peers have already monetized assets, and we have been telling every quarter that we monetize, monetize, but nothing is happening. So, what is the issue, sir? I mean, what are we facing? Any challenges in monetization? Any concerns on valuation? So, where has the deal got stuck, basically, if we want to understand that?

**Yogesh Jain:** We are continuous to give highest priority to monetization of operational assets for unlocking its equity and de-leverage its balance sheet. So, in the first lot, total 12 projects floated for monetization, including 11 HAM assets and 1 BOT-Toll asset, which would have a total debt over Rs. 6,900 crores and total equity of Rs. 1,700 crores. Now, strategic advisors retained for running the monetization process and NBO received from four are under evaluation, Under discussions and negotiations. In case we find valuation of our reasonable, exclusivity would be provided to the selected investor for conducting due diligence, followed by execution of definitive agreements. So, we expect to conclude this process divestment before the end of financial year 24, I think.

**Parikshit Kandpal:** So, we are in very early stages as of now. So, I think we will take one more year for this to complete.

**T. R. Rao:** Mr. Kandpal, it's not like that. See, we are on the process. We are very keen and we are very eagerly going for that. Already, we received the NBOs. Now, we are evaluating and shortly, once we go ahead to the selected investor, then followed by the due diligence. The due diligence also we are asking them to quickly do it in expeditious manner. So, then the definitive agreement should be signed before the calendar year and before the, you say, even third quarter, then followed by the closeout and other things. So, we are looking forward to have everything completed and unlock our equity before the end of the current financial year. So, we don't think we are lagging behind our peers and these are HAM assets. And by the time all these 11 HAM assets would have received the final COD also and unlocking periods also would have been completed. So, there should not be an issue in transferring the assets.

**Parikshit Kandpal:** Okay sir, I wish you all the best that you expeditiously close this deal by Diwali or the third quarter. So, that will help us unlock a lot of value. My second question is on the Jal Jeevan mission project now. So, we have been somehow lagging behind again on execution. So, the guidance which we have given earlier also has not been, the number is below Rs. 1,000 crores even this year. So, next year we are saying in FY24 that Rs. 2,500 crores. So, how confident are we in closing these in this year? And also, if we can touch upon what is a bid pipeline in the JJM segment for us?

**T. R. Rao:** See, in the Jal Jeevan mission what has happened, these projects spread across various places. There are 3,000 locations we need to do with an average value of 2.25 crores at each location, each scheme. The geographical spread is the one thing and also, as we move ahead, if you see that in FY23, in the first quarter, we could able to do only Rs. 80 crores, whereas in second we have done Rs. 160 crores. In the third quarter, we have done Rs. 270 crores. In the fourth quarter, we have done a work of Rs. 415 crores. So, we are progressively improving our progress and the work done. So, the year we closed at Rs. 925 crores. So, going forward, we are confident of completing Rs. 2,500 crores worth in FY24. Because from Rs. 80 crores we scaled up to Rs. 415 crores as you get the new projects. As of now, out of 2,885 schemes, work is going on at 2,000 locations. And at the 450 locations, we already started providing drinking water to the rural household and we got the certificates from the Har Ghar Jal certificate for quite a few. So, we are confident we will be able to do around Rs. 2,500 crores worth in FY24 and then remaining in FY25. So, from Rs. 80 crores, we scaled up to Rs. 415 crores in four quarters of FY23.

**Parikshit Kandpal:** What is the bid pipeline, sir?

**T. R. Rao:** As I mentioned, Rs. 14,000 crores worth of projects are bid out by this SWSM of Government of Uttar Pradesh. So, the bid due date is 2nd June. So, we will be bidding those projects. So, we expect around Rs. 1,000 crores worth of new business from the water sector in this quarter. Going forward, in case any new projects comes up in any other states, then we will evaluate those opportunities and see whether we can bid for those projects also in FY24.

**Moderator:** Sorry to interrupt. May we request that you rejoin the queue for follow-up questions, as there are several participants waiting their turn. Thank you. Our next question is from the line of Jiten Rushi from Axis Capital. Please go ahead.

**Jiten Rushi:** Good evening, sir. Congratulations on a good set of numbers. Sir, first on the debt numbers and the balance sheet, the debt number is around Rs. 450 crores. So, as you said in the opening remarks, the debt number at the standalone level is Rs. 337 crores. So, are we missing anything, sir?

**D K Maheshwari:** Actually, working capital loan is Rs. 200 crores, term loan is Rs. 136 crores, total is 336 crores. Remaining is the unsecured loan taken from the SPVs. That is why that total amount is Rs. 449 crores. Borrowing is Rs. 336 crores only, sir.

**Jiten Rushi:** So, this unsecured loan has been repaid back to the SPVs?

**D K Maheshwari:** It is still outstanding.

**Jiten Rushi:** How much, sir?

**D K Maheshwari:** It is Rs. 113 crores.

**Jiten Rushi:** So, what is the reason why we have taken this unsecured loan from those SPV? Any reason for that?

**D K Maheshwari:** Actually, there is a surplus in those SPV. There is no debt in that SPV.

**Jiten Rushi:** Which SPV, sir?

**D K Maheshwari:** That is Delhi Narela Industrial Estate and Kanpur- Lucknow Ayodhya. That was the OMT project that will be completed and Delhi Narela Industrial State, there is no senior debt in the project SPV.

**Jiten Rushi:** Can you give me the toll numbers now, sir, for the SPV including the Narela Industrial Estate?

**D K Maheshwari:** The Narela Industrial Estate was Rs. 14.37 crores in this quarter and MP Highway was Rs. 12.46 crores, Kanpur Highway was Rs. 23.5 crores and Bareilly is Rs. 14.37 crores and sorry, Narela is Rs. 10.56 crores.

**Jiten Rushi:** Bareilly and what you said is Rs. 14.37 crores?

**D K Maheshwari:** Right.

**Jiten Rushi:** And Raebareli sir is Annuity asset. Got it.

**D K Maheshwari:** That is Rs. 32.16 crores.

**Jiten Rushi:** Yes. Sir, on the railway project, we have received the project from Haryana. So, when do we expect the execution to start in this project and how is the payment cycle from the government on that region?

**T. R. Rao:** Yes. This execution has already started there. Now, earth work is going on. It is a 26-kilometre-long civil works for the broad gauge, double broad gauge. The Haryana government, what we were told that Haryana government is getting funds from the NDB, New Development Bank. So, they are getting funded from them. So, they promised us there should not be any issue for the payments and other things.

**Moderator:** Thank you, Mr. Jiten Rushi. May we request you to rejoin the queue for follow-up questions. Our next question is from the line of Nikhil Abhyankar from ICICI Securities. Please go ahead.

**Nikhil Abhyankar:** Thank you for the opportunity, sir. My first question is, given our higher concentration towards highways and roads, are we looking at any segmental diversification and if yes, then which all segments?

**T. R. Rao:** As we had already diversified into road sector, as you said, as we had already mentioned 33% our order book is, un-executed order book is there, water supply and irrigation and 67% is from roads and highways. Similarly, our revenues also would be like that, 33% from this water supply and irrigation and all. See, as a part of diversification, we also built this Haryana Orbital Rail Corporation project. So, many state governments are coming out with similar kind of a orbital or metro-rail kind of a thing, light rail projects across the country. So, that is another area we are looking at and we secured one project from Haryana government. So, wherever there is some synergy and particularly with respect to road work, this Haryana is having, we have a synergy over there. And in the water sector also, we look forward to have new projects if other state governments also come out with similar projects. Both rural drinking water, groundwater as well as surface water.

**Nikhil Abhyankar:** Okay. And sir, of the Rs. 12,000-crores order info that we are targeting, can you give us the target for each segment for FY24?

**T. R. Rao:** See, 70%, you can say 70% from the roads and highways and 30% from the non-road sector.

**Moderator:** Sorry to interrupt. May we request Mr. Abhyankar to join the queue for follow-up questions. Requesting all participants to restrict to one to two questions per participant. Thank you. Our next question is from the line of Vaibhav Shah from JM Financial Limited. Please go ahead.

**Vaibhav Shah,:** Yeah. Thank you, sir. Sir, for the Badadal to Maradgi S Andola HAM project, we had received Appointed Date in December 2022. But the execution for the quarter is zero for the project. So, any particular reason why the execution has not started?

**T. R. Rao:** You know, there the work has started, , what we call it as Akkalkot to Karnataka-Telangana state border. So, their work has started. So, in this quarter, we will be raising the invoice towards the milestone limits.

**Vaibhav Shah:** Okay, okay. Sir, and secondly, you give the guidance of Rs. 2,500 crores of revenue for the water segment for FY24. So, does that include irrigation project as well?

**T. R. Rao:** See, irrigation project, we do not expect significant revenue there because we will have another hardly one and a half months working time there because once in July, they release the water inside the canal system. So, this goes up to again January end of FY24. So, this is mainly significantly from water sector only. There will be some marginal amount from irrigation.

**Vaibhav Shah:** So, then we had a timeline of around three years for the project. So, the completion date is March 24. So, has there been extended from the client?

**T. R. Rao:** We had already applied for an extension of time, quoting that very limited working period is available. So, we had already asked for an extension of time of two years beyond 2024.

**Moderator:** Thank you. We move to our next question. Mr. Vaibhav Shah, we would request you to join the question queue for follow-up. Our next question is from the line of Deepika Bhandari from Philip Cap. Please go ahead.

**Deepika Bhandari:** Hi, sir. Thank you for taking my question. Congratulations on good set of numbers. Sir, first thing, I just beg your pardon. I think I missed the equity requirement. Can you bifurcate the requirement for FY24 and FY25?

**D K Maheshwari:** FY24 is Rs. 540 crores and FY25 is Rs. 460 crores.

**Deepika Bhandari:** 450. Okay. Thank you, sir. Also, can you give me a geographical break-up for order book, exact break-up for the year ending FY23? How much was the UP percentage and Bihar and Haryana?

**T. R. Rao:** We will share you separately. We will share with you.

**Deepika Bhandari:** Okay, sir. Thank you.

**Moderator:** Thank you. Our next question is from the line of Prem Khurana from Anand Rathi Shares. Please go ahead.

**Prem Khurana:** Thank you for taking my question, sir. Sir, just to understand our receivables a little better, I think we have seen significant jump during the quarter and large part of this seems to be because of our own SPVs, hybrid annuities which are under construction. So, is it that we are ourselves delaying drawdowns in these SPVs and because we were sitting on some cash and obviously the cost of borrowing for the standalone entity would be somewhat better than SPVs? Is it that we are intentionally delaying the drawdowns or you are seeing delayed disbursements via these lenders or the bankers?

**D K Maheshwari:** So, for the lenders, actually we have executed around Rs. 400 crores rupees of HAM projects in the month of February and March. For that, we are taking the disbursement subsequently in the month of April and May. So, in the starting for taking the disbursement, it takes around 30 to 40 days.

**Prem Khurana:** Okay, sure. Sir, but anyway, for these 400 crores rupees, we still would have more than 600-700 crores rupees of number due from SPVs. Would this be the number? I mean, if we were to run the same run rate in terms of revenue, then this is the number that we need to kind of settle for or I mean this would go down?

**D K Maheshwari:** It will go down certainly.

**Prem Khurana:** Okay. And second, if you could help us understand. So, when I look at our P&L for the year, we have grown pretty fairly good. I mean, in terms of top line profitability again has been fairly stable. But for some reason, our employee cost is down. I mean, since we are growing, I was under the impression that you would have more people come on board and work for you. How do I explain the employee cost going down? Are we, I mean, trying to kind of have more of mechanization or automation, which is where the manpower requirement has come down or was the last year number a one-off?

**D K Maheshwari:** Actually, percentage-wise it will go down because of the around Rs. 1,000 crores we have executed water project, where the element of labor is much more than this machinery.

**Prem Khurana:** So, the absolute number is down.

**D K Maheshwari:** Through subcontractor. That is also through subcontractor.

**Prem Khurana:** Okay. And just one last thing from my side, I mean, if you could help me with the EPC potential for these four hybrid annuities. I mean, you have given us a bid project cost. I mean, if you could help us with the EPC part of the total number, how much would be the EPC which would come in our standalone book coming on order backlog sent?

**D K Maheshwari:** Around 4,500 something.

**Prem Khurana:** Rs. 4,500 crores.

**Mr. D K Maheshwari:** So far, we have not finalized.

**Prem Khurana:** Sure, sir. Sure. Thank you. I have few more questions I'll come back with you. Thank you. Thanks a lot, and all the very best for future.

**Moderator:** Thank you. Our next question is from the line of Uttam Kumar Shrimal from Axis Securities Limited. Please go ahead.

**Uttam Kumar Shrimal:** Yeah. Thanks for the opportunity, sir and congratulations on good set of numbers. Sir, have you received any bonus in this quarter? Early completion bonus in this quarter?

**D K Maheshwari:** No. No. This quarter. We have not... In the fourth quarter, there was no bonus.

**Uttam Kumar Shrimal:** Okay and sir, any bonus that we are expected to receive in this year from any of the projects?

**T. R. Rao:** See, one or two HAM projects we expect to complete before schedule of time, particularly Aligarh - Kanpur package 5. So, then for that project, we expect to receive bonus during FY24.

**Uttam Kumar Shrimal:** Okay. Sir, can you quantify the amount?

**D K Maheshwari:** See, until and unless we know the date of PCOD, then what is the schedule date, then the bonus will be calculated accordingly. We can't say right now, but we will receive certain amount of bonus from that particular project.

**Uttam Kumar Shrimal:** Okay, sir. Okay. That's all from my side. And all the best to you.

**T. R. Rao:** Thank you.

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

**Shravan Shah:** Yeah, sir. Sir, just to clarify, you mentioned in terms of the monetization that you expect that the definitive agreement likely to be signed before December and deal to be completed by FY24. Does that mean that are we also expecting the entire cash to be received before FY24 ends?

**T. R. Rao:** Yes. Yes. Entire conservation amount of equity, we expect to receive by March. That is our target. We are endeavoring towards the thing.

**Moderator:** We move to our next question. Our next question is from the line of Nikhil Kanodia from HDFC Securities Limited. Please go ahead.

**Nikhil Kanodia:** Sir, all my questions have been answered. Thank you.

**Moderator:** Thank you. Our next question is from the line of Prem Khurana from Anand Rathi Shares. Please go ahead.

**Prem Khurana:** Yeah. Thank you once again. Sir, on monetization efforts that are underway for 12 assets, the four prospective buyers that you have in place, and all these are interested in all the 12 assets or they want to take it as if they like some asset, they will wait for these four, five, six, seven assets or you want to sell as an entire single bouquet?

**T. R. Rao:** They are interested in all 12 assets.

**Prem Khurana:** Okay. Sure. Thank you.

**Moderator:** Our next question is from the line of Jiten Rushi from Axis Capital. Please go ahead.

**Jiten Rushi:** Thank you, sir. Just asking on the monetization thing only. Sir, are you also thinking of an alternate process of InvIT? We have seen certain InvITs in the past with these four prospective buyers. Are we looking for any InvITs as an option also or an alternate? Are we working towards it or you are looking only for a complete exit?

**T. R. Rao:** For these 12 assets, as of now, we are not looking at because we received good response from the potential buyers for these 12 assets. Out of these 12 assets, seven assets are already operational. Only five assets will be operational in next three to four months. So, at this point of time, we are not looking at the alternate thing. For these 12 assets, going forward, as we have remaining fund-based assets, we will look at that option.

**Jiten Rushi:** Which is the 12 asset which you are looking to sell? I just forgot. Can you just help me with that?

**T. R. Rao:** Bareilly - Almora project. It's a BOT Toll of state government.

**Jiten Rushi:** Any targeted valuation you are looking for in terms of the book value? Because you have seen a strong valuation coming from the recent, which is almost 1.5X and above. Any targeted valuation are we targeting in terms of the-

**T. R. Rao:** We are looking at a very reasonable valuation which is based on the, because we can't disclose the figure as of now. The talks are going on with the investors through our strategic advisor. So, some clarity would emerge maybe in the next 10 days. Anyhow, we will share with the exchanges and then we will come to know once we sign the LBOs.

**Moderator:** Thank you. We move to our next question. Our next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.

**Shravan Shah:** So, now my question is on the bonus part, I was just clarifying. Last time we were talking about Rs. 15 crores bonus. We were looking in Aligarh - Moradabad in the fourth quarter. So, what's the status on there? Mumbai-Nagpur we were expecting, but some decision from the authority. Then we were expecting Delhi-Vadodara package 29 & 31. So, all these road projects now there will be no bonus or do some bonus will come?

**T. R. Rao:** See, in case of Aligarh-Moradabad, what we expected bonus should be realized by 31st March because the final bill completion and there are change of PIU people at NHA headquarters. The many changes are happening. It is right from CGM to down to the manager. People have moved and new setup people have come. So, the process is getting delayed. And the second thing in case of



DAV 29, Delhi, Vadodara because of some hindrances and other part even today 150-meter length of land is not available. But anyhow, we will be completing that particular project by the schedule time. We don't expect any bonus there because the delays happened beyond our control. In case of DAV 2031, there's a lot of HT high tension power lines are going on. Again, there is a delay in shifting of these things. Despite our best efforts, the things are not happening because of some lack of things. So, there are also whatever bonus we expected. There also we completed more than 90% work. In case of DAV 29, we completed almost 100% of our land hindered. In case of Nagpur, Mumbai, the government has not taken decision. Again, there's a political change at state government. So, they have not taken final decision yet.

**Shravan Shah:** So, nothing to come as a bonus not for the Aligarh-Moradabad also the Rs. 15 crores very less probability that the bonus to come.

**Yogesh Jain:** We will get in Aligarh, Moradabad, no doubt about it and we are also expecting from Aligarh to Kanpur package 5 HAM projects.

**Shravan Shah:** Okay, second is on the JJM, we say Rs. 2,500 crores revenue in FY24. So, this Rs. 2,500 crores, so if I just look at the in terms of the order book, so excluding the irrigation part if I remove so Rs. 5,700 crores out of that Rs. 2,500 to be done in FY24 and the entire remaining should be close to Rs. 3,200 crores odd crores should be in FY25 or it will extend to even FY26.

**T. R. Rao:** FY 25 we will be able to complete except normally they keep some amount retention amount and other things. Otherwise, we will complete all works in FY25.

**Shravan Shah:** Okay, and then the irrigation you mentioned till January because of the rain and water to be in the in the canal, very, very marginal revenue to come and the deadline will be extended to FY25 or 26.

**T. R. Rao:** We are, FY26 because we asked for two years of extension. We have applied to water resources department.

**Shravan Shah:** Okay, and in terms of the HAM requirement, whatever you mentioned that is only for 18 HAM projects. So, the four HAM projects where we said Rs. 500 crores more equity. So, assuming as you mentioned that appointed by December this year, then how much equity to be infused from that in this year and FY25 and 26. So, broadly Rs. 1,700 odd crores if you can help me break up in 24, 25, 26.

**D K Maheshwari:** Total equity requirement including all the four HAM projects is Rs. 1,690 crores as on date. So, around Rs. 540 crores in FY24 and Rs. 416 crores in FY25, FY26 is Rs. 365 crores and remaining Rs. 327 crores in FY27.

**Shravan Shah:** Okay, okay, FY27, got it, got it. Okay, thank you, sir.

**Moderator:** Thank you. Our next question is from the line of Deepesh Agarwal from UTI AMC. Please go ahead.

**Deepesh Agarwal:** Yeah, good evening gentlemen, I have just one question. If I look at your segmental reporting, it seems the margin of the water segment at EBIT level is quite high versus the water margin for almost like 17% for the year versus 10.8% for the year of the road. Is it a sustainable margin for

water? And if that's so, with the share of water generally going up next year, why we still stick to that 13-13.5% guidance?

**D K Maheshwari:** It will maintain around 14% - 15%.

**Deepesh Agarwal:** Okay, so if the water share goes up in our revenue, margin will ideally have an upside risk, right?

**Moderator:** Mr. Deepesh Agarwal, sorry to interrupt. May we request you to use the headset, please your audio is not very clear.

**Deepesh Agarwal:** Yeah, so my question is if the share of water segment goes up and it's a higher margin, so ideally there should be an upside risk to over the guidance on the margin of 13-13.5%?

**D K Maheshwari:** Water is one-third portion of the turnover. Therefore, overall guidance will be around 13.00% -13.50%.

**Deepesh Agarwal:** Understood. Okay, thank you and all the best.

**Moderator:** Thank you. Our next question is from the line of Jainam Shah from Equirus Securities, Private Limited. Please go ahead.

**Jainam Shah:** Yeah, so thank you for the opportunity for this hosting call. There are no further questions, so we'll request you for some closing remarks.

**Yogesh Jain:** Yeah, thank you everyone for your participation in our earning call. We have uploaded the presentation on our company's website as well as on exchanges. In case of further queries, you may get in touch with the Strategic Growth Advisors, our investor relations advisors, or feel free to get in touch with us. Thank you very much.

**Moderator:** Thank you. On behalf of Equirus Securities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.