



PNC INFRA TECH LIMITED

“PNC Infratech Limited
Q3 FY2021 Earnings Conference Call”

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PNC INFRA TECH LIMITED



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Moderator: Ladies and gentlemen, good day and welcome to the PNC Infratech Q3 FY2021 earnings conference call hosted by JM Financial Institutional Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Subhadip Mitra from JM Financial Institutional Securities Limited. Thank you and over to you Sir!

Subhadip Mitra: Good afternoon friends. On behalf of JM Financial I welcome you all to the Q3 earnings conference call of PNC Infratech. We are joined today by the senior management of PNC lead by Mr. Yogesh Kumar Jain the Managing Director and his team. I would now like to hand over the call to Mr. Yogesh Jain for opening comments followed by Q&A session. Over to you Sir.

Yogesh Kumar Jain: Good afternoon friends, First of all a very happy new year and a very warm welcome to all of you to participate in our earnings conference call to discuss on our financial and operational performance for the quarter and nine months ended December 31st, 20.

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

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

First, I will share key developments in the sector and then I'll share our thoughts on the recently presented Union Budget followed by key operational and financial highlights of the company.



As per the latest Economic Survey, economy is expected to undergo a V shaped recovery from a GDP contraction of 7.7% in FY21 to 11% growth in FY22.

This is also in line with IMF's latest estimates of 11.5% GDP growth in FY22, where it also indicated that India is expected to be one of the fastest growing economies for next 2 years.

The sharp recovery in economic activities is due to continued Government Expenditure, resumption of Private Investments supported by faster pick-up in consumption and vaccination drive across the country.

We have seen that the credit growth for the construction sector has been rebounding from October 2020 onwards which has been an outcome of various initiatives under the Atmanirbhar Bharat Mission and the economy itself witnessed a faster turnaround post the unlocking spells.

With the National Infrastructure Pipeline already laid a roadmap for next 5 years, the construction sector and specifically the Roads construction is expected to lead the way.

As honourable Finance Minister stated during her budget speech, infrastructure development is one of the key pillars for growth and with an allocation of Rs. 2.27 lakh crores towards infra sector projects over the next 2-3 years, the momentum is expected to increase rapidly.

The outlay as per FY22 budget estimates for NHAI has increased by nearly 35% to Rs. 57,350 crores as compared to FY21 budget estimates of Rs. 42,500 crores. To augment its source of funds, the NHAI is already working on InvIT structure where 5 operational road projects with an enterprise value of Rs. 5,000 would be transferred to NHAI sponsored InvIT



The FY22 budget has allocated Rs. 1.18 lakh crores to MORTH, of which Rs. 1.08 lakh crores will be towards the capital expenditure.

This is the highest ever allocation to MORTH indicating strong awarding activity in the next year.

The honourable Finance Minister has also proposed to set up a Development Financial Institution with a seed sum of Rs. 20,000 crores, which will extend funding support of approximately Rs. 5 lakh crores to the Infrastructure sector.

Now coming to Industry updated,

The industry continues to see positive trends in terms of project awarding activity. The MORTH awarded a total of 7,597 kms during the period of April 2020 to 15th January 2021 as compared to 3,474 KMS during the same period last year, whereas NHAI awarded 2,424 KMS till December in current financial year as compared 3,211 for full year of FY20.

NHAI is targeting to award anywhere between 4,800-5,200 KMS before the end of the current financial year as compared to its full year target of 4,500 KMS indicating strong awarding activity in the current quarter.

With a target of awarding 8,500 KMS in FY 22, we expect the robust awarding activity to continue in the next year as well.

The similar positive trend is witnessed on project construction front as well.

During the period of April to 15th January 2021, a total of 8,169 KMS were construction as compared to 7,573 KMS in corresponding period last year.

This construction progress is achieved inspite of COVID-19 triggered disruptions in the first 2 – 3 months of the current financial year, followed by active monsoon across the country.



MORTH and NHAI are expected to continue the strong pace of project awarding as 5,000 KMS of projects under phase II of Bharatmala Pariyojana have already been identified to start with.

The Phase II will largely focus on construction of expressways and access-controlled highways. The authorities have already started taking pre-construction approval and preparing DPRs for the projects, which will reduce the project awarding time post approval.

Now moving on to the operations of the company

With progressive unlocking and migrant labour returning to project sites, we have seen decent ramp-up in execution post monsoon season.

The Standard Operating Practices implemented during the COVID-19 peak periods, continues to be in place at all project sites.

With labour availability reaching to the pre-COVID levels and favourable climate, the execution has been better during the Q3 as compared to last year.

On the toll collection front as well, there has been a high growth in traffic in the 3rd quarter and in the month of January 21 as well.

With Government expenditure being the key driver for economic recovery, we foresee that the infrastructure sector will continue to attract its attention.

Given the promising outlook, since the company has been built on strong foundation of impeccable execution track record, adequate resources, experienced management team, judicious financial management supported by strong balance sheet and robust techno-financial credentials, we look forward to bidding for new and large projects with confidence.

Now moving on to our Project Development Business:



We have always focused on having diversity in our project development business which has helped us over the years to continue our growth momentum and risk mitigation.

We have a total of 18 projects on PPP format, comprising BOT-Toll, BOT-Annuity, OMT and HAM assets.

This diversity has also helped us to gain first-hand experience in executing wide-spectrum of project implementing models.

Out of these 18 projects, 8 projects are operational, 6 projects are under construction, 2 projects have achieved the financial closure recently and we are expecting the financial closure within a week's time of 1 project, the construction activities are expected to begin in the 4thquarter as soon as we receive the appointed dates.

For the balance 1 project (Meerut Nazibabad), we have received the final sanction and the financial closure is expected in this month.

In terms of equity investments, the total requirement for all these 11 HAM projects is approx Rs. 1468 crores, out of which we have already invested Rs. 542 crores till Dec'20 and the balance will be invested over the next 2-3 years.

The internal accruals generated over the next 2-3 years should be sufficient to fund the total equity investment.

Now moving on to our order book

During the pandemic COVID-19, we have worked on diversifying the order-book and the result of which is visible in our current order-book.

During the 3rd quarter, we have received letter of award for an Irrigation project in the State of Andhra Pradesh of Rs. 1,000 crores as well as for 5 rural



drinking water supply projects in state of Uttar Pradesh for total contract value of Rs. 3717 crores.

Our unexecuted order-book on Dec'20 was Rs. 9,852crores. By including all the projects for which we have already received letters of award, our order-book would be over Rs. 18,000 crores, that gives a distinct revenue visibility for the company over the 2-2 1/2 years

Now moving on to Credit Ratings:

We continue to maintain one of the best credit ratings in the industry. During the quarter, CARE Ratings have upgraded our credit ratings to at CARE AA from CARE AA Minus for Long Term Bank Facilities of Rs. 1,700 crores. The ratings on Short Term Bank facilities of Rs. 5,000 crores is CARE (Single A1 Plus).

The above upgrading in the current scenario is a testimony of our prudent financial management and will allow us to raise funds at a very competitive level.

Now I would present the results for the quarter ended December 31, 2020.

Standalone Quarterly Result:

During the year till date, the company's operations have been impacted due to the restrictions on account of COVID-19 and, therefore are not objectively comparable with that of corresponding periods of last year.

Revenue of 3RD Quarter of FY21 is Rs. 1,322 crore which is higher by 8% as compared to Rs. 1,218 crore in 3rd Quarter of FY20.

The EBITDA for 3RD Quarter is Rs. 179 crore which is higher by 5% as compared to Rs. 171 crore in Q3 FY20. The EBITDA margin for 3RD Quarter is 13.5%



The profit for 3RD Quarter of FY21 is Rs. 103 crore as compared to Rs. 77 crore in 3rd Quarter of FY20, a growth of 35%

Moving on to nine months results on standalone basis (9M)

Revenue for 9 months of previous financial year includes Rs. 109 crore towards arbitration claim received for Hapur Moradabad (NH-24) project. Similarly, Other income includes interest of Rs. 36 crore received on this arbitration award. Hence the financial performance of 9 months FY21 is not objectively comparable to that extent.

Revenue of 9 month of FY21 is Rs. 3,281 crore and EBITDA is Rs. 440 crore.

The EBITDA margin for 9 months of FY21 has been 13.4%.

Profit of 9M FY21 is Rs. 233 crore.

I'll now take you through Consolidated Financials for quarter ended 31st December 2020.

Consolidated revenue of Q3 FY21 is Rs. 1,582 crore as compared to Rs. 1,390 crores in Q3 FY20, registering a growth of 14%.

The consolidated EBITDA for 3RD Quarter of FY21 is Rs. 407 crore which grew by 36% as compared to Rs. 297 crore for 3rd Quarter of FY20.

The EBITDA margin for Q3 FY21 came in at 25.7% as compared to 21.3% for Q3FY20.

The consolidated PAT for Q3 FY21 is Rs. 168 crore as compared to Rs. 64 crore in Q3 FY20.

Moving on to nine months results on consolidated basis (9M)

The financial performance for 9 months of FY21 is not comparable to 9 months of FY20 due to arbitration claim received for Hapur Moradabad (NH-24) project during 2ND Quarter of FY20



Consolidated revenue of 9 months of FY21 is Rs. 3,923 crore whereas consolidated EBITDA is Rs. 998 crore.

The EBITDA margin for 9M FY21 is 25.4%.

Consolidated PAT for 9M FY21 is Rs. 340 crore.

On the standalone Balance Sheet side,

As on Dec'20 our net working cycle is 67 days as compared to 85 days as on Sept'20.

Our net worth on standalone basis is Rs. 2780 crores as on Dec'20 whereas total standalone debt is Rs.365 crores and all of which is equipment finance debt. As on Dec'20 we do not have any working capital loan. The total cash and bank balance is Rs. 833 crore. We have net cash of Rs. 468 crore. This translates to net debt to equity of 0.13 times.

On consolidated basis our networth is Rs. 2903 crores whereas total debt is Rs. 3809 crores. The total cash & bank balance including current investments is Rs. 1495 crore. This translates to net debt to equity of 1.31 times.

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

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Prateek Poddar from Mohit Kumar Advisors Limited. Please go ahead.

Mohit Kumar: Good morning Sir and congratulations on a very good set of numbers. I have a few questions. The first one is on order inflow target that we have already quite diversified at this moment, almost 25% of our order book is from water and irrigation segment and going forward for FY2021 and FY2022 what are we having in our mind particularly in terms of roads and non roads like water and metros?



T. R. Rao: Yes, our focus area will continue to be the road sector, because lot of projects are coming from NHA and MORTH. So we will continue to focus upon road sector. Since Jal Jeevan mission is a very long term and very wide mission covering the various states, we also look forward to having some projects in drinking water supply, but before bidding for the new projects, we want to consolidate the projects that have already been awarded to us in the water sector and then move accordingly, while the road sector will continue to be our focus area.

Mohit Kumar: Okay any guidance number we have?

T. R. Rao: The ratio of non road sector should not be more than 20% of overall numbers.

Mohit Kumar: Understood Sir. Sir another question on the current order book of Rs.98 billion, you know I believe we have taken the three HAM projects and we have got FC, and have we taken that Devipatan water supply project also?

T. R. Rao: There is no financial closure involved for these water supply projects being EPC projects., Devipatan and other three new division they have awarded recently. So, we are going to execute the agreement soon, may be before the end of this February. Accordingly we will go ahead with the preparation of DPRs, followed by execution.

Mohit Kumar: Understood Sir. Thank you so much. That is all from me.

Moderator: Thank you. The next question is from the line of Jiten Rushi from Axis Capital. Please go ahead.

Jiten Rushi: Good afternoon Sir and congratulations on good set of numbers. Thanks for taking my question. Sir my question is first on the order backlog project wise, which I need, so just I will highlight, which projects I need Sir for Bhojpur to Buxar, Koliwar to Bhojpur, Nagina to Kashipur, Varanasi to Gorakhpur, Purvanchal Expressway projects package five and six, Chitradurga, Jhansi package one and two?



- Moderator: Sorry to interrupt Mr. Rushi. There is a disturbance coming from your line from the background. I would request you to mute your line while the management answers your question?
- Jiten Rushi: So, as I said I want a backlog of project wise, so can you just help me with that Sir?
- D. K Maheshwari: Gorakhpur to Buxar is Rs.193 Crores, Bhojpur to Buxar is Rs.213 Crores, Chitradurga is Rs.236 Crores, Kashipur is Rs.431 Crores.
- Jiten Rushi: Varanasi to Gorakhpur?
- D. K. Maheshwari: Varanasi to Gorakhpur is Rs.99 Crores.
- Jiten Rushi: Sir this Purvanchal package five and six?
- D. K. Maheshwari: Purvanchal five is Rs.511 Crores and Purvanchal six is Rs.486 Crores.
- Jiten Rushi: Then this Jhansi package one and two?
- D. K. Maheshwari: Jhansi package one is Rs.269 Crores and package two is Rs.175 Crores.
- Jiten Rushi: Then Sir Aligarh to Kanpur and Chalikare -Harriyur?
- D. K. Maheshwari: For Challakere-Hariyur, very recently appointed date declared, therefore the full amount is there.
- Jiten Rushi: Aligarh to Kanpur the one which is under execution?
- D. K. Maheshwari: It is Rs.274 Crores.
- Jiten Rushi: Sir the rest of the projects are generally Delhi to Vadodara we have started package 31 & 29?
- D. K. Maheshwari: We have not received the appointed dates so far, so they are not under execution.



- Jiten Rushi: When is it expected Sir?
- D. K. Maheshwari: By the end of this financial year. We are expecting the appointed date of these two EPC projects.
- Jiten Rushi: Sir what is the land status for the HAM project? Is it still awaited appointed date like for this Meerut to Nazibabad and Unnao to Lalganj these two?
- T. R. Rao: These all four HAM projects, 3G already been done for more than 90%. The awards are being made and NHA transferred the money with respective CALAS. The final distribution to the landowners is being done, so we expect more than 80% land availability before the end of this financial year and correspondingly, the appointed dates will be declared progressively.
- Jiten Rushi: So, by April we are expecting appointed dates for these four projects including Delhi to Vadodara?
- T. R. Rao: Yes. All these four HAM projects and two EPC projects, we expect the appointed dates before the end of the financial year or latest by April 2021.
- Jiten Rushi: So, the land is still pending what I assume right Sir?
- T. R. Rao: Which one.
- Jiten Rushi: Delhi to Vadodara also the land availability is still pending.
- T. R. Rao: Here also the distribution is being done. What has happened here land hold holdings being very small, it takes time because sometimes there will be joint ownership kind of a thing. So final distribution to the beneficiaries account is only taking time. So, we expect that distribution to be completed before end of this current financial year and accordingly, appointed dates will be declared.
- Jiten Rushi: And the irrigation so these three projects, the value which you have mentioned is our share or it is the total value, Sir?



T. R. Rao: Which one drinking water or irrigation.

Jiten Rushi: All three irrigation of Rs.1,000 Crores then the water supply?

T. R. Rao: In Irrigation project, on a standalone basis, we were qualified. This is Rs. 1,000 Crores project, for this project we need to execute the agreement. What is happening that in the State of Andhra Pradesh, panchayat elections are going on. The code of conduct is still valid till February 24, 2021. Post that we will execute the agreement and then accordingly, we will commence the work in the month of March.

Jiten Rushi: And this 100% execution will be done by us?

T. R. Rao: Yes.

Jiten Rushi: So Rs.1000 Crores will come in our books, right, Sir?

T. R. Rao: Yes. Rs.1000 Crores will come into our books.

Jiten Rushi: And this Rs. 290 Crores water supply project and this fixed water supply project of Rs. 2,475 Crores also how it will progress now in terms of execution?

T. R. Rao: The Rs.290 Crores, the first water supply project is in the district of Hamirpur that we have already commenced the work. DPRs have been submitted and we commenced the work. we have 95% partnership in the JV. So, all these water supply projects, we will have 95% partnership. Practically, you can say that these all works will come into the PNC account.

Jiten Rushi: So, this Rs.290 Crores, 95% will come in our share, Rs.2,475 Crores, 95% will come in our share, right Sir?

T. R. Rao: Yes. You are right.



Jiten Rushi: And Sir, what is the payment structure in these projects, and have we received any mobilization advance for these projects on the EPC spend as well as the two projects of water drinking?

T. R. Rao: Drinking water supply for Hamirpur, we have not taken advance, though 10% mobilization advance is there. Since its interest-bearing thing we have not taken. In the four other projects in Devipatan, Aligarh, Bareilly and Moradabad, mobilization advance provision is there. Then post signing up the agreement, we look into whether we should take it or not, but most likely, we will take mobilization advance in these projects, as mobilization advance is interest free. Irrigation project does not have the provision for mobilization advance in Andhra Pradesh.

Jiten Rushi: So that would be like we will be investing, so then that would be a higher margin project and any Capex for these projects, Sir?

T. R. Rao: Water supply projects, there is no major Capex involved because in this drinking water supply, projects, we have to construct overhead storage tanks and pipeline and other works . So not much Capex we do foresee here. In irrigation project also, the Capex will be in the moderate kind of a Capex, where the only canal lining machine we have to purchase, that is not any expensive kind of proposition.

Jiten Rushi: Sir, on the toll collection, can you give me a toll collection number, Sir, including Ghaziabad to Aligarh?

D. K. Maheshwari: Ghaziabad to Aligarh is Rs.62.90 Crores and MP Highways is Rs.14.3 Crores. Ayodhya is Rs.124 Crores.

Jiten Rushi: Kanpur to Ayodhya, Rs.124 Crores, sorry how much, Sir?

D. K. Maheshwari: Rs.124.14 Crores. Kanpur Highway is Rs.25 Crores and Bareilly to Almora is Rs.13.95 Crores.

Jiten Rushi: And Narela?



D. K. Maheshwari: Narela is Rs.9.93 Crores and Raebareli Jaunpur is Rs.32.16 Crores. In case you will compare to the last year Q3, the growth is around 20% to 40% and such as in Kanpur Highway growth is around 40%, In the Bareilly to Almora, the growth is around 42% and overall, you will see that there is a growth of 22% in total revenue of all the projects versus last year.

Jiten Rushi: And what is the traffic growth, Sir? This is the gross revenue?

Operator: Sorry to interrupt Mr. Rushi. Sir this is the operator. We request you?

T. R. Rao: Yes, this is the traffic. You can say traffic revenue growth.

Jiten Rushi: Sir I have other questions also. I will come back in the queue. Thanks a lot.

Moderator: Thank you. The next question is from the line of Parvez Akhtar Qazi from Edelweiss Securities. Please go ahead.

Parvez Akhtar Qazi: Good afternoon Sir and congratulations for a good set of numbers. I have two questions from my side. First, with regards to the irrigation and water supply projects that we have taken what is the kind of margins and working capital that we envisage and second with regards to the pending equity in HAM projects what is the total amount and if it is possible to get the year wise break up as and how much in Q4 FY2021, FY2022, FY2023 and so on? Thank you.

T. R. Rao: In the irrigation and water supply projects, the EBITDA would be the same that of the road projects. It will be in the similar line. In the Capex side, as I had already mentioned, we do not see any major Capex into these projects as no major equipment is needed. And other things, Mr. Maheshwari will share.

D.K. Maheshwari: As we have the equity commitment, out of the seven projects, which are under construction, we required Rs.848 Crores. Out of that, we have already infused Rs.542 Crores. The total requirement is Rs.306 Crores and the recently awarded four projects, we require around Rs.620 Crores. So as on December 31 we require equity of Rs. 926 Crores in next two to three years. In case, if



you want year wise, FY2022 around Rs. 350 Crores, FY2023, Rs.168 Crores and FY2024 Rs.120 Crores. But this mix can vary because we infuse the equity at the time of disbursement just to maintain the debt equity, but total requirement level remains the same. It will be Rs.920 Crores in next two to three years.

Parvez Akhtar Qazi: Sure. And if I may ask one question. I mean recently, we have seen an increase in commodity prices so what is the kind of impact that we see on our margins in let us say Q4 or FY2022?

T. R. Rao: There is an escalation clause. So, we do not think any impact in the profitability because there is a price variation cause in the HAM projects as well as in the EPC projects. But we agree with you, the present increase in the steel as well as cement and other commodities being very steep and vis-a-vis the price indexation and WPI, there will be certain impact overall, but it should not make any major impact on the profitability and EBITDA.

Parvez Akhtar Qazi: Sure, thank you. That is it from my side and I will joint back in the queue. Thank you and all the best.

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

Parikshit Kandpal: Congratulations on good set of numbers. I would also like to welcome Bhupinder Sir on this call.

T. R. Rao: He conveys his deep gratitude to all of you.

Parikshit Kandpal: Okay. Sir my first question is on the overall, so we have seen very decent order inflow till now and largely supported from the water segment. This year, water has helped us in new orders and totally a new kind of a diversification. We have Rs.18,000 Crores of order backlog and we end up the year close to about Rs.5,000 Crores of turnover and still growing. So my question was more on next two to three, so if you are looking to add Rs.10,000 Crores to Rs.12,000 Crores of new orders and then build it maybe to Rs.15,000 Crores, which will



be required in FY2023 to give that 15% to 20% growth, so besides road and waters, is there any other surprise that you have with you for the next year, where in the new segment can add significantly like Rs.3,000 Crores to Rs.4,000 Crores of inflows. Because that kind of momentum will be required to deliver that growth of 15% to 20%, so if you can just give a three year kind of a view of how this inflows will ramp up and what other segments, which you will add incrementally besides roads and water?

T. R. Rao:

Yes, apart from water sector as well as irrigation of course, roads are being the prime sector. So, immediately we are not foreseeing any kind of foraying into other sectors as of now because there will be ample project and business opportunities in these sectors itself, going forward. As of now and that thing we are not seeing until unless there is any impelling synergetic projects we come across maybe some airport projects particularly runways we will certainly look into those opportunities. Otherwise, highway sector will remain to be our focus sector and water and irrigation are the sectors, which are apart from our prime sector. See, then second thing is, this year, we are expecting a total business development of say Rs.10,000 Crores. Already, we have secured Rs.7,700 Crores. Going forward, before end of this financial year, if you get another Rs.2,000 Crores to Rs.3,000 Crores of new projects, it will be around Rs.10,000 Crores. Then with the kind of a growth, you had mentioned about 20% growth in BD, we should be able to deliver these things because as BD grows, then our turnover also expected to grow in the similar lines. So, we should be able to deliver these projects and water sectors, we are already recruited senior professionals who have got proven expertise and experienced in this sector. So, we are building up the teams. These water sector projects basically being ground water based projects, there is not much kind of engineering is needed. It is boring, then overhead tank, and the distribution lines. We do not see any execution issues in these projects. Nevertheless, we recruited the people and we should be able to execute these projects within the time and to the best of standards.



Parikshit Kandpal: My second question was on monetization. So we have seen most of your peers have concluded some kind of arrangement with their investors on the HAM monetization, but somehow, we have our legacy projects like toll projects where we have still not monetized plus we have Rs.1500 Crores, it would be going into HAM projects in the next two to three years, so when you hear unlocking happening and recycling of this equity because from here on growth, I know you have a lot of cash still left on the balance sheet, but still going ahead, there have been some visibility of monetization? So if you can give some color for the next two to three years how do you see the monetization happening and any complete time lines when you think you will get into some kind of agreements with the buyer, if you can just throw some light on that?

D. K. Maheshwari: As intimated to you earlier that the two BOT road projects are going to be completed in 2021, but we have given the mandate for monetisation of 6 HAM projects, and one BOT project Bareilly to Almora and one annuity project Raebareli. Discussions are going on and these six to eight projects having a total project cost of around Rs.9,340 Crores. Total debt of Rs.4,700 Crores and our equity infused is Rs.940 Crores. We are hopeful that in next few months, we should get the valuation from the interested buyers.

Parikshit Kandpal: Okay Sir that is all from my side. Thank you.

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

Vibhor Singhal: Good afternoon Sir. Congratulations on a great set of numbers. Sir, I just had one question on the water and the irrigation project that we have taken? I am sorry if you answered it before, but just wanted to dig a little deeper? Sir water projects we are providing last mile connectivity to the households through pipe water connections? So in projects to margin profile because we will be using pipes, which will probably be a pass through and which might not be a huge cost incentive so can the project margin profile could be a little



lower than what our margins are for the entire company or do you think there will be probably in the same range and we have built in that kind of a buffer?

T. R. Rao: Yes. These projects as you rightly said are last mile connectivity projects, but there always some clusters can be formed between the group of villages with common overhead tanks As such are not a very complicated kind of a thing. With the kind of the structure they are having, the authority is providing advances on the materials and other items There should not be any cash flow problem in these projects and accordingly, we do not see any pressure on the margins. The margins would be on the same lines of the company's overall margin. We do not foresee any kind of a dip in the margins due to these projects including the execution as the rates are decent.

Vibhor Singhal: Okay. Sure Sir and also Sir in terms of payment for these projects? Sir, as I understand, I think your project is 50% state or 50% Central Government fund. So basically, in projects when the execution of payments will be release, has that mechanism sorted out as to from whom we will get the payment and what will that be dependent on are we expecting any delays in this kind of payment or do you think there will be as smooth as other projects?

T. R. Rao: No. We do not foresee any delay. See, as you rightly said, it is 50% Government of India funded and 50% state funded project and for some states even Government of India is funding 90% and in UP, it is 50:50. State government is also allocating the corresponding funds in the respective regions, water supply being their priority sector as it will give a lot of socio-economic benefits and particularly social benefits. So, we do not foresee any funds issue. State governments are opening designated accounts to receive the funds and put their matching funds over there and they release the payments from the same. So even now what we received a message from the state government saying that the DPRs should be submitted soon so that we can take the mobilization advance before end of this current financial year. They say otherwise funds will get lapsed. So, we do not foresee any funding



issues or any payment issues in these projects being largely central funded projects.

Vibhor Singhal: Right. Sir lastly if I could just squeeze in one more question, so are we seeing a pipeline of this kind of projects in neighbouring major states like MP, Bihar or Rajasthan where we are also bidding or is the activity as of now only limited to UP and maybe some other states?

T. R. Rao: No. Since this Jal Jeevan Mission has covered the entire country, other states are also coming up with similar projects. The DPRs are getting prepared as what we are hearing from other states. Some of the states are also contemplating other kind of implementation models that 50% central government will give and remaining 50% they expect from the developers to put on annuity kind of models. But nothing is mobilized, but we expect this similar kind of projects will come from other states. But our focused area will remain to be UP maybe a very few neighbouring states.

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

Moderator: Thank you. The next question is from the line of Sitaram from Spark Capital. Please go ahead.

Sitaram: Sir, my question is in the four laning of Aligarh to Kanpur section, the PNC Kanpur Highways Private Limited what is the equity amount on this that is one and what is construction support part that we are getting and the term loan interest rate, the details please?

D. K. Maheshwari: Are you talking about the Kanpur Highways, Kanpur to Kabrai?

Sitaram: Yes, Rs.2052 Crores of the bid project cost of the Aligarh Kanpur Package V?

T. R. Rao: No. You are talking about HAM project or BOT toll?

Sitaram: HAM, the recent financial closure one?



- T. R. Rao: Yes. We call it as Aligarh to Kanpur package II. You want the rate of interest?
- Sitaram: Yes, the equity including this and the NHAI construction support part, what is the split on the interest rate?
- D. K. Maheshwari: Aligarh to Kanpur total project cost is Rs.1,109 Crores and total equity requirement is Rs.131 Crores Sir.
- Sitaram: Okay and Sir, can you just give us an idea about how does the interest rate dropping down and those have affected the financial closure, how is the interest rate itself on when you take a loan, the format has changed for the projects that you get on? Can you give an idea on that after the current changes in the format?
- D. K. Maheshwari: In the recent HAM project, we will be taking the debt from the bank on four projects. That amount is about Rs.2,500 Crores. The rates are in the range of 8.2% to 8.3%. We have taken approvals from PSU banks as well as the private banks, in the range of 8.2% to 8.3%, Sir.
- Sitaram: 8.2% okay sure. Thank you Sir.
- Moderator: Thank you. The next question is from the line of Ashish Agarwal from Principal India. Please go ahead.
- Ashish Agarwal: Thanks, Sir, most of my questions has been answered. Just one thing, there has been a sharp drop in interest cost in this quarter, even on a Q-on-Q basis, what is the specific reason for the same? Is it because of mobilization advance or a return on the mobile asset side?
- D. K. Maheshwari: Yes. It is mainly because of the reduction in the mobilization advance except of Nagpur to Mumbai, where the rate of interest is 13%. We have repaid entire amount. Strategically, we have taken at that point of time last year, but we have repaid.



- Ashish Agarwal: Okay and Sir, just one data point. How much will be the interest-bearing mobilization advance currently in our balance sheet?
- T. R. Rao: In the HAM projects interest on mobilization advance is linked to bank rate, which is currently 4.25% for all HAM projects, even the four new HAM projects, which are coming up now. All the four will become eligible for mobilization advance apart from Challakere to Hariyur. We will get 10% of the BPC at a bank rate of 4.25%.
- Ashish Agarwal: Okay and on the EPC side, is there any mobilization advance, which is interest bearing in the balance sheet also?
- T. R. Rao: Yes, EPC projects, mobilization advance provision is there, for our Lucknow Ring Road project as well as our two EPC projects, Delhi to Vadodara Expressway. Interest on this mobilization advance is at the bank rate plus 300 basis points, so it comes to 7.25%. We will take a call accordingly.
- Ashish Agarwal: Okay, but can you give the quantum of this interest-bearing mobilization advance?
- T. R. Rao: Please come again .
- Ashish Agarwal: So, I am saying what is the outstanding mobilization advance in the balance sheet, which is interest-bearing?
- D. K. Maheshwari: As on December 31, 2020, it is Rs.160 Crores as against Rs.695 Crores in March 2020 and this Rs.160 Crores is also largely at the interest rate of 4.25%.
- Ashish Agarwal: Got it Sir. Thanks a lot.
- Moderator: Thank you. The next question is from the line of Shrey Pujari from Kotak Bank Limited. Please go ahead.
- Shrey Pujari: Thanks for taking my question. Sir, I have a couple of questions regarding the HAM portfolio? Sir if you could just help me with the physical progress for the



current physical progress for Chitradurga project and Jhansi to Khajuraho package one and two if you could help on these?

T. R. Rao: In Chitradurga project, the physical progress is nearly 85%. Jhansi to Khajuraho package one, we already completed the third milestone of 75% by end of December and now progress is around 80%. And in case of Jhansi to Khajuraho, package two progress as on December end was 85%. And, in Aligarh to Kanpur also progress is in the same range of 80%. So, we expect all these projects will achieve the PCODs, before end of current financial year or latest by April end, except Jhansi to Khajuraho package one.

Shrey Pujari: Okay. Yes. I mean that was my second question. I mean because what I understand was for most of these projects, the scheduled COD as per your appointed was in the second half of this 2020, but because of the COVID pandemic, there must have been some EOT, so for all these projects, you are basically expecting COD to be achieved in this quarter is it?

T. R. Rao: Yes, all these projects except JKP one. The Aligarh to Kanpur package two, JKP two as well as Chitradurga to Davanagere, all three we will expect commercial operation date before the end of the current financial year. For all these projects, NHAI has already granted either in-principal or firm approvals for six months extension due to COVID-19.

Shrey Pujari: Right. Sir, my second question was Sir on these HAM projects just wanted to understand, I mean at a broad level like what would be the I mean obviously compared to BOT toll projects, the equity IRR, which are usually making this will obviously be lower than the BOT toll projects, but what will be the IRR or the expected IRRs, which you generally look at earning from these HAM projects?

D. K. Maheshwari: In the HAM projects, there are two impacts, one is the EPC. So here we are expecting the EBITDA around 13.5% to 14% and as an equity part, where we bid on the equity return in the range of 14% to 15%



- Shrey Pujari: Okay. So, this will also include the margins, which you will make on O&M and major maintenance I mean including all those that will be added in the IRR here?
- T. R. Rao: Yes, it is a combined thing.
- D K Maheshwari: Yes.
- Shrey Pujari: Understood. Sir thanks that were a couple of my questions. Thanks a lot for answering.
- Moderator: Thank you. The next question is from the line of Subhadip Mitra from JM Financial. Please go ahead.
- Subhadip Mitra: Yes. Sir, I just had a question with regard to guidance for order inflows? So I remember that I think in the last earnings call, you had mentioned Rs.10,000 Crores kind of a guidance for FY2021, so would you be revising that number upwards now and what would be your guidance for FY2022 inflows?
- T. R. Rao: For FY2021, we would like to maintain the same guidance for new business with an upper limit of Rs. 10,000 Crores because already we achieved Rs.7,700 Crores odd. So, the remaining Rs.2,000 odd Crores that we expect to achieve despite severe competition in the market. Since, we are already submitted bids for a wroth of over Rs.15,000 Crores, we expect around Rs.2,000 Crores worth of new projects before end of this financial year. For FY2022 also our order book guidance would be in the same range. Given the competition and we will go for a right projects. We do not go for any project just for the sake of order book expansion. We will go for the right project at the right price.
- Subhadip Mitra: Understood and secondly in terms of EBITDA margin, would you be maintaining the similar kind of guidance?
- T. R. Rao: Yes 13% to 13.5% EBITDA margin, we would like to maintain.
- Subhadip Mitra: Sir thank you. That is it from my side.



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

Shravan Shah: Thank you and congratulations for a good set of numbers. Sir I just wanted to further understand in terms of the bids, you said that we have submitted Rs.15,000 Crores of bids, so is it possible to share in terms of how much is EPC road, EPC and HAM and is there any other segment, which we have already submitted bids?

T. R. Rao: All this Rs.15,000 Crores bids what we had submitted during the last two months comprising only road projects, no other sector. Around 40% are EPC and 60% are HAM.

Shravan Shah: Okay and further in this February and March, any further bids you like to submit?

T. R. Rao: Yes. We have already identified some 10 projects, so we propose to submit bids before end of this current financial year.

Shravan Shah: So, are we comfortable in terms of getting up even Rs.3,000 Crores to Rs.4,000 Crores more HAM projects also even if we do not get the EPC as you said, the competition is higher? We are comfortable even if we get a Rs.3000 Crores to Rs.4000 Crores more HAM projects also?

T. R. Rao: We cannot say, which project, the competition is equally steep in both the cases, EPC as well HAM. In the HAM projects also we are getting more than 10 bids for a project of Rs.1,000 Crores value so we cannot say anything. Whether we get EPC or HAM, we should be comfortable, but given the competition, we do not expect any major kind of a breakthrough. So even if we get around Rs.2,000 Crores, we consider it as a very decent kind of a business in the next two months.

Shravan Shah: Okay and sir, coming back to the previous one, just to clarify in terms of you said that all these EPC projects and the HAM projects, the appointed date is



likely to be by March or April, we should be getting for all four HAM and Delhi to Vadodara, we should be getting the appointed by March or April?

T. R. Rao: Yes. Majority of them before March end and then there may be one or two projects would be slipped into April, but not beyond April.

Shravan Shah: Okay and in terms of list of water projects Rs.2,475 Crores and Rs.290 Crores, in terms of the execution period, is it two year or it is a five-year execution period?

T. R. Rao: No. It is two-year execution period. Initially, they are giving 75 days for the preparation of DPR. Post approval of the DPR, we have to execute the project in 21 months. Then we must commission it, but it is not likely that all the projects should be done in one go. We can go in a staggered manner, with a minimum of 200 projects in each division. We will be doing in a staggered manner, but we expect all these projects will be completed in next three years.

Shravan Shah: Okay and how much Sir Capex we have done till now in nine months and how much left for this year and next year how much are we looking at?

D. K. Maheshwari: Actually, slightly we want to revise the guidance. Earlier we have given the guidance of Rs.125 Crores for this FY2021. But after awarding these projects and just to mobilize these projects, we require the Capex in this year around Rs.200 Crores against which Rs.94 Crores machinery we have already received and we have already placed an order around Rs. 50 Crores. For Rs.94 Crores, it has already been received and it has increased the gross block till December, and we have already placed an order about Rs.50 Crores to Rs.55 Crores.

Shravan Shah: Okay and Sir what about the next year for FY2022?

D. K. Maheshwari: Next FY2022, we expect that it will be Rs.75 Crores to Rs.100 Crores Capex

Shravan Shah: Okay and in terms of the debt level right on.



- Moderator: Mr. Shah this is the operator. There is lot of disturbance coming from your line in the background Sir. I would request you to mute your line while the management answers your question.
- Shravan Shah: Sure. Sir in terms of the debt level, definitely we have reduced the debt, now only Rs.365 Crores debt is there, so the similar kind of debt would be there by March and even if we look at the next year, the similar rate would be there or we expect some increase in the debt level?
- D. K. Maheshwari: Debt level only because on account of the equipment finance in December 2020 was Rs. 365 Crores and we are expecting at March end, it should be around Rs.400 Crores and there should not be any utilization of working capital. Yes, there will be the cash and bank balance, maybe Rs.400 Crores to Rs.500 Crores depending on the appointed dates so that we can take the mobilisation advances.
- Shravan Shah: And Sir whatever the existing projects are there as you said that by March, we will be completing except the one project in terms of the HAM and any of the EPC project whether it is Mumbai or Purvanchal, any early completion bonus is expected from any of the projects?
- T. R. Rao: See in case of Nagpur to Mumbai and Purvanchal, we are expecting bonus, but we cannot quantify at this point of time, but these three projects having potential and possibility of securing the bonus. Before March 31 2021, we also expect to complete the Varanasi to Gorakhpur EPC project, but there, we do not see any bonus will be forth coming.
- Shravan Shah: Okay and this Purvanchal and Mumbai to Nagpur will be completed by June?
- T. R. Rao: They should be completed by June. See, Purvanchal, we have got time up to October and now they are considering three months extension of time, but we should be able to complete most of the works and even the soft commissioning of the project by June.
- Shravan Shah: Anything that you want to give guidance on the revenue for next year?



- T. R. Rao: Next year, we expect successful implementation of vaccination and the supply lines will be undisturbed and even the steel and cement prices will come down and stabilise. Accordingly, we expect a decent growth from the current year turnover. In the current year, we endeavour to maintain the last year's level, say not less than the last year turnover.
- Shravan Shah: Thank you Sir and all the best.
- Moderator: Thank you. The last question is from the line of Alok Deora from Yes Securities Limited. Please go ahead.
- Alok Deora: Sir, my questions have been answered. Just one question I had. This water supply and irrigation projects, so you mentioned that some of the projects might start after the DPR is done? So can there be any delay in start of some of these projects and if you could just indicate where we see significant execution picking on by when in these projects?
- Yogesh Kumar Jain: No we do not foresee any delay in the drinking water supply projects. We already commenced the DPR preparation activities across the divisions and districts. We commissioned even the studies in some of the districts. So we do not see any implementation delay in these projects. In the irrigation project of Andhra Pradesh also we do not foresee any delay because this is also priority project for the State of Andhra Pradesh. They are making provisions in the budget and we expect to commence the project in the month of March and we do not see any delay in that project also.
- Alok Deora: That is all from my side. Thank you and all the best.
- Moderator: Thank you. I would now like to hand the conference over to Mr. Subhadip Mitra from JM Financial Institutional Securities Limited for closing comments.
- Subhadip Mitra: On behalf of JM Financial, I would like to thank the management for giving us the opportunity to host this call. Yogesh sir, any closing comments from your side?



Yogesh Kumar Jain: Yes, thank you everyone for your participation in our earning call. We have uploaded the presentation of our company's website. In case of further queries, you may get in touch with strategic growth advisers who are our investor relations advisers and feel free to get in touch with us. Thank you very much.

Moderator: Thank you. On behalf of JM Financial Institutional Securities Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.