



“PNC Infratech Limited  
Q2 FY2021 Earnings Conference Call”

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**Moderator:** Ladies and gentlemen, good day, and welcome to the Q2 FY2021 Earnings Conference Call of PNC Infratech Limited hosted by Asian Market 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. Amber Singhanian from Asian Market Securities. Thank you and over to you Sir!

**Amber Singhanian:** Thank you Rutuja. Good afternoon everyone. On behalf of Asian Market Securities, we welcome you all for Q2 FY2021 earnings conference call of PNC Infratech Limited. We have with us today, Mr. Yogesh Kumar Jain, Managing Director and Mr. D.K. Maheshwari, Vice President – Finance of the company. Now I would like to hand the call to Mr. Jain for his opening remarks and then we shall proceed with the Q&A session. Over to you Sir!

**Yogesh Jain:** Good evening friends, 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 half year ended September 30<sup>th</sup>, 2020.

I hope all of you and your loved one are safe and are following health advisory issued by government from time to time.

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

First, I will highlight few developments in the sector and then I'll share key operational and financial highlights of the company.

In the current financial year, road construction has been lagging so far which is largely due to COVID-19 led lockdowns and restrictions, leading to sub-optimal working.

However, the roads sector is steadily witnessing recovery with manpower strength near to pre-COVID levels and progressive unlocking leading to improvement in availability of materials.

With the monsoon is getting receded completely season, road construction activity is expected to gain momentum over the next 7-8months. There has also been an uptick in awarding of road projects by the Government.

The working capital management has been of lesser concern with NHAI being proactive in making timely payments.

The recent initiatives of the Government to extend the loan repayment period for six months, release of retention bank guarantees, reduction in repo rates etc. boosting the sentiments of the industry.

Government is actively pushing for infrastructure development to revive the economy from the sharpest slowdown that has not been witnessed over the decades.

To meet the objective, the government plans to deploy more funds towards road construction. The central government has offered to make additional provision for expenditure towards roads, over and above what was made in the FY21 Union Budget.

The Ministry of Road Transport and Highways has set a target of constructing roads worth Rs. 15 lakh crores in the next 2 years.

Despite the challenges posed by the COVID-19, NHAI has awarded 40 projects covering 1,330 kms in the first half of this financial year, which is 1.6 times higher than 828 kms awarded during the same period last year and 3.5 times higher than 373 kms which was awarded in FY19.

Out of the 40 projects, 24 projects were awarded through EPC mode and 16 projects on HAM mode. NHAI expects to exceed its target of awarding 4,500 kms of projects during FY21.

Strong bidding pipeline under Bharatmala Pariyojana should lead to acceleration in project awarding going forward.

Given the opportunities, we are hopeful of securing few more projects before the end of current financial year.

In February, a month before the COVID-led lockdown, 100 million vehicles were seen at highways, crashed to 10 million in April and to 55 million in May, as inter-state and inter-district borders were sealed to contain the pandemic.

According to electronic toll collection data across national highways, compiled by the research arm of rating agency CRISIL, more than 110 million vehicles hit the highways in September 2020.

Electronic toll collections accounted for about two-thirds of the total amount across national highways. The toll revenue recorded in September is the highest that was recorded in this calendar year.

**Now moving onto the operations of the company**

As shared with you earlier, project execution was substantially affected in the first quarter of this financial year due to outbreak of pandemic, imposition of lockdowns and restrictions.

After the phased lifting of lockdowns, migrant laborers started coming back to the project sites from June onwards.

Manpower availability, which was the key impediment in the first quarter, has improved significantly to 90% towards the middle of second quarter.

Though, construction activities started picking-up across our projects in the second quarter, progress at majority of our projects, significantly affected due to active and prolonged monsoon this year.

Apart from the monsoon, the overall productivity also affected due to the adhering to the Standard Operating Procedures at project sites like social distancing, staggered timings, sanitation and personal hygiene like masks, sanitizer etc.

We expect the labour availability to reach 100% pre-COVID levels, post the festive season. Roads sector being a priority area for the Government as part of infrastructure development, we foresee huge growth potential for the company going ahead.

There are very few companies that have investment capability, seamless project execution track record, management capabilities, prudent financial management and healthy balance sheet under one roof.

Our robust techno-financial credentials enable us to continue to bid large sized projects on both EPC and HAM mode to circumvent the fierce competition in small and mid-sized projects.

**Now moving on to our Project Development Business:**

Over the years, we have been able to create a diversified portfolio of 18 Development Projects comprising BOT-Toll, BOT-Annuity, OMT, HAM assets.

Out of these 18 projects, 8 projects are operational including Dausa Lalsot HAM project, which achieved the commercial operations on 14 February 2020.

Including already operational Dausa HAM project, we have a total of 11 HAM projects out of which 5 are under construction, 1 is awaiting appointed date.

For the remaining 4 new HAM projects, the concession agreements have been executed with NHAI during the second quarter for an aggregate Bid project cost of Rs.6596 crore and the process of financial closure is underway.

We expect achievement of financial closures for all the 4 projects before the stipulated time of 150 days from execution of concession agreements.

The Company has also executed agreements for two new EPC projects of Delhi-Vadodara expressway with NHAI for a total contract value of Rs. 1,548 crore in the second quarter.

For Challakere-Hariyur HAM project, declaration of appointed date has already been recommended by the PIU, Chitradurga and RO, Bangalore w.e.f. 15 October 2020 and formal approval by NHAI Head Quarters is expected soon.

For this project now more than 80% of land is available for construction.

In case of 4 new HAM projects and 2 new EPC projects progress of land acquisition up to '3G' stage, stands between 85%to 95%.

Disbursement of balance compensation to the land owners is also progressing well and declaration of appointed dates for all the above 6 projects are expected between the middle of December 2020 and the end of January 2021.

For all the 10 HAM projects, the Company's internal accruals should be sufficient for funding the total equity requirements.

**Now moving on to our order book**

Our order inflow has shown resilience and our orderbook position continues to be robust despite the challenges thrown by pandemic COVID-19.

During the quarter, we have been declared L1 bidder and received Letter of Award for one Rural Drinking Water Supply Project in UP of value Rs. 290crore from Namami Gange and Rural Water Supply Department, Government of Uttar Pradesh.

This project is to be constructed in 2 year and post commissioning operation and maintenance for 10 years. The project secured in JV where PNC's share in JV being 95%.

Keeping view of our strong presence across the state of Uttar Pradesh, huge business potential and high priority given by both central and state governments for provision of safe drinking water to rural population, we are evaluating more EPC opportunities in water supply sector.

In October 2020, we have been declared as the first lowest bidder in an Irrigation EPC Project of Water Resources Department of Government of Andhra Pradesh for a value Rs. 1001 crore. Scope of project essentially comprises upgradation of the existing canal system mainly involving earth work, structures and canal lining.

Our unexecuted orderbook as on 30<sup>th</sup> September 2020 was Rs. 6,795 Crore.

By including all the projects for which we have already received Letters of Award, our order book would be over Rs. 15,800 crores, that gives a distinct revenue visibility for the company over the next 2 to 2 ½years.

**Now I would present the results for the quarter ended September 30, 2020.****Standalone Quarterly Result:**

During the quarter and half year, 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 for 2<sup>nd</sup> quarter of FY20 i.e. previous financial year includes Rs. 109 crore towards arbitration claim received for NH-24 project. Similarly, other income includes interest of Rs.35 crore received on the above arbitration award.

Hence the financial performance of Q2 and H1 of FY 21 is not fairly comparable to that extent.

Revenue of 2<sup>ND</sup> quarter of FY21 is Rs. 1,053 crore and EBITDA is Rs. 142 crore. The EBITDA margin for Q2 FY21 is 13.5%. Profit of 2<sup>ND</sup> quarter of FY21 is Rs. 69 crore.

**Moving on to half yearly results on standalone basis (H1)**

Revenue of 1<sup>ST</sup> half of FY21 is Rs. 1,959 crore and EBITDA is Rs. 262 crore.

The EBITDA margin for H1 FY21 IS 13.4%. Profit of 1<sup>ST</sup> half of FY21 is Rs. 129 crore.

**I'll now take you through Consolidated Financials for quarter ended 30<sup>th</sup>September2020.**

Consolidated revenue of Q2 FY21 is Rs. 1,248 crore whereas consolidated EBITDA is Rs. 304 crore. The EBITDA margin came in at 24.3%. Consolidated PAT for Q2 FY21 is Rs.79 crore.

**Now moving on to Consolidated Financial Highlights for half year ended 30<sup>th</sup> September 2020.**

Consolidated revenue of 1<sup>st</sup> half of FY21 is Rs.2,341 crore whereas consolidated EBITDA is Rs.591 crore. The EBITDA margin for H1 FY21 came in at 25.2%. Consolidated PAT for H1 FY21 is Rs. 170 crore.

**On the standalone balance sheet side,**

Our working capital cycle is 85 days, the debtor days as on 30<sup>th</sup> September 2020 are 72 days as compared to 73 days as on 30<sup>TH</sup> June 2020

Our net worth on standalone basis is Rs. 2,677 crores as on 30<sup>TH</sup> September 2020 whereas total standalone debt is Rs.329 crores and all of which is equipment finance debt.

As on 30<sup>th</sup> September we do not have any working capital loan. The total cash and bank balance is Rs. 694 crore. We have a net cash of Rs. 365 crore and net debt to equity is 0.12 times.

On consolidated basis our networth is Rs. 2,726 crores whereas total debt is Rs. 3,817 crore. The total cash & bank balance including current investments is Rs. 1,224 crore. This translates to net debt to equity of 1.40 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. The first question is from the line of Shraavan Shah from Dolat Capital Market. Please go ahead.

**Shraavan Shah:** Thank you. Just to reconfirm the four HAM projects where appointed dates is yet to be received as you said we are expecting appointment date by December 2020 to January 2021 and for both EPC and that also the appointed date previously we were expecting by October and now we are expecting December 2020 to January 2021, is it right?

**Yogesh Jain:** Yes, right.

**Shraavan Shah:** So all the four HAM plus two EPC, the appointed date latest by December 2020 to January 2021 that is what you gave?

**Yogesh Jain:** December 2020 to January 2021, yes.

**Shraavan Shah:** The new projects that we received irrigation and the Namami Gange water when we are going to start the execution?

**T. R. Rao:** We have already executed the agreement for the Water Supply Project in Hamirpur District in UP and we are conducting DPR and designs. In case of water project in Andhra Pradesh of Water Resources Department, we are to yet to receive the letter of award. Post receipt of

LOA, we have to see that how much time the Government of Andhra Pradesh will take for signing the agreement and other formalities.

**Shravan Shah:** But our expectation would be in three months to four months that will start?

**T. R. Rao:** Yes, you can say from January 2021 onwards.

**Shravan Shah:** I need couple of data points particularly, firstly is the unexecuted order book for specific project like Varanasi-Gorakhpur, Bhojpur-Buxar, Koilwar-Bhojpur?

**D. K. Maheshwari:** Bhojpur-Buxar is a Rs.255 Crores, Koilwar-Bhojpur is Rs.230 Crores, Varanasi-Gorakhpur Rs.108 Crores, Lakhimpur Rs.60 Crores, Jhansi-Khajuraho Package II is Rs.252 Crores, Jhansi-Khajuraho Package I is Rs.347 Crores.

**Shravan Shah:** Chitradurga-Davangere how much you said?

**D. K. Maheshwari:** Chitradurga Rs.318 Crores and Aligarh-Kanpur Rs.398 Crores. Remaining is mentioned in the presentation here.

**Shravan Shah:** Yes, remaining is that and Sir, in terms of Purvanchal both the packages this quarter because of the monsoon, the execution is much lower versus last quarter because last quarter I think in combined together we have done close to Rs.280 Crores now we have done only Rs.144 Crores, so just wanted to, is it the monsoon or it is now the project is getting closer to the completion and that is how the execution amount is getting lower?

**Yogesh Jain:** Lower progress was mainly due to monsoon.

**Shravan Shah:** Just wanted your broader reiterating your last time whatever guidance we have said in terms of the topline margins order inflow, if you can once again repeat then it would be helpful?

**D. K. Maheshwari:** In the last concall we have intimated that we are expecting 10% decline in FY2021 as compared to FY2020. But now we are revising our guidance and now we expect that our top line would be higher than last year and we would be able to share what could be the growth more specifically after the third quarter.

**Shravan Shah:** Okay, but definitely there would be a growth that is what minimum that we are expecting?

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

**Shravan Shah:** The EBITDA margin would be around the same level 13.5% that would be the broader range?

- D. K. Maheshwari:** Yes, 13.5% - 13.75%.
- Shravan Shah:** Okay, and how much further inflows now we are expecting this year and the next year. Last time we saved around Rs. 7,000 Crores in next year FY2022?
- Yogesh Jain:** Yes, we have already secured new business of Rs.4,250 Crores so far this year. Till now, we have submitted bids for a highway project of NHAI for around Rs.1,600 Crores and one rural water supply project for four Divisions in Uttar Pradesh of value around Rs. 5,000 Crores. We are expecting another Rs.5,000 to Rs.6,000 Crores new business this year totaling to around Rs. 9000 to 10,000 Crores in FY2021.
- Shravan Shah:** Okay, and next year Sir?
- D. K. Maheshwari:** Whatever business would be secured in this year, next year could be more than that.
- Shravan Shah:** Lastly on the gross debt front currently definitely we can maintain our debt level. So, will it remain at the same level considering whatever the new equity to be invested in HAM project?
- D. K. Maheshwari:** In FY2021, we are expecting that OD limit would be Rs.100 Crores and term loan would be Rs. 340 Crores and total debt would be around Rs. 440 Crores at the end of the year.
- Shravan Shah:** All the best Sir. Continue to do the good work if I have further questions I will come back in the queue. Thank you.
- Moderator:** Thank you. The next question is from the line of Mohit Kumar from Dham Capital. Please go ahead.
- Mohit Kumar:** Congratulations on good set of numbers Sir. My question is on the appointed date for the balance for HAM projects, are we confident that all of them will receive in the H2 FY2021 and is it possible for you to give the land acquisition update for the of course Challakere to Hariyur you guided for 80% of land has been acquired. What about the balance four and on the EPC of the Vadodara what is the status when they expect the appointed date?
- T. R. Rao:** In case of Delhi - Vadodara EPC projects, NHAI is actively disbursing compensation to the landowners, so we are expecting the appointment date any time after December and in case of four HAM projects, where we have signed concession agreements. So, we expect the appointed dates during the Q4 , because there also the land acquisition position is encouraging as for more than 80% land, awards published under 3G and distribution of compensation is also underway so. In case of Challakere more than 80% land is already available and at project and regional office levels recommendation for declaration of appointed date with effect from 15<sup>th</sup> October has already been sent, which is pending at



NHAI headquarters for final approval. The remaining land also we expect before end of this current financial year majority of the remaining land, may be there may be some parcels they may face some problem otherwise we expect before end of this financial year remaining 20% land.

**Mohit Kumar:** Sir my question is you have one project in irrigation in Andhra Pradesh which is completely different, new geography, new segment. How do you see the profitability in that segment and what is the reason of venturing out so far away from our domain or regular domain?

**T. R. Rao:** Actually, it is not complete diversion per se because this is a linear project like whatever we have been doing the linear projects all along. Project comprises around 72 kilometers upgradation of the existing canal system and also the lining of the canal and cross drainage structures. As you know that we have our expertise in excavation, earthwork both at in cutting and filling as well as concreting of the structures as part of our road construction. So, we do not think that there is any major deviation from the type of activities we pursue and we hope that we will be able to complete this project timely because it has got 36 months completion time, With the given in-house capabilities we should be able to execute this project without any major problem.

**Mohit Kumar:** So, do you expect a similar margin or higher margin in this segment?

**T. R. Rao:** We expect a reasonable margin from this project

**Mohit Kumar:** Similar margin.

**T. R. Rao:** Yes, what we are getting in other projects

**Mohit Kumar:** Yes, understood. Thank you, Sir, and all the best.

**Moderator:** Thank you. The next question is from the line of Ashish Shah from Centrum Brokerage. Please go ahead.

**Ashish Shah:** My first question is on the receivables side in the standalone accounts we see that the receivable has come down marginally. But in the consolidated accounts we are seeing that they have gone up. Now, this could be because we are getting paid by the subsidies but the receivables from the external clients might have gone up. Just wanted to get a sense on what really has happened on that side.

**D. K. Maheshwari:** As you are aware that at end of March last financial year, we have received the payments from NHAI promptly and in case of Purvanchal even they have made the payment for the work done in March in of month of March itself . So, if we compare with the March 2020 certainly EPC outstanding has increased from Rs. 181 Crores to Rs.365 Crores, by Rs.183

Crores, mainly because of the outstanding payments of Purvanchal Expressway and Nagina Kashipur projects for the work done till Sept'20. But simultaneously HAM projects we have taken disbursement during the half year that has reduced by Rs.218 Crores. In case if we compare with June 2020, it is almost same EPC outstanding as Rs.377 Crores versus Rs.365 Crores

- Ashish Shah:** Got it, so as on date what you are essentially saying is that because in March you got paid in accelerated manner the increase is seeing a little sharper when you compare with March, but as of now we have current on Purvanchal and also on Mumbai-Nagpur are we current there or there are any delays there?
- D. K. Maheshwari:** No there is no delay as we have received the payment of Purvanchal for the month of September in October itself.
- Ashish Shah:** Got it, Sir. Just one more on the Lucknow Ring Road we have not seen much progress when you look at the closing order books as on June you had about Rs.1,060 Crores in September it is showing as Rs.1040 Crores. So, is there some issue there or that is something that will pick up now post-monsoon?
- D. K. Maheshwari:** Only because of the COVID-19 pandemic and the active monsoon, no specific reason, we should be able to accelerate progress from Q3 onwards.
- Ashish Shah:** On the financial closure that you must be talking with in terms for the HAM projects with your banks there are we seeing the terms to be different from what we have seen earlier are we seeing that they are wanting to fund a lesser component of the project. They are asking you to reduce the project cost or they are not wanting to fund the inflation aspect of it they are only funding what the base amount of the project cost is. So, are you seeing the terms getting different or more stringent?
- D. K. Maheshwari:** Actually, for our company, terms and conditions for HAM project would same as it were earlier and we have already received sanction for three projects out of four and in-principle sanction for the fourth project. More or less our terms and conditions are similar as in case of Financial Closures achieved for earlier projects.
- Ashish Shah:** They are funding the escalation component also?
- D. K. Maheshwari:** Yes. Because in our EPC costs, it is inbuilt being a fixed price EPC contract.
- Ashish Shah:** Okay, but the SPV is getting funded for the escalated part also those basically project cost may have escalation during construction?
- D. K. Maheshwari:** We are funding all those costs, which are part of the total project cost.

- Ashish Shah:** Fine, thank you.
- Moderator:** Thank you. The next question is from the line of Vibhor Singhal from Phillip Capital. Please go ahead.
- Vibhor Singhal:** Good evening Sir. Thanks for taking my question and congrats on a great performance yet again. So, just two questions from my side, one is that just wanted to get an idea of how are the payments right now from the various foreign bodies and how do you see that in the second half of the year or given government is fiscal situation here and which way payments or any other government bodies are there, the irrigation project is a state government payment there, do you expect in the second half there may be some delay from the government in terms of it. If you can just answer that I will ask the second question after that?
- Yogesh Jain:** No, at this point we expect no delay on payments because this is the governments priority sector and there should not be any delay. The government is very much pro-active to motivate the sector so that construction should not be delayed at any cost.
- Vibhor Singhal:** Right, but Sir you do not have any risk that you feel government will itself bear fiscal deficit situation which is very tight thus may be in next two to four months the payments will be received or still no indication till now?
- Yogesh Jain:** No, no delay is expected in receipt of payments.
- Vibhor Singhal:** Okay, of course it is heartening to hear and Sir secondly just last question from my side, as you said our order book is more than three times book to sales and now right now we have road and irrigation projects have received by us. So, just going forward let us say not just further two month-three month, that kind for the next two years what will be our bidding strategy, will we continue to take more projects let us say irrigation or metro's and other non-road segment or this we were just may be to test the water and only if they are very attractive projects will become and we will still continue to focus only on road sectors?
- Yogesh Jain:** We are very much focused on the roads and highway sector and we are also developing a vertical in water supply sector parallelly. So, road sector will remain as our prime sector, we are not going divert from it and in water supply, if we get some good projects, then we will bid for those projects as well.
- Vibhor Singhal:** Also, in Metro's projects are we seeing or now just we are looking at water supply sector side?

- Yogesh Jain:** In Metro projects, there is lot of competition, so we are not concentrating on Metro projects and will be looked into later.
- Vibhor Singhal:** So, agreed. Thanks for taking my questions wish you all the best.
- Moderator:** Thank you. The next question is from line of Faisal Hawa from HG Hawa and Company. Please go ahead.
- Faisal Hawa:** My question is how you see the order book will pan out in next financial year or the remains of this financial year. But how much more revenue do we need to see to it that we are protected for any kind of lumpiness in orders of NHAI in time to come and do you think that HAM projects may stop and now BOT projects will come into being because there is lot of pressure so of the PMO also do NHAI to gig the balance sheet control and are we going to take any arbitration claims from the NHAI out of court by foregoing the interest?
- T. R. Rao:** Our first preference should be EPC projects, if you are getting either as a part of expressways or highways and all. Our preference would be EPC and the second preference would be HAM. Our last preference would be for BOT-Toll. So, BOT-Toll is not our priority kind of mode and this same pattern will continue. As of now we are not looking for any out of arbitration or out of court settlements with NHAI because we have very few arbitration cases, which are going on.
- Faisal Hawa:** So, any indications how you would like the order book is to pan out in the next one year to one and half year?
- T. R. Rao:** Given the pipeline of award by NHAI, we have already secured Rs.4,250 Crores worth of new projects in the current financial year. Going forward, we are hopeful of getting few projects from NHAI in highway sector and few projects in the drinking water supply sector. So, we do not have any kind of apprehension that we will not be able to get Rs.9,000 Crores to Rs.10,000 Crores kind of order book by the end of this financial year. So, we should be having sufficient orderbook for the future years for sustainable revenues.
- Faisal Hawa:** Thank you Sir, that helps. Thank you.
- Moderator:** Thank you. The next question is from the line of Jiten Joshi from Axis Capital. Please go ahead.
- Jiten Joshi:** Good evening Sir. Congratulations on good set of numbers. Sir, can you give us the toll number for Ghaziabad-Aligarh, Kanpur-Kaburai, Gwalior-Narela, Bareilly-Almora?
- D.K. Maheshwari:** This MP highway was Rs.12. 94 Crores and OMT Kanpur, Lucknow, Ayodhya Rs. 102 Crores, Kanpur highway Rs.17.3 Crores, Narela is Rs.10.15 Crores, Bareilly-Almora

Rs.10.71 Crores, Raibareli-Jaunpur the average almost Rs. 32.16 Crores and Ghaziabad Aligarh Rs. 51.3 Crores in this quarter.

- Jiten Joshi:** Sir, any loss funding we have done so far in any projects this year?
- D.K. Maheshwari:** No, in this year we have not infused any money in any project.
- Jiten Joshi:** And likely to be infused?
- D.K. Maheshwari:** We do not think any funding to be infused because problem is only in the Ghaziabad-Aligarh and we are expecting that the deal will be finalized by end of this financial year. And in case of Bareilly-Almora project, there is no need to infuse any money.
- Jiten Joshi:** Okay, Bareilly-Almora will not be required.
- D.K. Maheshwari:** Yes.
- Jiten Joshi:** Sir, on the standalone numbers can you give us the details of retention money mobilization advances as on date and what is the mode mobilization expected, unbilled revenue and equity investment over a period of next three years in the HAM projects and capex also for this year?
- D.K. Maheshwari:** We require capex of around Rs.125 Crores in this financial year. We have already placed orders for about Rs.30 Crores and expecting the machinery by end of November. As regards, the equity infusion in the existing 6 HAM projects, as on date we require Rs. 355 Crores and around Rs.617 Crores for new HAM projects. So, total equity requirement for HAM project is Rs.970 Crores, which is required in FY2021 Rs. 230 Crores, FY22 around Rs.400 Crores and FY2023 around Rs.160 Crores. But this figure may vary, as we infuse money only at the time of the disbursement, just to maintain the debt-equity ratio.
- Jiten Joshi:** Okay, and so far, how much invested this year in HAM and how capex in this year so far?
- D.K. Maheshwari:** In this year we have invested 50 Crs in HAM project as equity and in Capex Rs.6 Crores, but we have placed orders for various machineries.
- Jiten Joshi:** Other numbers retention, mobilization advance, unbilled revenue can you give us the number for standalone accounts?
- D.K. Maheshwari:** Mobilization advance around Rs. 180 Crores is outstanding as on date.
- Jiten Joshi:** Okay, unbilled revenue?

- D.K. Maheshwari:** Not much unbilled revenue is there.
- Jiten Joshi:** Okay, Sir mobilization advance anything expected now in next two month-three months obviously there are few projects which we expect the appointed dates?
- D.K. Maheshwari:** Actually, we are expecting mobilization advance in all the new projects - two Baroda EPC projects and 5 HAM projects including Challakere in the financial year.
- Jiten Joshi:** Sir, arbitration of ongoing NHAI projects it is still on or we have plan to settle it through reconciliation?
- T. R. Rao:** The proceedings are going on, we have not taken any call whether to go for out-of-arbitration settlement.
- Jiten Joshi:** That is it from my end and all the best. Thank you.
- Moderator:** Thank you. The next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.
- Parikshit Kandpal:** Are we seeing any major deterioration from like 84 days is on a lower base but as we ramp up execution and intend to surpass last year's number so for this year what kind of NWC days we are looking at? Whether it will be 60 days to 65 days, or it will increase from here on?
- D. K. Maheshwari:** NWC, we are expecting around 75 days at the end of the current financial year.
- Parikshit Kandpal:** Coming to this private trains bids, PPP where we had applied for PQ, so any update on that and what is your strategy or thought behind applying the BQ and how do we take forward that segment now?
- T. R. Rao:** Actually, we applied for the PQ as of now, still we are evaluating the opportunity and not taken any firm call in this respect, so going forward we will take a call.
- Parikshit Kandpal:** What will be our scope of work, so how do we see PNC positioning in that business segment, so what will be our role, what will be our scope so what is the thought process behind it, what we are going to do from that, can you clarify further?
- T. R. Rao:** Whoever would be the private sector operator, they have to run the trains, they have to procure the rolling stock including engines as well as coaches and they have run the train between specific origin and destination pairs as specified in the cluster. We are evaluating because just we submitted our qualification documents so what will happen if you take a

call later as if we not submitted would be missing the bus so we submitted but we are evaluating the whole thing and the things will become clear only after issue of RFP

**Parikshit Kandpal:** Because this call for huge equity investment given that one of the factor so quantum of the equity to be invested when we said but we have always said that we will not go into the equity kind of projects so I was coming more from that side so are we open to these kind of projects then wherein there could be large outbound equity?

**T. R. Rao:** No, as I said still, we are evaluating as each of these projects has got around Rs. 2,000 Crores investment requirement.

**Parikshit Kandpal:** The last question is on the water project which you said that about five projects done, I think Rs.5,000 Crores in terms of value, is it right, you obviously you said about like five projects we are evaluating, in UP about Rs. 5,000 Crores combined value, so each will be about Rs. 1,000 Crores?

**T. R. Rao:** See, these are the in four revenue divisions of UP we bid for it, but we have to see because it is the competition bidding how we will stand, we will come to know only after sometime.

**Parikshit Kandpal:** Each project will be Rs.1,000 Crores, how these projects will be funded, is it state funded, center funded because for NHAI, it is a central government funded projects we are getting payments on time, we have seen issues in irrigation in Telangana where payments are not coming in the irrigation project so just wanted to your thought process when you are bidding for these kind of projects what is the financial closure status of these projects, who would be funding it, the state or central government or multilateral agencies, so can you give some color on that?

**T. R. Rao:** See, all these projects rural drinking water supply for the 16 Crore rural households in the country partly centrally funded and partly state funded, comes under the Jal-Jeevan Mission of the present government which is one of their election promises made in their manifesto so they have to complete it by 2024. Provision of drinking water to rural population, in most of the states being a priority sector all states are allocating budgetary provisions in their respective budget and the central government is also providing the remaining 50% we do not foresee that any major problem in funding, because these projects also will be executed progressively.

**Parikshit Kandpal:** How big is this opportunity, like you said Rs.5,000 Crores is now we are putting the bid for, but how big can this be till 2023 or 2024 in UP alone?

- T. R. Rao:** See, UP alone, they came out with the bids for 15 revenue divisions, so we bid for only four divisions comprising around 5000 villages. UP government they will further prioritize these revenue divisions in the state for execution.
- Parikshit Kandpal:** So, value is 5000 or villages I thought you said value is of Rs. 5,000 Crores or villages?
- Yogesh Jain:** Yes, approximately 5000 villages, 1 Crores per village so it is Rs. 5,000 Crores.
- Parikshit Kandpal:** Okay, thank you.
- Moderator:** Thank you. The next question is from the line of Amber Singhania from Asian Market Securities Limited. Please go ahead.
- Amber Singhania:** Couple of questions Sir. Overall, how much equity we need to put in the balance as an asset and how much will go in second half FY 2022 and FHY 2023?
- D.K. Maheshwari:** The total equity requirement for all the eleven projects is Rs. 970 Crores and we are expecting that we have to infuse around Rs. 230 Crores in FY 2021.
- Amber Singhania:** Rs. 230 Crores out of which Rs. 50 Crores we have already put in?
- D.K. Maheshwari:** Yes, 230 crore includes that.
- Amber Singhania:** Okay and how much will be in FY 2022 Sir?
- D.K. Maheshwari:** It should be around Rs. 400 Crores.
- Amber Singhania:** Balance will in the FY 2023?
- D.K. Maheshwari:** Yes.
- Amber Singhania:** Any progress in the asset monetization?
- D.K. Maheshwari:** Asset monetization, we have already given the mandate for our six HAM projects, one NHAI annuity project and one BOT project to one of the Bid Four firms. We are expecting that by end of the current financial year, some positive outcome will emerge.
- Amber Singhania:** Just one more thing, on the capex side you said Rs.6 crores you have done but what is the target for FY 2021 or FY 2022?
- D.K. Maheshwari:** Total FY 2021 we are expecting around Rs. 125 Crores capex and FY 2022 it should be around Rs. 60 Crores to Rs. 75 Crores.



- Amber Singhania:** We do not need to put any major capex for these irrigation projects now going forward?
- T. R. Rao:** No major capex for irrigation project would be needed.
- Amber Singhania:** Fine Sir. That is all from my side.
- Moderator:** Thank you. The next question is from the line of Prem Khurana from Anand Rathi. Please go ahead.
- Prem Khurana:** Thank you for taking my question. Most of the questions have been answered. Just one from my side because it will give us some more clarity on this irrigation project in Andhra I think what we get to read in the media, one is eventually I mean there appears to be some kind of issue between Andhra and Telangana state governments regarding this project where Telangana has been opposing this project and second what we read in the media is essentially Andhra does not have budget to be able to enough fund this or rather they are facing issues in terms of the budgetary support that they would be able to extent to most of these projects, so is it a funded project and who is going to fund this project?
- T. R. Rao:** It is an EPC project and government of Andhra Pradesh will fund it. Already they made the allocation in their budget for this project and being a priority project for provision of drinking water to Rayalaseema region so we do not foresee funding issue. The present government is having another nearly four years of tenure and the project duration is three years so we do not foresee any funding political issue also. With regards to the litigation between the state of Telangana and the state of Andhra Pradesh, recently NGT has given the stay with regard to the lift irrigation project they awarded very recently for Rs.3,500 Crores. The NGT has imposed a temporary stay on that particularly project.
- Prem Khurana:** Okay and about this UP project so what I need to understand is I mean there is no L1 does not get entire project so there is a chance where you would be given an opportunity to matched up bid let us say if you are going to come L2 or L3 you would be given a chance to match the L1 bid and takes some of these villages so let us say hypothetically speaking if you were not to come as L1 in this Rs. 5000 Crores odd, would you be willing to go and match the L1 bidding and take some of these which is not entirely Rs. 5000 let us say some lower number or if you were to come L1 only then you would go ahead.
- T. R. Rao:** We appreciate your concern, yes that kind of mechanism is there but let us wait for the opening of the technical bids and the financial bids, let us see how the things will unfold as of today it would a bit speculative and hypothetical to assume anything. Going forward let us witness how things will unfold.

- Prem Khurana:** Anymore irrigation projects that we would have bid for either in Andhra or in any other state?
- T. R. Rao:** We will see, if you get a good kind of a project and where we find synergy, we look at it and as of now nothing on the anvil.
- Prem Khurana:** Sure. Thank you and all the best for the future.
- Moderator:** Thank you. The next question is from the line of Deval Shah from JM Financial. Please go ahead.
- Deval Shah:** Sir on a year-on-year basis if we exclude the interest and arbitration of Rs. 35 Crores form 2Q FY2020, we see a significant jump in other income and this quarter, is there any specific reason for that?
- D.K. Maheshwari:** This is mainly because of the FD and mutual fund, surplus cash and bank balance.
- Deval Shah:** Thank you.
- Moderator:** Thank you. The next question is from the line of Shravan Shah from Dolat Capital Market. Please go ahead.
- Shravan Shah:** Sir, this UP water project, two things one is when the technical and the financial bid is likely to open and the second just once again will have to clarify with this five projects, one thousand each five bids or is a single bid?
- T. R. Rao:** It is not a bid for five projects, precisely for four projects. We bid for four revenue divisions for a total estimated value of Rs. 5,000 Crores and we have submitted four different bids for these four revenue divisions.
- Shravan Shah:** The technical and the financial bid likely to open by?
- T. R. Rao:** We can say in a week to ten days' time, technical bids should be opened.
- Shravan Shah:** Okay, so this will be financial bid that will be opening for the technical and then the financial bid?
- Yogesh Jain:** Financial bid.
- T. R. Rao:** They will announce the results of the technical bids now and then they will announce the financial bid results.

- Shravan Shah:** Thank you.
- Moderator:** Thank you. The next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.
- Parikshit Kandpal:** Typically, PNC is a very conservative company and this quarter you have given a bullish guidance for order intake of Rs. 10,000 Crores, you also upped your guidance on execution so what kind of run rate currently you are achieving on the execution side and the EPC side as of now?
- T. R. Rao:** Can you please come again?
- Parikshit Kandpal:** What is the daily execution run rate which you have achieved now, Rs. 7 Crores, Rs. 8 Crores or Rs. 9 Crores, what should be like the numbers Rs. 20 Crores?
- T. R. Rao:** What has happened this year, because of the COVID pandemic and subsequent lockdowns and restriction, we could not achieve progress to our full potential and once COVID started receding and then monsoon has started so the run rate has been low. We are expecting at least to 90% of our potential run rate post Diwali.
- Parikshit Kandpal:** I am not saying that I am saying you have done Rs. 2,000 Crores of topline in first half and last year it is about Rs. 3,000 Crores in second half so you will do Rs. 1,500 Crores now every quarter average I am saying so you should be somewhere, so Rs.1,500 Crores if I divide by 90 days so you it should be averaging about Rs. 16 Crores to Rs. 17 Crores per day kind of execution so are we already there?
- T. R. Rao:** Yes, we are already there, and we are doing what we have been doing even earlier also so that kind of run rate we should be able to achieve in the remaining period of the current financial year.
- Yogesh Jain:** We have planned our resources like that.
- Parikshit Kandpal:** Because almost if I see your order book also some large part of order book has still has not moved into execution, so we are awaiting appointed date, I think roughly execution right now is going on Rs. 6,000 Crores to Rs. 7,000 Crores of order backlog, so almost Rs. 6,800 Crores of order back log this kind of run rate you are achieving so when more orders move into execution plus you get newer orders there should be a significant ramp up in growth in FY 2022 I know you are not giving guidance let us say the growth could be much higher, this is what I am trying to derive here?
- T. R. Rao:** Yes, now whatever the unexecuted order book, even without considering the new projects, we have got around Rs.7,000 Crores so we should be able to execute whatever run rate

required for the remaining year with that kind of a backlog order book we have. Of course, next year with the commencement of new projects and as well as the remaining order backlog, the more growth should be there in revenue, but we will be able to share you only towards the end of this current financial year, what should be the growth of next year.

**Parikshit Kandpal:** But this time you remain confident as DKM Sir earlier said that we have already given mandate for the monetization of HAM asset and the one NHAI and one BOT so that should are you positively optimistic that by March we should be able to do this transaction?

**D. K. Maheshwari:** We are expecting.

**Parikshit Kandpal:** All these projects put together comprise how much of equity invested already?

**D.K. Maheshwari:** Actually, in these projects our equity is around Rs. 940 Crores.

**Parikshit Kandpal:** Okay, Rs. 940 Crores worth of project is up from monetization by March?

**D.K. Maheshwari:** This includes six HAM projects, one Annuity and one BOT project.

**Parikshit Kandpal:** Thank you and all the best.

**Moderator:** Thank you. As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

**Amber Singhania:** Thank you. This is Amber here. On behalf of Asian Market Securities, I would like to thank everyone for joining this call and special thanks to the management for giving us the opportunity to host this call. I would like to hand the floor back to the management for their closing remarks. Over to you Sir!

**Yogesh Jain:** Thank you everyone for your participation on our earning call. We have uploaded the presentation on our company's website. In case of further queries, you may get in touch with the Strategic Growth Advisors, our Investor Relation Advisors or feel free to get in touch with us. I urge all of you to continue to be safe and wish you all a very happy and safe Diwali. Thank you.

**Moderator:** Thank you. On behalf of Asian Market Securities that concludes this conference. Thank you for joining us. You may now disconnect your lines.