



KNOWLEDGE MARINE & ENGINEERING WORKS LIMITED

Ship Builders, Repairers, Charterers and Marine Contractors

CIN: L74120MH2015PLC269596

To
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai- 400001

Date: 12th June, 2023

Dear Sir/Ma'am,

Scrip Code	Symbol	ISIN
543273	KMEW	INE0CJDO1011

Sub: Transcript of Earnings Call held on 8th June, 2023.

Pursuant to Regulation 30 of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the Company's earnings call held with Investors/ Analysts on 8th June, 2023 to discuss the Company's operational and financial performance for the Half Year and Financial Year ended on 31st March, 2023.

The same is available on the website of the Company www.kmew.in

You are requested to kindly take the same on records.

Thanking You,
Yours Faithfully,

For **Knowledge Marine & Engineering Works Limited**

RITIKA
SHARMA

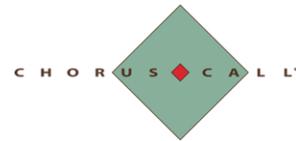
Digitally signed by
RITIKA SHARMA
Date: 2023.06.12
18:45:39 +05'30'

Ritika Sharma
Company Secretary & Compliance Officer
M. No. A40852



“Knowledge Marine & Engineering Works Limited
H2 & Year Ended 31st March 2023 Earnings
Conference Call”

June 08, 2023



MANAGEMENT: **MR. SUJAY KEWALRAMANI – CHIEF EXECUTIVE OFFICER – KNOWLEDGE MARINE & ENGINEERING WORKS LIMITED**
MRS. KANAK KEWALRAMANI – DIRECTOR AND CHIEF FINANCIAL OFFICER – KNOWLEDGE MARINE & ENGINEERING WORKS LIMITED
MR. SAURABH DASWANI – MANAGING DIRECTOR – KNOWLEDGE MARINE & ENGINEERING WORKS LIMITED

MODERATOR: **MR. RONAK JAIN – ORIENT CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to the H2 and year-ended 31st March 2023 Earnings Conference Call of Knowledge Marine & Engineering Works 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 star then zero on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ronak Jain from Orient Capital, their investor relations partner. Thank you and over to you, sir.

Ronak Jain: Thank you. Good evening, everyone. Welcome to the H2 FY23 and year-ended 31st March 2023 Earnings Call of Knowledge Marine & Engineering Works Limited. Today on this call, we have Mr. Sujay Kewalramani, Chief Executive Officer along with Mrs. Kanak Kewalramani, Director and Chief Financial Officer and Mr. Saurabh Daswani, Managing Director of M/s Knowledge Marine & Engineering Works Limited. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations as of today and actual results may differ materially. These statements are not the guarantees of future performance and involve risk and uncertainties that are difficult to predict.

With this, I now hand over the call to Mr. Saurabh Daswani, sir, for his opening remarks. Over to you, sir.

Saurabh Daswani: A very good evening to everyone. On behalf of Knowledge Marine & Engineering Works Limited, I welcome you all to the financial year 2023 Earnings Call of the company. I hope everybody had an opportunity to go through the financial results and the investors' presentation which has been uploaded on the stock exchange as well as on our website.

I would like to take this opportunity to give some background on the company for the benefit of all the participants. We commenced our business journey in the year 2013 under the name Kamal Marine & Engineering Works Private Limited which undertook the business of repairs or refits of marine crafts. With two years of marine engineering experience, experienced technical team and a sustainable financial growth, the group expanded to owning and operating small crafts under the flagship of Knowledge Marine & Engineering Works Private Limited. Over the years, we have become an established player in the Indian small craft business segment and evolved from a small ship repair unit to ship owning and dredging company.

KMEW is in the business of dredging and other port ancillary services like pilot boats, patrol boats, survey boats, mooring crafts, tug boats and hopper barges. These services collectively contribute to the efficient and safe operation of ports, support international trade and promote the overall growth and development of the maritime industry. Our mission is to provide value addition to the ports and marine establishments through holistic, innovative and environmentally sustainable solutions in the field of marine engineering and construction. We are one of the India's most reliable dredging companies with a presence on the east and western coast covering the major ports in India. Our geographical presence expands all the way starting from Kandla port in the western India to Calcutta port in East India.

We are thrilled to announce that we have secured a significant contract for capital dredging at Mangrol Fishing Harbour Phase III. The state-owned Dredging Corporation of India has awarded us this contract which holds the contract value of INR 67.85 crores. In addition to this contract we have also received an additional work order worth INR16.50 crores from Dredging Corporation of India.

This recognition of our exceptional performance at Mangrol Fishing Harbour demonstrates the trust and confidence placed in our capabilities. Furthermore our remarkable track record at Mangrol Fishing Harbour has paved the way for us to secure another dredging contract from RKEC Projects Limited. This time we have been entrusted with the development of a fishing harbour at Veraval Gujarat. This marks the second consecutive order for our company in the development of fishing harbour in Gujarat showcasing our continued success and expertise in this domain.

Throughout the year, we have been successful in securing two extensions from our existing contracts. The first extension was granted by Vishakhapatnam Port Authority for a duration of two years. This particular contract entails the supply, manning, operation and maintenance of one number pilot launch. We are pleased to have been entrusted with hiring of our vessel River Pearl 3 for this important role. Additionally we have also received an extension from Shyama Prasad Mukherjee Port in Kolkata.

This extension highlights the confidence and satisfaction our clients have in our service. We are proud to continue our association with the port and look forward to further contributing in their operations. These contract extensions demonstrate our ability to deliver exceptional results and maintain strong relationships with our clients. We are pleased to announce the addition of two new vessels to our fleet namely River Pearl 11 and River Pearl 12. River Pearl 11, a hopper barge was acquired for a total consideration of INR 3.50 crores while River Pearl 12, a backhoe dredger was acquired for a total consideration of INR 2.25 crores.

These vessels have been strategically deployed at Mangrol Port for the enhancing of our operational capabilities in that area. River Pearl 10, a 10 Ton Bollard Pull tug is under construction at Synergy Ship Builders Goa and it is scheduled to get deployed at Vadar Offshore Terminal for a period of seven years starting from financial year 2024. As of now the company has a strong order book of INR 203.00 crores with an average tenure of more than 2.5 years. Also the company has placed bids worth more than INR1,100 crores and with a past hit rate of 50% the company is confident in building a strong order book by the end of financial year 2024.

Coming to our first international contract at Myanmar wherein we were interested by the Government of India to build a strategic port at Sittwe, over more than 75% of the contract milestone has been completed and the remaining is expected to complete before the end of financial year 2024.

With regards to the industry and growth perspective the company is trying to spread its wings into the segment of dredging in Inland Waterways and Sand Mining. Working in the same line as stated earlier the company has also placed various bids for various stretches in Ganga River

and Brahmaputra River with Inland Waterways Authority of India and Dredging Corporation of India.

I would now like to hand over the call to Mrs. Kanak Kewalramani to share her thoughts on the performance and strategic progress made by the company along with its H2 financial year 2023 financial performance. Thank you and over to you Kanak.

Kanak Kewalramani:

Thank you Saurabh for the introduction. Good evening everyone. We are delighted to announce that despite facing external challenges such as high inflationary pressures, Team KMEW has displayed remarkable resilience and unwavering dedication. Our consistent efforts have resulted in a robust performance for the financial year 2022-23. We are proud to share that we have achieved the highest ever revenue of INR201.5 crores making a significant growth of 230% compared to the previous fiscal year. In terms of profitability our EBITDA stood at INR68.7 crores with an impressive margin of 34.1% in FY23.

Moreover, our profit after tax reached INR47.2 crores showcasing a remarkable growth of 126.2% over financial year 2022. This exemplifies our commitment to delivering sustainable and profitable outcomes. Furthermore, we have maintained a strong financial position with a total cash flow from operations i.e. CFO amounting to INR36.1 crores. Notably, our EBITDA to CFO conversion ratio stood at an impressive 190%.

I am pleased to announce that our group maintains a net cash positive of INR 41.30 crores and has minimal long-term debt. This achievement highlights our commitment to prudent financial management. Furthermore, it demonstrates our proactive approach to debt repayment as we consistently try to settle our debts well in advance of the contract completion tenure.

During the year, we have announced a preferential issue by which we have raised INR 39.60 crores to marquee Investors. The issuance involves offering of 565,000 equity shares at an issue price of INR 700 per share on a preferential basis.

Our strategic vision centres on establishing a sustainable and reliable dredging and marine engineering company from India. We are committed to expanding our operations and aim to have a fleet of 50 or more vessels within the next 10 years. This expansion plan reflects our ambition to become a prominent player in the dredging industry.

Furthermore, our objective is to capture a significant market share of 10% in the dredging business. By leveraging our expertise, advanced technology and strong project execution capabilities, we aim to position ourselves as a trusted and preferred partner in the industry. I once again thank to all the stakeholders, investors, our employees, our team and vendors to help us in our growth and success. Thank you.

Moderator:

Thank you very much. We will now begin the question-and-answer-session. Our first question is from the line of Sandeep Agarwal from Naredi Investment Private Limited. Please go ahead.

Sandeep Agarwal:

Yeah, thank you for the opportunity. So, the first question is regarding the order book. So, pending order book is INR 202 crores. In financial year '22-'23, we get only INR 86 crores, INR 87 crores orders. So what is the specific reason behind this? Any seasonality or any other reason,

competitive intensity? Then what is your plan regarding the financial year '23-'24? Any specific detail you want to share regarding order pipeline?

Sujay Kewalramani: Sir, I will take it one at a time. This is Sujay Kewalramani here, the CEO of the company. The order book stands at INR202 crores as of 1, April 2023. We have made bids worth more than INR1,100 crores today. The reason for delay in securing the orders is from the side of the government. They are taking a little while in the decision making process. It is not due to any seasonality or any competition. We have not lost out on any orders. We are just awaiting the decision from the government. That's all.

Sandeep Agarwal: Okay. Sir, our trade receivable is INR55.8 crores as of 31, March. So, which is very high compared to previous year, is there any specific reason?

Sujay Kewalramani: Yes, there is a very specific reason for that. This is because of only one contract, the DCI Mangrol Fishing Harbour contract. The contract value was increased midway and the site dimensions were changed halfway by the employer due to demand of the local fishermen. This triggered a revised administrative approval from the competent authority before payments are released. The process takes about three to six months and due to the recent elections in Gujarat state, the process slowed down. The company has been following up with the state government on a regular basis and the recent update is that 85% of the process is complete and approval is expected in the month of July 2023 along with payment in the same month. All the bills have been accepted by the competent authority and pending dues have been confirmed. So, there is no two ways about it, the payment is due. It is just the file is being processed and it requires to move through 24 different tables and it is on the 21st table right now and in a positive way.

Sandeep Agarwal: Okay. So, my last question is regarding the EBITDA margin. So, current year EBITDA margin is 34.10%, compared to previous year 53%. In March con call, you mentioned that the margin will be 40% and in November con call, you mentioned that 30% is sustainable margin. So, can you share any specific range regarding the margin for next two to three years?

Sujay Kewalramani: So, it will always remain between 30% to 40%. I have been consistent about it. 40% is on the upper side, 30% is on the lower side. This is because we only bid for orders which give us these margins. We do not chase orders which are below these margins.

Sandeep Agarwal: Okay. Thank you.

Moderator: Thank you. Our next question is from the line of Ayush Chaturvedi from Nuvama. Please go ahead.

Ayush Chaturvedi: Yeah. So, firstly, thanks for the opportunity and congrats on a great set of numbers yet again. So, firstly, on the order book, we can see that the balance contracts currently stand at around INR 290-odd crores, including the two contracts from the Dredging Corporation of India. Now, I wanted to understand how much of it are we expected to execute in '24 and how much revenue recognition is expected out of the pipeline?

- Sujay Kewalramani:** So, about INR150 crores. Thank you, sir. Thank you for the congratulations on the result. I would answer your question. The order book that is executable in the year '24 is INR150 crores and that is the revenue recognition as well.
- Ayush Chaturvedi:** INR150 Crores from the current order book that you have shared on the 12th page of the presentation.
- Sujay Kewalramani:** Yes, that is correct. That is correct. INR150 crores is in 2024, '23-'24. This particular year, INR150 crores is executable and receivable.
- Ayush Chaturvedi:** All right. Understood. Okay. Now, secondly, we were earlier able to bid for contracts that were worth around INR250 crores. And you know, so how much longer till we can bid for bigger contracts? And what is the maximum contract size that we are currently going for?
- Sujay Kewalramani:** There are two criteria, sir. One is volume and one is the price. So when it comes to volume, we have executed single contract of 3.8 million cubic meters. That makes us eligible to execute a contract with a volume of 4.5 million cubic meters. In terms of revenue, in terms of money, the single order that we have completed or that we will be completing is INR250 crores for which we are expecting the work completion certificate. That will make us eligible to participate in a contract of INR310 crores.
- Moderator:** The line for the participant has dropped. May I request the management, we move to the next question. Thank you. Our next question is from the line of CA Garvit Goyal from Nvest Research. Please go ahead.
- Garvit Goyal:** So congratulations for a good set of numbers. My question is particularly on the execution of the current order book as well as the, we have bid for, I think, INR1,100 kind of project, right? So how much do you expect in this particular year, revenue from these biddings?
- Sujay Kewalramani:** Sir, we can, presently we have a bid book of INR1,100 crores. We usually have a past hit rate of more than 50%. We are expecting at least 50% of the INR1,100 crores bid book that we have. And out of which we should be able to execute about INR130 crores to INR150 crores over and above the current order book.
- Garvit Goyal:** In this particular year only, FY '24?
- Sujay Kewalramani:** Yes, sir.
- Garvit Goyal:** Okay. So that means our total turnover in this line will be somewhere between INR280 crores to INR300 crores, right? That is your internal target?
- Sujay Kewalramani:** Approximately close to that.
- Garvit Goyal:** And sir, can you please spend some time on why these delays are happening? Like in the last con call we were saying, we have applied for a INR500 crores kind of standard. Now this is INR1,100, obviously that INR500 crores is included in it. So what is the reason for this significant delay? Like it is almost six months, sir.

Sujay Kewalramani: Sir, I will give you a break up of this, sir. We have out of INR1,100 crores, INR400 crores are bids made with Inland Waterway Authority of India. These are river dredging bids. INR425 crores go into the sand mining business. INR70 crores bids are for small craft business and with other private players like L&T and ITD Cementation, we have made bids in excess of INR275 crores.

In Inland Waterway, the process is taking time because these are World Bank funded projects and required several levels of scrutiny. So there is no way we can interfere or even ask the government when the decision making is going to take place. Usually, they have a bid validity of 180 days, but sometimes government can extend in the decision making process, request us for an extension of the bid validity, which we do because we have catered for it.

In the sand mining business, which is a new business, we are exploring the international and the domestic market. This is also a new business that is developing and that is why it is taking some time. The small craft business, we have been bidding regularly and they are taking calls on it. Very soon, maybe in a week or two weeks, we will get to hear about three of the contracts that we are expecting. And the business with private entities is with the defence, naval defence on the east coast of India.

Government is taking certain time on those defence projects also to reply. But these are all high value, high margin businesses, which once are awarded, will work out to be in that 30% to 40% EBITDA margins of ours. So we are very hopeful of the same and we are working with the government. As and when they are asking us any questions or clarifications on the same, we are providing the same. So the process is on, that's all I can say right now.

Garvit Goyal: It can't be stated with certainty when this bidding will be announced, the result of the bidding will be announced, right?

Sujay Kewalramani: It is very difficult to say. It could happen as early as this week and it could take another month or so. But it is completely, the decision making is completely on the government. It does not allow us to interfere with that process.

Garvit Goyal: Understood, sir. And talking about the margins, so what are your overall margin guidance for FY '24?

Sujay Kewalramani: So that will remain the same between 30% to 40% EBITDA margins and PAT will be between 20% to 25%.

Garvit Goyal: So that means top line INR280 crores to INR300 crores and EBITDA will be somewhere between 30% to 40%, right?

Sujay Kewalramani: We can say that.

Garvit Goyal: Okay, thank you very much, sir, and all the best for the future.

Moderator: Thank you. Our next question is from the line of Ayush Chaturvedi from Nuvama. Please go ahead, sir.

- Ayush Chaturvedi:** Yeah, sorry. Apologies, my line got dropped. So I was asking you, till when are we expected to start bidding for bigger contracts? And secondly, I think, if I'm not mistaken, we have raised around INR40 crores for four dredgers. Just wanted to check the status on the same.
- Sujay Kewalramani:** Sir, what I could get from your question was what is the status on the dredgers worth INR40 crores? Correct? So that we have currently bid for with IWAI, four different contracts and the dredger quantum will increase from four to eight with the bids that we have made. Before we had said that we'd likely to get two contracts, those are under evaluation. We have already identified the dredgers, but once the contract is awarded, only then we will invest into the asset.
- Ayush Chaturvedi:** Okay, so we could add up to eight dredgers by the end of the year.
- Sujay Kewalramani:** Yes.
- Ayush Chaturvedi:** All right. Okay, and how much additional revenue can we expect from the same?
- Sujay Kewalramani:** So these are contracts worth INR400 crores.
- Ayush Chaturvedi:** Worth INR400 crores. That's okay. That's very encouraging. Now, secondly, on the margins again, so we've seen a bit of contraction year-on-year from in H2. So just wanted to understand how the operational cost ramp-up goes up with respect to the contracts that are. So is it correlated to how many fleets or how big the fleet is or how exactly do you see or how do you exactly account for the operational cost for each contract?
- Sujay Kewalramani:** This particular year, we had dry docking of two vessels. That is the reason the margins got contracted. That is not a yearly event and with the JV contracts, the subcontracting price is a little high. That is particular reason. That is why the cost has gone up. But if you have any specific question about any particular item under the profit and loss, we could answer that.
- Ayush Chaturvedi:** So just wanted to understand how you see this planning out over the next year. So you mentioned that dry docking of two vessels impacted the margins this half year. But so is the same, is it a recurring phenomenon or how margin can be used that was predicted?
- Sujay Kewalramani:** So let me give you a breakup of the expenditure and then I'll tell you that the dry docking is a phenomenon that happens every 2.5 years. That will answer your first question. I'll let Kanak give you a breakup of the expenditure which is in terms of percentage of the top line.
- Kanak Kewalramani:** Hello, Ayush. This is Kanak. So I'll give you the breakup. So 25% of our turnover goes on fuel expense. That is a major expense which we have. And after that 4% to 5% is the employee cost. And then thereafter 30% goes on through Crew wages, subcontracting, repair and maintenance and consumables which are used for the ship. And 5% goes on other expenses and then comes our EBITDA which is between 30% to 40%.
- Ayush Chaturvedi:** Okay. Understood. So there's some headroom for margin expansion in the current year is what I understand.
- Kanak Kewalramani:** We can say that.

- Ayush Chaturvedi** All right. Great. So can I ask, can I squeeze in one more question or should I join the queue again? So I'll try to squeeze in. So currently our winning rate is around 50% if I understand correctly. So I just wanted to understand what exactly or what is the sort of competition and what's the outlook on that? So elaborate on that?
- Sujay Kewalramani:** So in the big book of INR1,100 crores there are contracts in which there are only two parties. One of us is us and there is another party and the highest number of bidders in two contracts is four. But the pre-qualification is going on. At the end of pre-qualification the government may decide to remove a few players but they cannot add. So the highest number of competition in a contract is four players including us and the smallest competition is one more player including us.
- Ayush Chaturvedi** Okay. All right. Understood. So what's your outlook on the same? So how in the next say three to five years how big do you reckon the order book is going to be like?
- Sujay Kewalramani:** I would like to say at this stage that we are very excited to announce that we have made serious attempts to enter into sand mining business domestically and internationally. The business is expected to give long-term and give sustainable revenue. These contracts are five years to 20 years long contracts. Some of the same is expected in this particular year to come.
- Ayush Chaturvedi** Okay. So you know the visibility for revenues will be that much more is my takeaway. Am I correct in that assumption?
- Sujay Kewalramani:** Yes.
- Ayush Chaturvedi** Because you're going to start bidding for one year contract?
- Sujay Kewalramani:** Working more seriously towards five year to 20 years long contracts.
- Moderator:** Thank you. Our next question is from the line of Avinash Gorakhshakar from Profitmart Securities. Please go ahead.
- Avinash Gorakhshakar:** I've just got two questions. I was seeing your presentation. I think there is a mention that you know the company plans to have some tie up with companies like Larsen & Toubro -- ITD Cementation. If you could add some color on this and share some thoughts what is exactly the company planning to do?
- And secondly you mentioned something about the sand mining segment for which I believe some time back you had said that you all will be investing in cutter suction dredgers as well as you know the fishing kind of project. So any status on those projects if you could add some color?
- Sujay Kewalramani:** Thank you Avinashji. Thank you so much. Two questions. I'll take the first one. We are seeing nowadays that government is more keen on a single window system. So we are doing business from the sea side of things and then there is shore side of things.
- So we are trying to move a step forward in the future wherein we are wanting EPC contractors, large EPC contractors who are into port sector and we are doing a tie up with them so that we

could submit a single bid to the government for the whole project as a one. So that is something that we are exploring actively right now. And we are discussing not just with L&T, ITD but with various companies at this stage to go forward as a joint venture in the future.

Second the Cutter Suction Dredgers were for inland water, river dredging businesses. Mining business will require a different set of equipment that will have to be placed. It will be a sort of a Cutter Suction Dredgers, but a dredger with a longer depth and reach. So we have got ourselves qualified in those businesses and the tendering process is on.

So this year the results will be out and this is happening in various states of India, Maharashtra, Karnataka, Kerala, Madhya Pradesh, recently in Rajasthan as well. So several of these bids are coming out and we will be participating in the same. And these are all long term contracts.

Avinash Gorakhshakar: On the fishing harbour contract anything, any update Sujay Ji, if you could tell or maybe it is still in preliminary stage?

Sujay Kewalramani: The first contract we have already secured from Gujarat Government through Dredging Corporation of India. We will be completing this contract in the first half and then based on the experience of that contract we have got another contract from RKEC, which got the development of Veraval Harbor. So that is the second contract that we have got which we will be executing in the second half of this year.

Avinash Gorakhshakar: Okay. What is the broad capex which the company plans to incur in FY '24 if you could please tell us?

Sujay Kewalramani: So it will be between INR60 crores to INR90 crores depending on the contracts that we secure?

Avinash Gorakhshakar: Okay so basically just like earlier what you had mentioned that you know whenever a project comes that is the time when you actually plan your capex. So you know it will all be capex related. So this is a, I mean this capex is directly relatable for projects which you are going to implement in the coming year, right?

Sujay Kewalramani: That is very true. We only invest into the assets, we identify them but we only invest into them once the project is awarded to us.

Moderator: Thank you. Our next question is from the line of Nagi from Goosb Capital. Please go ahead.

Nagi: Yes, congratulations on the good set of numbers. I have two questions. One is that are there any plans on listing on the main board? That is the number one question. And the second one, are there any plans for the bonuses so that it will give that wide base to that and enter the small shareholders?

Sujay Kewalramani: Sir, we are planning to move to the main board in the current year and about the bonus issue presently the board hasn't taken any call on it. We will update the stakeholders once the board takes a call on it.

Moderator: Thank you. Our next question is from the line of Rajesh Vora from Jainmay Ventures. Please go ahead.

- Rajesh Vora:** Sujay ji if you could give an idea about since IPO two years ago your company has done phenomenally well in terms of revenues and profits that are up almost six, seven times each. What is it that happened in the last two years that did not happen previously?
- Sujay Kewalramani:** Sir, like I said, there are several entry barriers and we were able to do a joint venture with a good company and break those entry barriers to secure a contract of INR100 crores which ended up being a contract of INR200 crores because our vessel was able to perform very well and the quantum increased. So as we go further into the future we will be able to qualify for larger contracts and we are hoping the result continues.
- Rajesh Vora:** Okay. And in your presentation there is a mention and I think Kanak Madamji also mentioned that company aims to have 50 plus fleet size in next decade and in the presentation it is mentioned that the company aims to capture 10% market share. So the market size that you assume for this 10% market share is what? In presentation there are two different markets, INR5000 crores each and INR2000 crores each. So could you please elaborate a bit on that to give an idea?
- Sujay Kewalramani:** Sir, we are considering the market size of INR10,000 crores per annum and we are planning to reach at least INR1,000 crores of top line within the decade. And about 40 plus fleet that is definitely the plan because we started with zero and we stand at 12 today.
- Going forward we at least believe that we should own 40 different types of crafts that will make us eligible to execute any type of work that is in India and abroad with any type of soil that we encounter. So that is the plan for the next decade.
- Rajesh Vora:** Wonderful. And maybe if you could spend couple of minutes on what can go wrong in this journey of next decade or 10% that you are aiming? What are the big risks?
- Sujay Kewalramani:** Sir, the biggest risk for a dredging contractor is not knowing where they are jumping, whether it is a swimming pool or a mud. So before we make that leap we do a lot of studies and over the last 17-18 years we have collected a lot of data along the Indian coast and Bangladesh, Myanmar, Maldives and when we take decisions, we take decisions based on the data that is available in front of us which is accurate.
- That helps us assess the type of production that we can get with the equipment that we possess or the equipment that we need to hire from the market. Once the equipment is fixed and the production is fixed, the risk is pretty much mitigated and the results are in front of you. So these are the worries that we have and we have been trying to address them over the last 17 years by collecting the data and taking decisions on data base.
- Moderator:** Thank you. Our next question is from the line of Vinay Khattar from Lucky Investment. Please go ahead.
- Vinay Khattar:** I just wanted to get some basic sense. One, what are the broad bidding rates in terms of per cubic meter and associated cost both for harbours and I understand there will be a big range based on bottom and similar number for listed sand mining?

- Sujay Kewalramani:** Thank you, Sir. Thank you for the wishes. For port and harbour, the number changes from INR200, per cubic meter to INR1,300, per cubic meter in soil. Now this varies because of the type of soil, also the type of equipment deployed, the distance to which the soil is being carried and things like that. When it comes to rock, the rate varies from INR3,000 per cubic meter to INR10,000, per cubic meter, when it is hard strata, hard rock. Also this has a similar kind of comparison, when it comes to type of dumping ground, whether it is being reclaimed or whether it is being dumped offshore. So the range is from INR3,000 to INR10,000, when it comes to rock.
- In sand mining business, the rates are controlled by the market, market driven. So they will vary, it is a demand supply gap. So it will vary, state to state. In Maharashtra, sand is purchased, river sand is purchased anywhere between INR1,000 to INR1,100 per unit and in terms of, Rajasthan that is INR600. In terms of Madhya Pradesh, it is INR500. In terms of Gujarat, it is INR600. So, it varies from state to state. The dredging cost is usually in sand mining business anywhere between INR200 to INR250 per unit.
- Vinay Khattar:** So, that's wonderful, very detailed concept. So I was saying that when we are doing both direct bidding as well as we are subcontracting for DCI, if my understanding is right. Can you clarify that one second? How does the pricing and margins differ in both the cases?
- Sujay Kewalramani:** Sir, in case, when we are going on our own, we have little better margins as compared to subcontracting with DCI. DCI usually holds about 5% to 10% of the margins, with themselves. So they get a particular rate on nomination basis from the employer and then, they will bid out the contract after keeping margins of 5% to 10%. When we are able to directly contract with the employer, that is when, we are even able to exploit the additional 5% to 10% margins.
- Vinay Khattar** So in a DCI contract, this could be then means that, we are closer to 30% or lower?
- Sujay Kewalramani:** No, even without that, we have maintained more than 30%. I am saying, we could go more than 40%, if we were able to get the contract directly from the employer.
- Vinay Khattar** Understood. So if we are direct, then we are closer to 40% and if we are through DCI, then that is maybe 30%- 35%.
- Sujay Kewalramani:** Yes, you are right.
- Vinay Khattar** Understood. So another point that, you spoke of, we were sitting on significant cash and cash flow to EBITDA ratios are fairly good. But the kind of expansion that, you are talking about, including four dredgers, which will happen to be bought probably this year, if we get those contracts. Is there a plan for next capital raise one year down the line? How do you guys see or will the internal cash flows be sufficient without any further dilution of equity at least in the next two years- three years?
- Sujay Kewalramani:** Presently, we have no plans to dilute any equity this current year. If at all, there is a requirement, we will go with debt. We are sitting on cash in excess of Rs. 50 Crores, by the end of this first half, we will be sitting on cash in excess of INR80 crores. So if at all, any further expansion is

required or any further capex is required, subsequent to an award of a contract, we will go for debt.

Vinay Khattar Understood. So one last question, if I could just ask. In one of the points, on risk you mentioned that, you've got a very rich repository of data of Indian coast in terms of soil, in terms of the sea bottom and so on. But how do we get this data? Do we do any kind of our own survey? Is this data commercially available? Do we own survey vessels? How is this done?

Sujay Kewalramani: So we have done certain surveys ourselves. Other people have also done certain surveys. We have tied up with those survey agencies and procured that data. We have had long interactions with the employers and collected data over the past 30 years from the employers. So we have cross-matched that data. And since the dredging is going on year-on-year basis, we have been collecting data from public domain as well. So it's a mix of all.

Vinay Khattar But anybody will have access to this particular repository, right?

Sujay Kewalramani: Anybody, who is interested and is continuously collecting this data over the last 20 years, will have. But they won't have the first-hand experience that we've had as well. So they would have to learn from the employer and they would have to learn from themselves. But unless, they are in the dredging business, unless they are doing it themselves, they will only have information that is third-party information.

Vinay Khattar Understood. This is really helpful. Thank you.

Sujay Kewalramani: Thank you, sir.

Moderator: Thank you. Our next question is from the line of Janak Lotwala, who is an Individual investor. Please go ahead.

Janak Lotwala: Hi, Sujay ji. Thank you for taking my query. I had only one query. This is regarding the international business that we intend to pursue. In the last con call, I believe, there was a mention of a business that, we are trying to crack with the port authorities in Maldives, something on the lines of similar project that, we did in Myanmar. Any update on that front?

Sujay Kewalramani: Sir, we explored that business. That particular business was not giving us the margins and it required us to invest a lot compared to the ROC and ROCs that, we maintained. So we have kept a pause on that. Whereas presently we are exploring business in Myanmar, additional business in Myanmar and Bahrain.

Janak Lotwala: Okay. And any size of business that, guidance or something on that front? What kind of business do, we expect there? Will it be maintenance? Will it be capital dredging and the size of the opportunity that, we can look at?

Sujay Kewalramani: Sir, I can give you a brief in the sense in Myanmar, it is regular dredging business. In Bahrain, it is sand mining business. So size and all you will get to know very soon.

Janak Lotwala: Okay, Sujay. That's very well answered and I wish the management all the best for all quarters to come. Thank you.

- Sujay Kewalramani:** Thank you, sir.
- Moderator:** Thank you. Our next question is from the line of Vignesh Iyer from Sequent Investments. Please go ahead.
- Vignesh Iyer:** Hello, sir. Yes, you're talking about this eight dredgers that you're planning to add by the end of the year for the contract of the size of INR400 crores, depending on the contract, if you get or not, if it is executable or not. Just to get an understanding, what would be the cost of this eight dredgers in case you go ahead with it?
- Sujay Kewalramani:** The cost of each dredger is between INR8 crores to INR10 crores.
- Vignesh Iyer:** Okay. And the capex that you're planning around is INR60 crores plus, would this be over and above that or you have got some dredgers, calculated as part of the capex?
- Sujay Kewalramani:** Sir, this is including that. We are not doing this as a separate case. The capex will be limited to INR60 crores to INR90 crores this year. And that would include the dredger of cutter section dredgers because we are expecting at least a hit rate of 50%. So, if get four dredgers instead of eight dredgers. But if we get all eight, then we'll take debt for it. And we will plan for the capex.
- Vignesh Iyer:** Okay. Got it. Yes. So what would be the margin profile for this specific contract? Is it a bit lucrative, more lucrative than, what you currently hold in your books?
- Sujay Kewalramani:** No, sir. It is along the same margins, EBITDA margins of 30% to 40%. It will maintain that.
- Vignesh Iyer:** Okay. Fine, sir. Thank you. That's all from my side. Thank you. All the best.
- Sujay Kewalramani:** Thank you, sir.
- Moderator:** Thank you. Our next question is from the line of Abhishek Singhal from Naredi Investment. Please go ahead.
- Abhishek Singhal:** Thank you, sir, for taking my question. So my first question, as on March '22, con call, you specified regarding new business plan like ship building JV timeline, three months to six months, and dredging, cutter, JV six months of fishing harbour or scrapping vessels, JV one year. So what is the current status, sir? Please update us.
- Sujay Kewalramani:** Regarding fishing harbour, I've already updated that, the first contract is about to be completed. And we've already got a second contract. We have maintained our margins in that contract. Regarding Cutter Suction Dredges, we are planning to invest and we have made bids worth INR400 crores with Inland Waterway Authority of India and we are fully qualified for that. Regarding ship building, sir, we are doing it for ourselves, right now.
- We are not doing it for a third party because we find that, investing into that business is not yielding similar margins to that of dredging. So we are waiting for a contract, where we get those kind of margins. Or we are looking to further see, what kind of subsidy the government offers. And last one, being the sand mining business, we have made bids worth INR425 crores in that as well.

- Abhishek Singhal:** Okay. And sir, second question, INR500 crores order are expected to be received in FY 2024. So how many new vessels will be required to ful-fill the order and new vessels, new fleet will be manufactured, or will we, purchase from market?
- Sujay Kewalramani:** Sir, the new fleet in terms of Inland Waterway Dredging, sand mining and with private entities will either be purchased directly from the market or hired. When it comes to small craft business, that is INR70 crores, we will build those Crafts and that construction is allowed under that particular contract. The capex plan is between INR60 crores to INR90 crores. So we will add anywhere between four to eight assets in this particular year.
- Abhishek Singhal:** Okay. And, sir, last question, Government currently working on a Namami Ganga Project. Will you also participate in that project? And can we get any order from there?
- Sujay Kewalramani:** Sir, we are actively exploring that project and we are working with the Government on that. Since, it's a very large project. We are asking the Government to break up, break the project up into parts. It's an entry barrier and no other Indian contractor is also qualified single-handedly because they don't have such kind of dredging experience. So once the government breaks it up into parts of INR300 crores or INR500 crores and or in terms of volume, in terms of 3.8 million or 4 million cubic meters each stretch, then we'll be able to participate.
- Abhishek Singhal:** Okay. Thank you so much. And a small suggestion from my side, whenever you receive any new order, please also update on exchange platform and do not wait for the detailed session.
- Sujay Kewalramani:** Sir, advice well taken. We'll do it immediately within 24 hours of getting the orders.
- Abhishek Singhal:** Okay, thank you so much.
- Moderator:** Thank you. Our next question is from the line of CA Garvit Goyal from Nvest Research. Please go ahead.
- Garvit Goyal:** Okay, thanks for the question again. I'm more asking you on basically from H1 point of view. So out of total order book of INR200 crores, how much is going to be executed in H1?
- Sujay Kewalramani:** Sir, it will be between INR120 crores to INR140 crores.
- Garvit Goyal:** And out of total, I think you mentioned INR150 crores will be executed in entire year and INR140 crores will be in H1 only.
- Sujay Kewalramani:** Correct. That is what we are planning for.
- Garvit Goyal:** Okay, sir. Understood, right. Thank you.
- Moderator:** Thank you. In the interest of time, that was the last question of our question and answer session. I would now like to hand the conference over to Mr. Ronak Jain for closing comments.
- Ronak Jain:** Thank you participants for having us today. It has been a pleasure. If there are any other questions or queries that, we have not been able to answer, please feel free to reach out to the Orient Capital team. Thank you.



Sujay Kewalramani: Thank you, sir.

Management: Thank you so much.

Moderator: Thank you. On behalf of Knowledge Marine & Engineering Works Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.