Ref: KMEW/BSE/Reg-30/2024-25/11 **Date:** 06th June, 2024

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

Dear Sir/Ma'am,

Scrip Code	Symbol	ISIN
543273	KMEW	INE0CJD01011

Sub: Transcript of Earnings Call held on 31st May, 2024 on Financial Results of the Company for the financial year ended 31st March 2024

In terms of Regulation 30 read with Schedule III and Regulation 46 of Securities and Exchange Board of India (Listing Obligation and Disclosure Requirement) Regulation, 2015, as amended, please find attached herewith the Transcript of Earnings Call held on 31st May, 2024 for the Financial Results of the Company for financial year ended 31st March, 2024 and is available on the Company's website at https://www.kmew.in/investor-information.html

Kindly take the above on record and oblige.

Thanking You,

Yours Faithfully,
For **Knowledge Marine & Engineering Works Limited**

AVDHOOT AJAY KOTWAL
Digitally signed by AVDHOOT AJAY KOTWAL
Date: 2024.06.06 18:13:10 +05'30'

Avdhoot Kotwal
Company Secretary & Compliance Officer

Encl.: a/a

"Knowledge Marine & Engineering Works Limited

H2 & FY 24 Earnings Conference Call"

May 31, 2024

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. AMAR YARDI – ORIENT CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to the Knowledge Marine & Engineering Works Limited H2 and FY 24 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Amar Yardi from Orient Capital. Thank you and over to you, sir.

Amar Yardi: Thank you. Good evening, everyone. Welcome to the H2 and FY 24 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.

Before beginning with the call, I would like to give a short disclaimer. 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 risks and uncertainties that are difficult to predict.

With this, I now hand over the call to Mrs. Kanak Kewalramani for the opening remarks and financial performance of the company. Over to you, ma'am.

Kanak Kewalramani: Thank you. A very good afternoon to everyone and on behalf of Knowledge Marine & Engineering Works Limited (KMEW), I welcome you all to the H2 and FY24 Earnings Call of our company. I hope everybody had an opportunity to go through the financial results and investor presentation which has been uploaded on the Stock Exchange as well as on our website.

In FY 2023-24, it is to announce that we are fully aligned with our growth strategies and have successfully entered in new segments. We are proud to share that we have started operations into the Bahrain market by getting the sand mining license and securing a robust order book of approximately INR 450 crores. Additionally, our entry into inland waterways, marked by winning two significant contracts, opens up new opportunities to demonstrate our execution excellence and secure future contracts. To execute these inland waterways contracts, we have also successfully entered the Cutter Suction Dredger Segment. Moreover, we are pleased to report the successful completion of the fishing harbour contract work at Mangrol. These accomplishments highlight our dedication to expanding into new segments and underscore our commitment to growth and excellence in execution.

I would now like to give a brief on our Order Book Win & Status during FY'24: -

During FY '24, we achieved several prestigious milestones which are as follows.

International expansion: We secured our second international contract from the Myanmar Port Authority for the dredging and enhancement of the Yangon River Channel. This contract builds on our previous success at Sittwe Port and marks our first independent international project separate from our initial collaboration with the Government of India. We are pleased to announce that we have also won a repeat contract from Myanmar Port Authority, double the value of the initial one, for the ongoing Yangon River dredging maintenance work.

Entry into Bahrain market: We successfully entered the Bahrain market, specifically in the lucrative sand mining sector, aligning with our waste to wealth vision. This venture has resulted in an outstanding order book of approximately INR 450 crores over the next five years, significantly boosting our business visibility. Our dredger is already deployed, following the securing of the necessary license from Bahraini authorities, and we have realized a revenue of approximately INR 15 crores in FY '24 from the Bahrain segment.

New Customer Acquisition: We expanded our customer base by adding the order from Mumbai Port Authority. We secured an order from the Mumbai Port for the hire of two dock tugs, valued at INR 34.49 crores for a contract period of seven years, marking another significant expansion for KMEW.

Additional Contracts: We clinched an order from the Paradip Port Authority for the supply of a 20-knot speed patrol boat with a manning crew on hire, valued at INR 5.02 crores. Furthermore, our success at Vishakhapatnam Port is demonstrated by the repeat of our contract by three more years, at a higher bid, valued at INR 3.44 crores.

National Waterways contract: Looking ahead in FY '25, we are delighted to announce our involvement in the national waterways contract, having won two contracts. We are aggressively pursuing more opportunities in these markets. The supervision of these projects by the World Bank provide us with a competitive edge, both domestically and globally. Currently, we have two orders worth approximately INR 172 crores.

Our current order book, as of May 24, stands at INR 733 crores, with order win totalling INR 694 crores in FY '24, and an average tenure of more than 3 to 4 years.

Now, I would like to give some highlights on our asset base: -

With these contract wins, our fleet will soon consist of 24 vessels, which remarks our commitment to expand our fleet to 40 or more crafts in the next few years. We have successfully added three more vessels, River Pearl 18, a trailing suction hopper dredger, deployed in Bahrain, and two cutter suction dredgers for River Ganga project with IWAI, and we will add two more cutter suction dredgers, bringing our total to 10 dredgers. In our Port Ancillary Craft business, we will add 4 numbers of workboats for the River Ganga project, serving as supporting vessels. Additionally, River Pearl 14, River Pearl 15, and River Pearl 16, which are under construction, and are speed boat and tugs will be deployed at Paradip Port and Mumbai Port, respectively.

Our order book visibility continues to remain robust, with interest expressed in projects worth approximately INR 1,200 crores. We are committed to exploring new segments while maintaining a concentrated focus on our existing ones.

Moving on, I will now give a insights of the financials: -

In FY '24, we achieved a revenue of approximately INR 164 crores and recorded an EBITDA of around INR 50 crores, maintaining strong EBITDA margins at 30%, which underscores our commitment to stability. The decline in revenue was primarily due to external site conditions. However, we remain optimistic about our revenue outlook and expect to see improved performance in the coming years, with continued EBITDA margins of around 30%.

Our profit after tax reached Rs. 33 crores, with our PAT margin rising to 20%. Our net debt increased due to the acquisition of new vessels in FY 24. We aligned our existing debt facilities with specific fleet contracts, ensuring timely repayment before the completion of each contract. Our strategic vision focuses on establishing a sustainable and reliable dredging and marine engineering company in India.

Furthermore, we are excited to announce that KMEW will soon be listed on the BSE main board, along with a direct listing on the NSE main board. This milestone is a significant achievement for our company, reflecting our growth and commitment to becoming a major player in the industry. Being listed on these prestigious exchanges will enhance our visibility, attract new customers and provide us with greater opportunities to expand our operations and achieve our strategic goals.

Our strategic vision continues to centre on establishing a sustainable and reliable dredging and marine engineering company based in India. We remain committed to expanding our operations and fleet. This ongoing expansion plan mirrors our ambition to attain a prominent position in the dredging industry.

Additionally, our objective is to capture a sustainable market share of 10% in the dredging business. Through the utilization of our expertise, advanced technology and robust project execution capabilities, we are actively positioning ourselves as a trusted and preferred partner in the industry.

Thank you. Over to you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Marutinandan Sarda, an Individual Investor. Please go ahead.

Marutinandan Sarda: Hi, good evening. Am I audible?

Moderator: Yes.

Sujay Kewalramani: Hi, yes. Good evening. This is Sujay Kewalramani, the CEO. I would like to add Mr. Saurabh Daswani, the Managing Director of the company is also available on the call. So you're audible, sir. Go ahead.

Marutinandan Sarda: Okay. My first question is on the cash balance available. We have around INR 50 crores of cash available and at the same point of time, we have debt as well, long term as well as short term. So are these debts in foreign denominations or are these local ones?

Sujay Kewalramani: No, sir. Can you repeat? Your voice is echoing too much. Can you repeat the question?

Marutinandan Sarda: Yeah. The question is on the debt. Currently, we have a debt of around INR 60 crores, long term and short term taken together. And at the same point of time, we have cash balance as well on our balance sheet, which is approximately INR 48 crores-INR 50 crores. So are these debts taken in foreign currencies? That's why you're not using the cash to pay it?

Sujay Kewalramani: The reason that we are not using up the cash balances is for future growth prospects. Any future acquisition capex that we do requires us to keep 25% cash balance as against the debt that we pick up. So we always want to have this cash balance available with us. That is one of the reasons.

Secondly, any good assets available in the second-hand market, if we have cash available, allows us to take a faster decision as compared to waiting for debt from a bank. So as our decision making is faster, we are able to negotiate better prices. So we always want to have a certain amount of cash available with us at all times.

Marutinandan Sarda: Okay. Second question is on the non-current investment. If I add up both non-current, which is under non-current assets as well as current assets, it totals up to around -- INR15 crores plus INR30 crores -- around INR45 crores. Can you give a break-up of what constitutes this INR45 crores?

Kanak Kewalramani: So I'll give you a break-up of it. Non-current investments include the fixed deposits which are kept on lien for issuing the bank guarantees by the bank and includes our investment in our subsidiary companies.

Marutinandan Sarda: Okay.

Kanak Kewalramani: And current assets include the advance tax which we have paid, TDS and GST and other assets which we have, like cash, inventories and debtors.

Marutinandan Sarda: No. My question is on the current asset side, you have Item number F, other current assets, that is INR15 crores. What's the break-up of that one?

Kanak Kewalramani: That is the revenue available with the tax authorities like Advance tax, TDS and GST input tax.

Marutinandan Sarda: Okay. And I have one more question, if you can allow me, which is on the top line. So this year we have done INR 164 crores of revenue and out of this, INR 15 crores is coming from the Bahrain project, right?

Kanak Kewalramani: Yes. INR 15 crores is coming from the Bahrain.

Marutinandan Sarda: So other than Bahrain project, we have done revenue of around INR 150 crores, right?

Kanak Kewalramani: Yes, correct.

Marutinandan Sarda: So that other revenue, we will be continuing the same run rate of INR150 crores or there will be an increase of maybe 10%, 15%, 20% in FY'25?

Sujay Kewalramani: There is definitely going to be an increase in it. Sir, besides your question, I'm sure everybody will want to know why there was a reduction in the revenue as compared to the previous year. I would like to explain that in one of our contracts, there has been a delay in recognition of revenue.

In the month of January, there was an unrest in the state of Rakhine where the Sittwe Port is located, we were supposed to carry out maintenance dredging for the particular year last year, but due to unrest over there, Government of India, Ministry of External Affairs decided to move out all the Indian locals from the site till further orders. And we moved out of the site and we moved to Yangon. We were supposed to recognize an additional INR70 crores of revenue this year, over and above INR 165 crores from that order, which is now delayed and will be recognized this year.

Marutinandan Sarda: Okay. So this year, other than Bahrain, we can assume that at least the top line would cross INR200 to INR220 crores, right, other than Bahrain?

Sujay Kewalramani: Yeah, that's possible, yes.

Marutinandan Sarda: And Bahrain will be contributing around INR 90 crores because it's a five-year contract of INR 450 crores. So if I divide equally on five years, it will give INR 90 crores. So we can expect a top line of INR 300 crores on a conservative basis for FY'25.

Sujay Kewalramani: So this year, we are planning for an upgrade of the vessel that we have mobilized to Bahrain because we have learned certain local things over there. So the revenue this year will not be INR 90 crores, it will be close to INR 75 cores to INR 80 crores because we are going to upgrade the vessel and have a downtime of 30 days. So that is a difference, but that revenue of INR10 crores-INR15 crores will definitely be recognized in the next year.

Marutinandan Sarda: Okay, so on a conservative basis, if I take your numbers, INR225 crores from the existing projects and INR75 crores from Bahrain will be touching INR300 crores top line next year, that is FY'25, with the same EBITDA and PAT margins, right? We can maintain these margins or better these ones?

Sujay Kewalramani: Let's keep a range of between INR270 crores to INR300 crores as a top line, sir.

Marutinandan Sarda: Okay. And what's the net profit margin conservatively you are looking at?

Sujay Kewalramani: That has always been consistent in the history between 20% to 23%, sir.

Marutinandan Sarda: Okay, so minimum bottom line we are looking at is INR60 crores, that's the conservative estimate for next year, right?

Sujay Kewalramani: It should be a minimum of INR60 crores, sir.

Marutinandan Sarda: Okay, that's fantastic. Thanks a lot for all the explanation and I wish you all the best.

Sujay Kewalramani: Thank you, sir.

Moderator: Thank you. The next question is from the line of Sarang Joglekar from Vimana Capital. Please go ahead.

Sarang Joglekar: Yeah, thank you for the opportunity. So, I wanted to ask, you said we can expect to INR270 crores to INR300 crores top line in FY'25. I just wanted to understand, you have an order book of INR733 crores with an average tenure of three to four years. But when you're saying INR300 crores, that's almost, I mean, a higher percentage of your order book. So how are we planning to recognize like such a big share of your order book, almost 41% of the order book in one year?

Sujay Kewalramani: Sir, we have a confirmed order book of INR733 crores. In the next 30 to 45 days, we have a bid pipeline of INR1,200 crores. We are expecting additional orders to the tune of INR400 crores from that. We are very likely to get another INR400 crores. So that will take our order book in excess of INR1,100 crores. INR1,100 crores spread out over three years easily gives us INR300 crores next year.

Sarang Joglekar: Right. So assuming that you get additional INR400, you are saying INR270 crores to INR300 crores can be doable?

Sujay Kewalramani: Sorry?

Sarang Joglekar: I mean, just on the basis of existing order book, let's say, how much of that will be executed?

Sujay Kewalramani: I'm unable to hear you clearly, sir. Can you speak up?

Sarang Joglekar: Yeah, I said just on the basis of existing order book and not the one in the pipeline, how much of that INR733 crores do you plan to execute this year?

Sujay Kewalramani: If it remains only INR733 crores, right? That's what the question is, right? If we don't secure any other orders.

Sarang Joglekar: Right.

Sujay Kewalramani: So it will be between -- if we don't secure any further orders, which is very unlikely, then because we have a hit rate of more than 50% in the past. So it will be around INR230 crores.

Sarang Joglekar: INR230 crores. All right. Okay. Also, National Waterway's contract that you bought, has the execution already started or the entire execution will start in FY'25?

Sujay Kewalramani: So the first contract that we got for the Farakka-Kahalgaon stretch, the start date for the contract was 23rd of April 2024. We are working towards achieving the LAD. Once we achieve the LAD, then three years of contract duration will begin.

We are expecting before 15th of June, we will be able to achieve LAD and our revenue recognition will start from 15th of June for the first stretch. Secondly, the second stretch of Barh- Digha that we have secured, we are in the mobilization phase right now. The mobilization will be completed in July and the revenue recognition will start post that.

Sarang Joglekar: Okay. So first one will start from 15th June and second from 15th July.

Sujay Kewalramani: And we are expecting additional two more orders from Inland Waterways Authority of India within the next 30 to 45 days and those orders also have to start within 45 days of receipt of the order. So we don't need to wait till next year to start any of these works.

Sarang Joglekar: So typically for IWAI contract 45 days is the time period you need from winning the order to starting to execute it.

Sujay Kewalramani: Yeah. So all IWAI contracts have 45 days of mobilization period and then commence.

Sarang Joglekar: Okay. Thank you. One last question. In Bahrain last time you had said that there is a demand for one more vessel. So do we have an update on that?

Sujay Kewalramani: Presently, we are exceeding the expectation right now and we will take a look at adding another vessel only after October this year. So we have just started and we want to see at least 6 months of pure correct streamline of revenue coming in, timely payments and reliability on the counterparties and then 100% reliability on the counterparties and then we will be introducing the second vessel. Presently, our focus is on carrying out capex and increasing our revenue from Inland Waterway Authority of India.

Sarang Joglekar: And for FY25 how much capex do you plan to do?

Sujay Kewalramani: We have done a capex of about INR40 crores up till now. And provided that we get all the contracts and build an order book of INR1100 crores in the next 45 day. We will have to do an additional capex of INR100 to INR120 crores.

Sarang Joglekar: So around INR150 crores of capex in FY25.

Sujay Kewalramani: Yes.

Sarang Joglekar: Okay. Thank you. That's it from my side. I will come back for a follow-up question.

Moderator: Thank you. The next question is from the line of Abhishek Agarwal from Naredi Investment. Please go ahead.

Abhishek Agarwal: We have INR450 crores sand mining order received from Bahrain market. Out of this INR15 crores order as you predicted in H2. So what is the weakness in execution on this INR450 crores order?

Sujay Kewalramani: Sorry, what is what?

Abhishek Agarwal: What is weakness in execution so we done only INR15 crores in H2 and our order pipeline is INR450 crores?

Sujay Kewalramani: Sir, initially, when you start a project of 5 years it takes time for the vessel to streamline. And it started from end of January, early February. So we only had maybe 65 days, 70 days of working period and initially usually, logistics issues and all of this will come, but now we have streamlined the project. That is why we believe that we will be able to do a higher run rate as compared to last year.

Abhishek Agarwal: And the contract received in Bahrain market which will generate revenue from dredging activity or from selling mining sand and if revenue comes from selling mining sand then any contract has been made with someone and where this mining sand is used?

Sujay Kewalramani: Okay. So it is purely from the sale of sand. There is no revenue that will be recognized from the dredging activity. The dredging activity is only being done to mine sand from the sea and bring it ashore. We have declared in the past that we have received letter of intent from six, seven different companies adding to this order value of INR450 crores and we have started recognizing revenue from these entities for providing them with the sand, supplying them the sand.

The sand is mainly used for the construction work of buildings, roads, bridges and then there is also a huge demand for reclamation purposes. The Bahrain 2030 vision and 2050 vision require approximately 1 billion cubic meters of sand that needs to be reclaimed for construction of five islands and we are looking to contribute to that project in the long run. So we have established ourselves with that and reclaiming a land in Bahrain will become one of the largest segments going forward, just not the selling of sand in the market.

Abhishek Agarwal: So in 450 crores orders any price escalation clause?

Sujay Kewalramani: Sorry INR450 crores?

Abhishek Agarwal: Price escalation clause.

Sujay Kewalramani: Yes it is not a fixed price contract. It is market driven. So this is not with the government of Bahrain. This is with private entities and we had fixed the price for the first 6 months. We are free to increase the price as driven by the market after the initial 6 months.

Abhishek Agarwal: Okay. And for the last question, recently you won order from IWAI and going forward you also mentioned two more orders received from IWAI. So for this contract we have sufficient vessel or we want to add more vessel for IWAI orders?

Sujay Kewalramani: Sir, we will have to add cutter suction dredgers and allied crafts for these orders. That is why we will have to do a total capex of INR160 crores this year for the additional orders on cutter suction dredger and the allied crafts.

Abhishek Agarwal: Okay. Thank you so much.

Moderator: Thank you. The next question is from the line of Rudresh Kalyani from Kalyani Private Business. Please go ahead.

Rudresh Kalyani: So I have got few questions. So I see that other expenses shot up by somewhere around 2.5x to 3x. So what is the reason behind that?

Kanak Kewalramani: The reason behind that is the major expense which we have done in the second half is the CSR which we have to do in the second half. And it is calculated on 2% of the average net profit of last 3 years. So around 70 to 80 lakhs has gone in CSR and plus if you see we have added the orders and vessels in the second half and that is why the other expenses have shot up.

And there were some legal expenses which we have done in drafting the agreement for the vessels procurement and all that, insurance cost of the vessels have also gone up. So like that if we add all of those expenses, other expenses have shot up.

Rudresh Kalyani: Okay. And I see a trench of stake getting sold by a promoter in the month of Feb. So what is the reason behind that

Sujay Kewalramani: Well, we believe that we needed further money to grow and we had worked in the company for last 10 years. We had kept our salaries really below par and we believe one day we will be able to reach a valuation where we would dilute 4%, 5% and recognize the hard work put in by the promoters in the last 10 years. So we found best buyers, mutual funds to come in and invest in the company. And at that time promoters decided that we can disinvest about 5%, 6% of our stake.

Rudresh Kalyani: Do we foresee any future selling in the future as well

Sujay Kewalramani: No actually presently we have decided that we intend to buy back our share on the valuation in which it is available. So you will see next week the promoters actually buying back some of the equity.

Rudresh Kalyani: And one more suggestion is whenever we get a project we give commentary on that particular project. In the similar lines is it possible to give commentary post result as well as I didn't see in many of the quarterly results, half yearly results

Kanak Kewalramani: We give the presentation post announcement of the results and in that everything is mentioned in detail.

Sujay Kewalramani: We usually do this conference call to discuss as much as possible with all the stakeholders, but we will take your suggestion under consideration and we will work with our IR team to see what can be done about that in the future.

Rudresh Kalyani: Because the thing is we were in the shadow till this call happened as why the top line has come down. So it's better if you have something like commentary from the management side or press release or something like that which highlight what all happened.

Sujay Kewalramani: I believe so, sir. I understand your reasoning and I think it would have given better information about the given situation. So we will take that under advise and we will try to do that from next time onwards and I would say believe in the company, the fundamentals of the company are very strong and it is just one off that this happened. And this was not in the hands of the promoters, neither the government, situation happened and then it is just delay in recognition of the revenue.

There is nothing else. No change in margins, our order book was INR200 crores in FY23. Here today, we stand at INR700 crores plus. So we have done very well in securing orders. We have done very well in adding assets.

We have done very well in the execution up till now. So this was a one off situation that happened. And I mean, God willing, it should not happen in the future, but something that was beyond the control of the government of India and beyond the control of the promoters of the company. So the best we can do is be more clear about it in the future so that people know.

Rudresh Kalyani: Okay, thank you. And last question is, can we quantify when will we move into the main board?

Sujay Kewalramani: Within definitely within the next 60 to 90 days.

Rudresh Kalyani: Okay, okay, thank you. That is from my side. Thanks, all the best.

Moderator: Thank you. The next question is from the line of Vinay Agarwal from Shree Venkatesh Investments. Please go ahead.

Vinay Agarwal: Thank you for providing me the opportunity. Just like I would like to know, the management will provide an outlook for FY25 in regard to the order book. We have grown the order book multiple times in FY24. So what could be the, by the end of FY25, what could be the type of quantitative order book we would have?

Sujay Kewalramani: Presently, the given scenario is that we have an order book of INR733 crores. We intend to add another INR400 crores very soon. That will take our order book to INR1,100 crores. Exhausting about INR300 crores this year, we should reach around INR700-INR800 crores going forward. And we would be able to add an additional 50% of that by the end of this financial year.

Vinay Agarwal: Okay, thanks a lot.

Sujay Kewalramani: Thank you.

Moderator: The next question is from the line of Abhishek Rao from KLTS Capital. Please go ahead.

Abhishek Rao: Hi, thanks for the opportunity. I had a couple of questions. One simple question I had was on employee benefit expenses, which has gone up slightly. It's not a very large number, but I want to understand, is it a routine year-on-year increase or are we adding capabilities in any of the teams?

Sujay Kewalramani: It's a combination of both. We have added more professionals to the team as we are growing. And with the help of these professionals, we were able to demonstrate to the Government of India that we have the given management to additionally grow our bandwidth and take future orders. And that's why we were able to enter into IWAI. We are planning to enter into other businesses of dredging with DCI and these people will help us secure those orders.

Kanak Kewalramani: But still it is 5%-6% of the revenue, so I think we are within the margins.

Abhishek Rao: I just wanted to understand, are we adding capabilities just from a perspective of what is the future that is going to look like? The other question I had was there is a slight increase in gross margins. Is this because of costs coming down or are we seeing some price increase that's happening? It's very small, it's around 3%, but just want to understand that.

Kanak Kewalramani: So first half, two of the major contracts were on with a JV partner and second half, those contracts were got over. So subcontracting expenses of the JV partner got reduced. So that is how the margins improved.

Abhishek Rao: Okay. The other question I had was how are we able to win these orders? What is it that we have? I know experience, et cetera, et cetera, but we've been able to get around 50% of the orders. What is the unique point that we have that is gaining us this kind of order book?

Sujay Kewalramani: So first, there is very limited competition in the market. Second, our ability to source the equipment and be able to deploy it on time is another capability that government looks at. We meet all the qualifications requirements as per the CVC guidelines. All these put together in the team that we have, that helps us price the bid properly as compared to the competition and that's how we secure the orders.

Abhishek Rao: And what stops competition from coming into this segment considering the margins that we are looking at?

Sujay Kewalramani: So it's an evolving thing. So there are entry barriers, which I have been saying year on year again, in any dredging business, in any dredging contract. So let's assume it's a contract of INR100 crores.

INR100 crores contract requires that you should have done a turnover of INR30 crores average for the last three years from the same business. In terms of work experience criteria, you should have done three works of INR40 crores of the same kind of business, two works of INR50 crores and one work of INR80 crores of same kind and you should demonstrate to the government that you are having the possession of the equipment if the work is awarded to you. So that kind of paperwork to that effect from the last owner of the equipment or from the yard should be available with the company.

So all these three parameters have to be met impeccably for the government to qualify any company to opening their price bid and then you have to be competitive enough to win the price bid. So it's a challenge how somebody has to invest into the equipment, have that criteria and then come and bid and be able to secure. So we have done this for various companies over the years and now for our company for the last eight years and that is what allows us, gives us an edge compared to the competition.

Abhishek Rao: I'm good to go. Last question I had was, you were mentioning that the revenue or you know whenever we dredge the sand, it is sold and you know it's determined by market prices. As a company do we look at say entering into long-term selling agreement with any of the end users for the purchase of the sand or is it that we take an open call at the time of having inventory?

Sujay Kewalramani: So 60% of our sand that we mine has been agreed into a sale for the next five years. So we already have our fixed contract wherein we can vary the price as per the market but it is going to be picked up by our clients. 40% we have kept it for the open market.

Abhishek Rao: Okay and where do you think I will be able to track the pricing of the sand market here? Anything which is available or something that you probably refer to at the time of taking the decision?

Sujay Kewalramani: So it's a small market controlled by a very few players. So we are the fifth company and only Indian company present in Bahrain which has got the Sand Mining License. The other four are Bahraini companies.

Our vessel is the most technologically advanced vessel available in Bahrain right now. It is all supply demand and it is driven on an almost daily basis. So I don't think there is this data available in the public domain as much but presently the sand market is anywhere in Bahrain between $2.5 per ton to $2.75 per ton which translates to 3.75, oh sorry BD, I meant BD not dollars, Bahraini dinars. 3.75 Bahraini dinars to 4.25 Bahraini dinars per cubic ton.

Abhishek Rao: Okay, got it. That's it from me. Thank you.

Moderator: Thank you. The next question is from the line of Sarang Joglekar from Vimana Capital. Please go ahead.

Sarang Joglekar: Yeah, hi, thanks. So again in the order book and revenue recognition, so you said INR75 crores will be recognized in the Bahrain project this year and on the IWAI project that you have already won, how much of recognition will happen in FY25?

Sujay Kewalramani: So we have secured an order book of INR175 crores from Inland Waterway Authority of India. That is over a period of three years. So we will be able to bill between 55, approximately 55 to INR57 crores this year.

Sarang Joglekar: 55 to 57 for IWAI. Okay, and 75, so that is around 130 from these two projects.

Sujay Kewalramani: We have additional INR 50 crores from the Yangon project. We have about INR70 crores coming in from Sittwe and then additional ancillary business is put together. That is why we are estimating at 270.

Sarang Joglekar: That is how you get at 270. Okay. So apart from the Bahrain contract, you said 60% of the sand mine is sold to contracts and 40% is open market. So the INR450 crores order book that you have given, that is only considering the 60% contract value or is it over and above that?

Sujay Kewalramani: That is with 100%.

Sarang Joglekar: Sorry, I couldn't hear you.

Sujay Kewalramani: That value is with considering 100% of the quantity that we supply in the market.

Sarang Joglekar: Okay, got it. And on the competition side, can you name any players who were there in the Inland Waterways who were bidding with you in the tenders?

Sujay Kewalramani: So presently, when we are in the last few months, which bids have been opened and placed, we have seen only four players. One being Northernexpress Infra Private Limited, NIPL. Second one is Dharti Dredging and third one is Adani and the fourth one is us.

Sarang Joglekar: Adani and?

Sujay Kewalramani: Fourth one is us. More than 50% of the bids, it has only been us and Dharti Dredging. Whereas few bids, it has been Adani and us and Dharti and there's only two bids where it has been NIPL, us and Dharti.

Sarang Joglekar: Okay, just to understand the competitive intensity, can you give some information on how much is the difference between L1 and L2 in these contracts?

Sujay Kewalramani: So the difference between those, I will let you know, we secured the bid at INR83 crores and Adani was at INR108 crores.

Sarang Joglekar: Okay, and the L1 is the latest one that you got?

Sujay Kewalramani: The one bid that we secured, we were at INR62 crores and Dharti Dredging was at INR67 crores.

Sarang Joglekar: All right, got it. Yes, that's it from my side.

Moderator: Thank you. The next question is from the line of Vikram from Nuvama Wealth. Please go ahead.

Vikram: Good evening, Sujay sir and Kanak ma'am. Firstly, congratulations on breaking into national waterways contracts and even Cutter's Suction Dredging. Two questions from my side and I'm sorry if this may have been answered as I joined the call late.

First is, given the scope of national waterways project and also the World Bank funding, are we expecting competition to increase or maybe entry to the World Bank? Are we expecting the entry of foreign players?

Sujay Kewalramani: Hi, Vikramji. Historically, if you see in the last 10-15 years, none of the foreign dredging companies have participated in any of the inland waterway dredging contracts. Reason being, they do not have sufficient data to take a call.

I will give you a little bit of, there is 106 national waterways identified by government of India, out of which presently, we are only working on one, national waterway one, which is Ganga. The second contract that are in the process or in the pipeline of bidding is for national waterway to Brahmaputra. So there's more than 20,000 kilometers of rivers that need to be dredged.

And we've only secured presently about 170 kilometers from it. So there are not sufficient players available in the market with sufficient experience criteria for government to be able to bid out a complete river stretch of let's say 1,000 or 2,000 kilometers. So the only option available with government of India today is to break it up into smaller stretches of 70, 80, 90, 100 kilometers, because the companies available with the experience can only bid for such projects.

Three years down the line, we would have secured sufficient experience to be able to bid for single river at a stretch. So right now, that's where it is.

Vikram: Okay, thank you. That seems like there's a long runway for growth just in this segment.

Sujay Kewalramani: It's just started. I mean, it's just the cusp of a start.

Vikram: And my second question is on the margins in Bahrain. I see revenue was close to INR16 crores and segmental profit was about INR10 crores. So EBIT margins would be at 60% plus. Is this going to sustain or will this taper down going forward?

Sujay Kewalramani: It will lower down going forward because we will be doing some upgradations to the vessel. So there will be some expenditure to it. So initially, always, we are able to recognize higher, but then as we go along, I wouldn't project 66% or 60% as EBITA margins.

Vikram: But this would definitely be higher than Indian.

Sujay Kewalramani: It will be higher than Indian margins. Okay.

Vikram: Okay. Thank you so much and best of luck for the future.

Moderator: Thank you. The next question is from the line of Sarin from K 16 Advisors. Please go ahead.

Sarin: Hello, everybody. My question is regarding...So please, if you can just, you know, try to understand and then you can answer. So you've mentioned a lot of dams and as a prospect going forward. And even the earlier participant, you have responded that there is a long way to go. I was just curious. So many ports have come up over the last 15, 20 years. So the market for dredging in India should have exploded.

And yet we have, you know, players with only a few hundred crores of revenue bidding. So who are we trying to replace? All these ports that have come up, do they have their own captive dredging equipment and their own way of, you know, carrying out all the dredging requirements?

Sujay Kewalramani: So it was very difficult to understand you, but I will try my best to reply. One, I believe you mentioned about projects on dams, right? So presently all the elections were going on. All the state governments had gone silent for the last two months on that. We believe starting July, again, that subject will heat up and bids will continue. So you will see results going forward in the future on such bids.

Second question, I believe, was so many ports have come up and the dredging market should have exploded, but we only see a few hundred crores worth of revenue. We started from a two crores revenue company to INR200 crores, we are projecting INR300 crores. This is the only way to grow is slowly because of the entry barriers.

And we, I mean, there is no other company besides us, which has grown at this pace and such organized manner. Adani Port and Special Economic Zone has secured most of the private ports and APSEZ has their own dredging team and own dredging assets for their ports. Government ports do not intend to buy their own dredgers.

Government took a policy decision in the 1990s no longer to buy their own assets, but to give out all the contracts on, all the work of dredging on contracts. Most of the capital dredging revenue in India is secured by foreign players, Dutch and Belgium companies. The maintenance dredging market is captured by Dredging Corporation of India, mostly between the tune of INR1000-INR1200 crores per annum.

So, we are growing into that business. So, in the market of about a billion dollar market in India every year in the port sector, so we are growing into it. We intend to go from INR200-INR300 crores company to a INR500 crores company very soon. So, that is what the idea is.

Sarin: No, sir. Thank you for the detailed answer and let me clarify. I was not making a sideways comment about your small size. What you have achieved is tremendous. So, I am highly appreciative and very impressed with your performance. I was only saying that in general and thank you for clarifying that Adani and APSEZ and it sort of gives a lot of clarity.

One further question, like, you know, Dharti Dredging, etc., they have been listed for a very long time. I remember visiting them more than 20 years ago, more than 22 years ago. They haven't sort of done quite that. Is there a scope for any subcontracting work with Dharti Dredging or any other entity which has access to market but cannot fulfil the role because of its cost structure or equipment not being up to the top grade, etc., if you can elaborate?

Sujay Kewalramani: No, sir. I am very sorry but I did not fully understand the question. Did you say that Dharti Dredging was a listed company?

Sarin: I am sorry. Dredging Corporation of India.

Sujay Kewalramani: Yes, it is a listed company. It is a listed entity and that is the government of India's entity. 74% stake is owned by 4 government ports, balances with the public. So, they are basically into the maintenance dredging market only. They do not venture out to foreign countries and they are very limited contracts that they pick up in India and their revenue can be recognized only that. They have an aging fleet and very soon, unless they add new capacity, there is very rare chance that they will grow further.

Mostly, they compete with the foreign leaders like Van Oord, Boskalis, Jan De Nul , Dredging International and they have a much younger fleet. So, wherever capital dredging business is there, it goes mainly to the foreign players.

Sarin: Now, thank you for this elaboration. Now, is there a chance for doing a subcontractor to determine whereby you can increase your revenue?

Sujay Kewalramani: We are a subcontractor to Dredging Corporation of India. We executed a contract for INR100 crores of rock dredging for Dredging Corporation of India. It was a capital Dredging contract and DCI did not have the in-house capability. Government of India gave it on nomination basis to Dredging Corporation of India and they tendered it out and we were the sole bidders for that contract and we have successfully completed that work for Dredging Corporation of India.

Presently, we have been declared L1 for a second subcontract for Dredging Corporation of India at Paradip Port. We are expecting that order next week and we are bidding for two more works that the National Waterway 2, Brahmaputra work which is going to be subcontracted by Dredging Corporation of India and Haldia Tranches job which is about INR250 crores. So, these two works are being at the tendering stage and we are participating and highly likely that we will be able to secure those works.

Sarin: Okay. Many, congratulations for this thing and also one last thing, just like Bahrain, you have made an entry that is amazing that a small entity from India has planted India's flag over there. Are there any other opportunities in the Middle East area that you are exploring?

Sujay Kewalramani: We are very actively exploring Saudi Arabia's business, and we are in the process of identifying a strong partner that we have identified in Bahrain which has helped us start the business very smoothly. So, once we have the strong partner and the formalities of registering a company and getting the required permissions and NOC from the government, being so close to Saudi Arabia, we will definitely plan to do work there along with our equipment in Bahrain.

Sarin: And thank you very much and many congratulations for having achieved this stage where you are entering the main bourses. Wish you the very best, in the larger stock exchanges.

Moderator: Thank you. The next question is from the line of Pratik Kulkarni from Kamayakya Wealth Management. Please go ahead.

Pratik Kulkarni: As I see that the management has said that we will be closing in on minimum INR60 crores of revenue for – sorry, profit for FY'25. I just wanted to ask that what are the risk factors in this, high growth journey which the company is currently going through?

Pratik Kulkarni: So, as I see that the management has, guided for minimum of INR60 crores of net income for FY'25, I just wanted to ask about a few risk factors which you can expand upon for, the high growth journey the company is currently going through?

Sujay Kewalramani: See, the risk factors in contracts are limited to two we consider is identification of a proper equipment to the highest efficiency and to have a good understanding of the type of material that we will encounter in the contract. If we are sure of this risk properly, the production is in line with the plan and we are able to achieve the required revenue and the margins. So, knowing the site and the site data is very important.

Pratik Kulkarni: So, and what would be the, total opportunity for our national inland waterways if you could, quantify it?

Sujay Kewalramani: Sir, it is still evolving. But if we take a thumb rule, then about INR172 crores over a period of three years. So, it's about INR35 lakhs. Sorry. Just a second. So, you can roughly translate it to INR35 lakh per annum per running kilometre.

Pratik Kulkarni: So, that's quite a big number?

Sujay Kewalramani: Yes. It's an evolving process. What are the tenders coming out, how many kilometres the government wants to maintain, so, this is a rough estimate of about INR35 lakh per annum per running kilometre of a river that the government needs to spend on as of today's rate.

Pratik Kulkarni: Thank you, sir. That's on my side.

Moderator: Thank you. The next question is from the line of Shubham Jain from HEM Securities. Please go ahead.

Shubham Jain: Hello, sir. If audible?

Moderator: I'm sorry to interrupt, sir. There is some background noise from your line.

Shubham Jain: Sir, I have a simple one question. As we mentioned in the presentation, we do not bid below 30% EBITDA project. So, the main point is then what is the reason for 20% lower EBITDA as you mentioned in just earlier over concall.

Sujay Kewalramani: Sorry. Say again.

Shubham Jain: Sir, my question is what is the reason for 20% lower EBITDA as you mentioned earlier over concall? You mentioned we are targeting 20% EBITDA around INR275 crores to INR300 crores revenue.

Sujay Kewalramani: So, 20% PAT, sir, not EBITDA.

Shubham Jain: Thank you, sir. I think it is EBITDA for your side. So this is my misconception 30% as we mentioned already.

Sujay Kewalramani: We spoke about bottom line. So, bottom line PAT will be between 20% to 23%.

Shubham Jain: Okay. Absolutely fine. Thank you so much.

Moderator: Thank you. Ladies and gentlemen, in the interest of time, we will take this as the last question. I would now like to hand the conference over to Mr. Sujay Kewalramani, sir, for closing comments. Over to you, sir.

Sujay Kewalramani: I would first of all like to thank everyone who has believed in the company till date and will continue to do so. I would like to mention that the fundamentals of the company are very strong. We have a very good management and team which is growing. We have already started work and are maintaining repeat orders from three countries right now, Myanmar, India and Bahrain. We intend to grow into a country or another country in the next 2 years. It is a growing company.

We have been on target in the last 10 years. I would say that we may have disappointed a few people by a lower revenue this year, but it has never been our intention or any fault or a gap from the side of the management, but it has been a situation. We will try to fix it and I would say thank you everybody for that.

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. Thank you.