KNOWLEDGE MARINE & ENGINEERING WORKS LIMITED
Ship Builders, Repairers, Charterers and Marine Contractors
CIN: L74120MH2015PLC269596

Ref: KMEW/BSE/2022-23/Reg 30/21 **Date: 25th November, 2022**

To
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 21st November, 2022

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 21st November, 2022 to discuss the Company's operational and Financial performance for the half Year ended 30st September, 2022.

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: 2022.11.25 11:55:27 +05'30'

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

Knowledge Marine & Engineering Works Limited

Earnings Conference Call

H1 FY2023

November 21, 2022

Management:

Sujay Kewalramani	Chief Executive Officer
Kanak Kewalramani	Director And Chief Financial Officer

Moderator: Ladies and gentlemen, good day, and welcome to the Knowledge Marine & Engineering Works Limited H1 FY '23 Earnings Conference Call hosted by Hem Securities. As a reminder, all participant lines will be in a listen-only mode and anyone who wishes to ask a question, may enter star and one on their touchtone phone. To remove yourself from the queue please enter star and two. 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. Ramadhin Rane from Hem Securities. Thank you, and over to you, sir.

Ramadhin Rane: Thank you, Faizal. Good afternoon, ladies and gentlemen. Thank you for joining the Knowledge Marine & Engineering Works H1 FY '23 Earnings Conference Call. Joining us on the call today are the senior members of the management team, Mr. Sujay Kewalramani, CEO; and Mrs. Kanak Kewalramani, Director and CFO. We will commence the call with the opening thoughts from the management team, post which we will open the forum for Q&A session where the management will be glad to respond to any queries that you may have. At this point, I would like to add that some of the statements made or discussed on the conference call may be forward-looking in nature and the actual results may vary from these forward-looking statements.

I would now like to hand over the call to Mrs. Kanak Kewalramani to commence by sharing her thoughts on the performance and strategic progress made by the company, along with its H1 FY '23 financial performance. Thank you, and over to you, ma'am.

Kanak Kewalramani: Good evening, ladies and gentlemen. I welcome you all to our H1 FY '23 Investor Conference Call. Our financial statements and presentations have already been made available on the exchanges and on our company's website. I hope you all had the opportunity to pursue the same. Before discussing the performance, I would like to give a brief overview of KMEW that will provide better understanding of our line of business.

KMEW is in the business of dredging and other key port related ancillary services such as pilotage services, conducting hydrographic services, surveys, security or patrolling services, ship mooring services, repair or refit of Marine Craft, providing technical solutions for maintenance and operations of vessels and shipbuilding. KMEW is one of the premier dredging companies in India with presence in Eastern and Western Coast of India. We have a strong order book position, providing revenue visibility for immediate to medium term. We are proud of our in-house design strength, which helps us in getting success in bidding process to lower project costs.

As of now, the company has a strong order book of INR 209 crores with an average tenure of more than 2.5 to 3 years. On our fleet trend, in addition to the existing fleet, we have added River Pearl 11, which is deployed at Mangrol Fishing Harbour and River Pearl 12, which will be used for future contracts.

Coming to our first international contract at Myanmar, wherein we assisted the government of India to build a strategic port at Sittwe is expected to complete the capital dredging by January 2023 and start the maintenance dredging thereafter. During the year, we have also won a contract worth INR 68 crores from Dredging Corporation of India for carrying out rock capital dredging at Mangrol Fishing Harbour.

As regards to industry, the Indian port infrastructure is expected to grow in the long term, thereby supporting various dredging industries. We are also optimistic of emerging opportunities coming out at fishing harder. In sync with the industry outlook, we also anticipate our future outlook to be bright with a healthy order booking status and with numerous more projects in the pipeline, we are confident of medium to long-term growth story.

We also have strategic plans to enter into new business segments like developing fishing harbour, entering into national water waste works, etc.. On to our financial performance, KMEW has delivered a robust performance in H1 FY '23. The revenue from operations increased by 541% to INR 122.7 crores. EBITDA rose to INR 35.2 crores with EBITDA margin of 28.6%. PAT rose to INR 23.8 crores with PAT margin of 19.4%. We have a positive cash flow of INR 14.2 crores, a testament of our operational efficiencies. Our return on equity and capital and return on capital employed for H1 FY '23 is 77% and 79%, respectively.

We are also planning to raise INR 39.6 crores by issuing 565,000 equity shares at an issued share price of INR 700 per share on a preferential basis. The preferential issuance is subject to necessary other approvals and shareholder approval at an AGM, which is scheduled to be held on 9th of December 2022.

The strong financial results will serve as a new benchmark for us. Meanwhile, we continue to explore new business opportunities, capitalizing on our core service competencies. We are also planning to improve our operational efficiency. We trust these positive measures will yield strong financials in future and thus keeping stakeholders' interest on priority.

With this, we close our opening remarks, and we will open the call for an interactive question-and-answer session. Thank you.

Moderator: The first question is from the line of Ravi Naredi from Naredi Investment.

Ravi Naredi: Sir, I would like to know what is your capex plan for next few years? And if you are raising INR 40 crores on preferential basis, you may give this right issue to existing shareholder at this price, why you chose this route to give money to them at INR 700 and what about margin guidance for next two years? These are my questions.

Sujay Kewalramani: Ravi ji, we chose the preferential issue because that was the Board's call. We are raising INR 40 crores that is going to be spent over a period of next 1.5 years. We have made bids several bids to the tune of INR 500 crores for which we are anticipating that the order flow will come in within the next 1 or 1.5 months, and we will have to spend that money to immediately procure the dredgers to be deployed in these orders. And margin guidance will remain same, approximately 30% in the coming future because that is the benchmark we take when we make our bids.

Ravi Naredi: And this capex plan?

Sujay Kewalramani: Sir, we are looking to procure four dredgers in the next year. So, this money is going towards buying of dredgers.

Ravi Naredi: And what will be the cost of four dredgers?

Sujay Kewalramani: It will be close to INR 55 crores, sir.

Ravi Naredi: One more question, out of the INR 209 crore order, how much the order will be completed in next one year? Because in your investor highlights, you have given five-year order, seven-year order. So, what is plan for next one year order book for the company?

Sujay Kewalramani: Sir, out of INR 209 crores I believe INR 130 crores to INR 140 crores will be executed in this year. Balance will overflow into the next year. And for the next year, we have already made bids for which, we will know the results within a month or 1.5 months.

Ravi Naredi: And in 1.5 months, are we expecting a bid order?

Sujay Kewalramani: Sir, that will keep you posted as and when...

Ravi Naredi: I'm not asking in the numbers, but are you thinking some more lucrative order will be received to the company?

Sujay Kewalramani: Sir at this stage, I can say that we have made bids for INR 500 crores worth of orders and we are still in the process of making three another bids, and we have a good hit rate in the past. So, we should be declaring once the orders are received, sir.

Ravi Naredi: What was our success ratio in last one year? How many orders we bid and how many we won?

Sujay Kewalramani: Sir, close to 70%, but I would say it has been more than 50%.

Moderator: The next question is from the line of CA Garvit Goyal from Nvest Research.

CA Garvit Goyal: So, I was continuing with the last participant only, as you mentioned in your investor presentation, the projects underway are worth INR 209 crores. My first question is, how much out of it do you expect coming in second half, sir?

Sujay Kewalramani: Second half should be approximately INR 80 crores to INR 90 crores.

CA Garvit Goyal: One year from now, as you mentioned, INR 130 crores to INR 140 crores?

Sujay Kewalramani: Correct.

Sujay Kewalramani: I would like to mention one more thing. There are certain orders under execution in which variation quantities are also there. So, the quantities may increase and the order book may increase. These approvals are under process with the Ministry, and it may come as the time flows by. But I can give you the number of INR 80 crores to INR 90 crores for the second half, right now.

CA Garvit Goyal: INR 80 crores to INR 90 crores. And in the first half only you did INR 125 crores to 130 crores?

Sujay Kewalramani: Yes.

CA Garvit Goyal: And in last concall actually, you mentioned this INR 125 crores to INR 130 crores will be for the entire year, I think?

Sujay Kewalramani: Sir, that is what I like to say is I will tell you what is in front of me right now. And as and when the order increases or the quantity varies and I get the orders from the Ministry only then I can confirm. It's been six months since we last spoke. So much happens during that time. So right now, that is what I can guide you with, what is in my hand.

CA Garvit Goyal: What will be our sustainable EBITDA margin, sir, going forward?

Sujay Kewalramani: Sir, you can consider 30%.

CA Garvit Goyal: 30% will be sustainable one. And what is the reason for a decline in this quarter, sir, because I think on a historical basis, these are the lowest margins we had in this first half?

Sujay Kewalramani: Sir, two reasons. Actually, one of our vessel River Pearl 8, which was in Myanmar had to stop operations during the monsoon period, and the work started again in October. As per client instruction, the work was halted during the monsoon season since the measurement of the work was not possible in Myanmar. So, there was some idling of the equipment.

Secondly, there is a 2.5 year and a five-year dry-dock of the vessel that happened. So, River Pearl 1 and River Pearl 4 were in dry-dock for a period of almost a month. So during that period, the revenue goes away and the expenditure for dry-dock repair and maintenance starts. So all three of them got aligned.

Moderator: The next question is from the line of Anay Mittal from Envest Research.

Anay Mittal: Sir, when I go through your investor presentation, I see a note on a contract by Dredging Corporation of India for Mangrol-fishing harbour, right? So, sir, you also do subcontracts from Dredging Corporation of India, is it?

Sujay Kewalramani: So Dredging Cooperation of India is a consultant for Department of Fisheries. So, the work has not been awarded to Dredging Corporation of India. We are the contractors. Dredging Cooperation as a consultant has chosen us to execute the work. But yes, we are, of course, I mean we don't mind being a subcontractor to Dredging Corporation, which is a government entity at the end of the day. So we work for the government. But for this particular project, Dredging Cooperation of India is a consultant, they bill a margin of 10% over and above our bill for supervision works.

Anay Mittal: Sir, another important question. Not precisely on these numbers and stuff or your guidance, which are very clear. How in this industry, you are working more efficiently than your competitors? That is one question which we want to understand, sir, if you can throw some light on how that efficiency coming in? Is it like some expertise, which is not easy for others to gain, what is your competitive edge?

Sujay Kewalramani: Sir, we have a team which has altogether put in more than 60 years into the dredging field, sir. And last, my 17 years have gone into this. And we have executed contracts all of, can you hear me?

Anay Mittal: Yes.

Sujay Kewalramani: Anay ji, we have combined between 55 years to 60 years of work experience in the promoter group. Then we have a second tier of people who are senior management working with us, who, among themselves have more than 100 years of experience in dredging. Now we have collected, within this experience, what we have collected is the type of soil that we will encounter from Gujarat to West Bengal, and we do intensive studies before taking up any contract. Basis this soil studies, we are able to take a judgment call on the type of equipment that needs to be deployed, which gives the highest amount of production. If these two calls are made correctly, there is very-very little or rare chance that your margins may deplete. So, we do that correctly, and we have been doing this correctly.

Also, we have kept our capex very much under control and opex very much under our control. So there are no leakages in the system. That's how we've been able to do it better than our competition.

Anay Mittal: Sir, when I look at your top line for, say, last three - four years, it's FY '20, you did around 23 or 25, I think. And FY '21, it was around 33, correct. And FY '22 to '60 and now we are seeing already in half year 122, correct? So, what is that, is there any change in dynamics in this industry, which is giving you such a growth potential? What do you, how do you see this industry for next three - four years, sir? If you can throw some light on this?

Sujay Kewalramani: We are growing at a good pace. All we are doing is, there are entry barriers in these contracts. As and when we get qualified for work, we are submitting our bids. The industry is worth good INR 10,000 crores to INR 12,000 crores per annum, and that will grow only over the next two years to five years because as inland waterway jobs open up, dam dredging opens up, all these things are happening. So we are not looking for any huge stake or 1% to 5% stake of it. We are only trying to have a calculated growth and execute contracts which we can execute.

We were not able to make bids of INR 500 crores last year or the year before, but we were able to make bids of INR 100 crores the year before. So, we did that. Now we are able to make bids of INR 500 crores because we have successfully executed certain works and we've got completion certificates for those work. So, we are able to participate. That's how the growth story is going, sir.

Anay Mittal: You are seeing this order inflow, very strong, and you're seeing that the industry per say has a very good future, at least in next near to midterm, is it right?

Sujay Kewalramani: Yes, sir. We started with a single boat in 2017, sir. And we have grown to River Pearl 12 now in the last five years. So, we are looking to grow. We are looking to add vessels, we are looking to add contracts and continue this growth.

Anay Mittal: That's great, sir. Sir, you also spoke about river dredging, which is going to come up unserved. So, if you can give us some info on that, sir, in India, I think, that's what you have mentioned it?

Sujay Kewalramani: Contract worth about INR 1,000 crores are going to be bid within the next three months. Government of India has decided that dredging corporation of India be appointed as a consultant for river dredging works and Inland Waterway Authority of India has appointed them as consultants. And now these tenders are under preparation, and this will come out in the next three months, which will be on National Waterway 1 and National Waterway 2. We will be actively looking to participate in these contracts..

Anay Mittal: How would be the margin profile differing when you consider a dredging in river vis a vis, the other, your usual business, is there any drastic change in the process?

Sujay Kewalramani: We only bid for contracts which have at least 30% margins. We evaluate that on day one and only pursue those opportunities. There is no point in making the efforts for lesser margins, sir.

Anay Mittal: I mean my question is like is you can be more efficient there and hence, more margins, something like that, sir?

Sujay Kewalramani: No, sir. The margin should continue to the same. There won't be any higher margins or anything because they evaluate the cost and the estimate base is the current market rate. So, they will take estimates from the current bidders and prospective bidders and accordingly prepare the estimate for the contract or the tender. So, they won't vary much.

Anay Mittal: And finally, in terms of market share, can you throw some light, like you already told, I think this market is around INR 12,000 crores a year, right?

Sujay Kewalramani: Right. Including the capital and maintenance regime done by all major ports, minor ports, navel establishments shipbuilding in PSUs, ONGC, inland waterways, dam dredging, all this put together as up to close to INR 12,000 crores. With INR 122 crores as of our topline, we are nowhere there in terms of percentage...

Anay Mittal: Got it. And in terms of capabilities, sir, I know that you spoke about previously that you were unable to bid for projects beyond INR 100 crores. And now you have started bidding. Do you still have any limit in terms of the size of order to which you can bid because of substantial big players with great experience or you have no limit in terms of bidding?

Sujay Kewalramani: So today, we are eligible to bid for contracts with a value of INR 200 crores to INR 250 crores. Once we execute Sittwe contract completely, you will be able to bid for contracts worth INR 400 crores. So, this is a step up slowly and clearly.

Anay Mittal: And how usually it happens, the time period would be like maybe 18 to 24 months to prove that you can do and then move forward? Is that how it works?

Sujay Kewalramani: Sir, this is followed as per the CVC guidelines, Central Vigilance Commission guidelines. If the work is valued at INR 100 crores, so the prospective bidders should have executed 3 works for 40% of the contract value, 2 works of 60% of the contract value or one work of 80% of the contract value. Then if the work is of five years, this is annualized. So, depending on that, we get qualified.

So currently, we have the largest, completed or ongoing work, which is substantially completed Sittwe for about INR 145 crores, including GST, which we have done. So that is what we are using as a benchmark for our other jobs, which are more than INR 200 crores, INR 250 crores.

Moderator: The next question is from the line of Gunit from CCIPL.

Gunit: Most of my questions have been asked by previous participants. But I would suspect to congratulate the management for the growth that we've seen over the last few years, almost doubling every year, and this year even more than that. So, going on that, what should be -- I mean, what kind of topline and bottom line can we expect for the next year? And maybe you have some number in two, three years.

And currently, we have an order book of around, say, INR 200 crores. So, by the end of year, what kind of order book are we targeting as of now?

Sujay Kewalramani: Gunit, in terms of order book, we are looking to have an order book in excess of INR 400 crores in the current year. We are trying to bid for that. Numbers for the next year, I won't be able to give you an exact number where we will stand because like I said, the quantities will vary, and we will be able to execute those within this financial year. So that we'll have to wait and see. For the next year, we are definitely looking for a growth over the numbers of current year.

Gunit: And five dredging belts that we are adding, how much can that add to our top line?

Sujay Kewalramani: So, like I said, the order book that we are looking to build over and above our current order book of about INR 400 crores, that will be executed using these dredges.

Gunit: And my last question would be, we see that the margin for last year were around 59%, 60%, and they are currently about 28%. And going forward, you have said that they would be in the even of 30%. So, what is the major reason for this decline in margins?

Sujay Kewalramani: Sir, can you repeat your question, sir? I thought you said 15% EBITDA. I never said 15% EBITDA margin.

Gunit: No, no, no. It was around 60% last year or FY '22, and it has come down to about 30% right now, and that is what the guidance we have been for future as well. So can you drill on any specific reasons why we have seen a decline in margins

Sujay Kewalramani: We will maintain at least 30%. They may increase, but we'll maintain that is what I'm trying to say. We'll maintain at least 30%. And the decrease is like I explained was because of the drydocking of two vessels and idling of one of the dredges during the monsoon period as per client instruction.

Gunit: So, going forward, you can expect at least I mean 30% on upwards of that?

Sujay Kewalramani: Correct.

Moderator: The next question is from the line of Avinash Gorakshakar from Profitmart Securities.

Avinash Gorakshakar: Yes. I think I would like to congratulate the entire team for an excellent set of numbers today. I think numbers are much better than what you all had promised last time. So, I think let the momentum continue. I've just got two questions because I know there are a lot of people in the queue. First of all, I want to understand what is the status on the Myanmar order? How much of this order still remains to be implemented? If you could give us some colour on this?

Sujay Kewalramani: Welcome, Avinash. Thank you so much. Thank you, really appreciate. About INR 80 crores of the order is still balanced and there can be an additional order of two years, which is a possibility in our contract, which will be known only once the first two years are completed. So currently, about INR 80 crores is balanced inn Myanmar Contract.

Avinash Gorakshakar: So, this INR 80 crores will get commissioned in the second half of this financial year, that is for FY '23?

Sujay Kewalramani: Not all INR 80 crores, sir.

Avinash Gorakshakar: So, some part of it will still spill over for FY '24 unit.

Sujay Kewalramani: That is correct.

Avinash Gorakshakar: So, another question is, Sujay, I wanted to understand. Last time, I think you all had mentioned that you all were very keen on working on a shipbuilding kind of facility also, like you do work with a company called Synergy Shipyard, which is the company which will ship for you. So now any further developments to that? Because I believe a lot of discussion had happened in the last time's conference call. So, if you could share some inputs, you said that in the next three to six months, some development will happen, and you all will be updating us. So, any kind of development which has currently happened, anything of what was mentioned last time, like?

Sujay Kewalramani: Sir, we are actively looking for contracts of shipbuilding in terms wherein we are going to make at least 30% margins. We haven't come across any such opportunity till now. So, we are not doing any kind of capex or any kind of spending on that. We have an understanding with the shipyard for doing shipbuilding for our own vessels, which we are adding two vessels on an annual basis, wherein we are getting contracts.

We were expecting certain or we were exploring certain opportunities with Garden Reach shipyard wherein there was an overflow of their orders. But since the margins are not what we are getting right now in our dredging contracts and other contracts. So, we chose not to go ahead with such works up till now. So, once we have an opportunity wherein margins are good, and we are not going to end up deploying capital at a place wherein margins are less only then we will enter such opportunity.

Avinash Gorakshakar: One last question, Sujay, you had also mentioned that you all were planning to acquire some cutter suction dredgers, which is basically a more sophisticated kind of expense. So, any update on that? Has the company acquired or quarterly we will be seeing some further development on this aspect maybe in the coming quarters?

Sujay Kewalramani: Sir, we shall acquire the dredgers as soon as the work orders are placed on us from the bids that we have made. We already have plants and we have raised the capital we are going to raise the capital for the same by December. So yes, coming quarter, over the coming six months, you will definitely find such dredges in our fleet.

Moderator: The next question is from the line of Abhishek Singhal from Naredi Investments., please go ahead with your question.

Abhishek Singhal: So, in H1, we achieved INR 120 crores revenue. So how much revenue we are expecting to come in H2. And in last concall, you said that EBITDA margin is at least to 40%. So why you reduced margin guidance from 40% to 30%.

Sujay Kewalramani: Sir, in terms of top line for the second half, currently, I cannot comment on a number because there are certain very quantities under approval. So, I can give you a ballpark figure of INR 80 crores to INR 90 crores for the second half. The margin for the first half have reduced because of two reasons, two of our dredges are in dry dock and one of the dredger goes idle during the monsoon period, sir. So that is why the margins have reduced, but we will ensure going forward that minimum of 30% margins are met.

Abhishek Singhal: And sir, last one question. While you are not able to generate revenue from port and ancillary services because in H1 98% revenue generated from dredging business?

Sujay Kewalramani: Yes, sir. I didn't understand, sir. Can you say it again?

Abhishek Singhal: In H1, our main revenue, 98% revenue generated from dredging business, but revenue from other ancillary services is very low?

Sujay Kewalramani: Sir, because ancillary services are giving that kind of revenue only such, our top line has increased. Our revenue from dredging has increased. That is why you are comparatively looking at ancillary service revenue of INR 2.57 crores is less. But most of it is equipment, so River Pearl 1, River Pearl 3, River Pearl 5, River Pearl 7 and River Pearl 6 are only ancillary services craft. River Pearl 2, River Pearl 4, River Pearl 8, River Pearl 11 and River Pearl 12 are dredges. So, most of our fleet is dredging fleet now. That is why the dredging revenue has substantially increased, and ancillary craft has remained the way it has, those are fixed-price contracts, sir, the revenue will continue to be the same, sir. And it may have reduced a little bit in the first half because of River Pearl 1 being in the dry-dock for almost a month.

Moderator: The next question is from the line of CA Garvit Goyal from Nvest Research.

CA Garvit Goyal: Actually, I listened you guided around 10% to 15% CAGR growth going forward after FY '23, is it right, sir?

Sujay Kewalramani: Sir, presently, I would like to commit to that only, sir. I cannot say much more. And then I am a little bit conservative when I say these numbers already, sir. So that is what I would like to guide you by minimum right now.

CA Garvit Goyal: Because as you mentioned, the industry growth and upcoming projects you are bidding for, so looking at all these, I think it should be more than that, obviously, right?

Sujay Kewalramani: You have seen in the past, sir, you have a track record over the last seven years, how we have grown, but we keep a number in mind, and then we fix our revenues and profit basis that. And then we try to extract the most use from our equipment as far as possible. So, it always is a good number. But when it comes to committing these numbers to you right now, that is what I would like to commit this.

Moderator: The next question is from the line of Pritesh Chedda from Lucky Investment Managers.

Pritesh Chedda: On the Mangrol project, how much of execution will happen this year?

Sujay Kewalramani: Sir, about 60% of the work will get executed this year, sir.

Pritesh Chedda: That's the 60% of the INR 60 crores.

Sujay Kewalramani: Correct, sir.

Pritesh Chedda: Any more scope for work available there?

Sujay Kewalramani: Sir, the quantities will again subject to approval from Government of Gujarat, there are certain varied quantities which are under approval. So initially, we had the contract quantity was around 110,000 cubic meters. There is a variation of almost 10% to 15% in that as well.

Pritesh Chedda: This is a project on charter, right? You've taken an asset on charter?

Sujay Kewalramani: Sir, we have taken the vessel on hire from our partner itself. Joint venture partner in this work.

Pritesh Chedda: My last question is, incrementally, what are your thoughts on chartering versus own assets? And incrementally, how should we look at your mix? Will there be any incremental chartering or we'll continue with our own assets, is there any thoughts there?

Sujay Kewalramani: Sir, we would like to own 60% of our equipment, and we would like to charter in about 40% of the equipment. So that we are in control of the projects at all points of time.

Pritesh Chedda: Where are you today on this mix?

Sujay Kewalramani: Sir today, we stand close to about 85% of our equipment that is owned and 15% at charter.

Pritesh Chedda: The margin differential between chartering and own equipment would be

Sujay Kewalramani: Sir, in terms of owning our own equipment, over a life period of the equipment, the margins are better. In terms of charter, the margins are, in short-term contracts, the margins are okay. But in long term, the margins are not better as compared to owning of the equipment.

Pritesh Chedda: How different are they? So, if you are a 40% margin company by owning your assets so far, when you charter, what will be the margin number percentage?

Sujay Kewalramani: It will be less by at least 5% to 7%, sir.

Pritesh Chedda: But the asset number will be zero? So basically, today, you are 35% own equipment, and you eventually want to head towards 60%?

Sujay Kewalramani: No, sir, 85% of own equipment, sir, 15% charter today, want to go to 60% own equipment and 40% charter.

Pritesh Chedda: Yes. I wrote that.

Moderator: The next question is from the line of Janak Lotwala an Individual Investor.

Janak Lotwala: So, sir, my first question is around the current cash position. How much cash do we have on the books, and we're also raising some funds to through the preferential issue route. So how do we intend to use that in the future? That is my first query, and I have a follow-up after this.

Kanak Kewalramani: Hi Mr. Janak. So, we have INR 35 crores of cash in our books as on date. Plus, we will be adding almost INR 40 crores from preferential allotment. So, we would be having INR 75 crores of cash in our books.

Janak Lotwala: And how do we plan to use them? Or what is our capital allocation for next couple of years on this?

Kanak Kewalramani: So as Mr. Sujay has rightly said that once we get the contract, we would require INR 55 crores of cash to buy the assets for that contract. And balance will be used to start the work in the form of working capital.

Janak Lotwala: My second question is around the port ancillary business, which is around 2% to 3% contributing to our revenue. So, Sujay ji, my query over here is what kind of scalability do you see in this business, one? Second, how much is it a resource intensive in terms of cost, manpower, the funding, etc., because this query is coming from the perspective of that we are having an order book, for instance, of INR 9 crores in one of the ports which is spread over the duration of seven years. So, do you see this as a strategic focus area economically and in fact strategically? And if you can throw some light into this segment?

Sujay Kewalramani: These ancillary craft businesses allow for long-term presence in every port. So, they are good margin businesses. Once we have one of our craft, which is present with the port, that means our linkages or connection with the port continues. That is where we are first in. We always get to know which are the contracts coming up, which are the dredging possibilities that will happen. And that does not give us any overhead to spend for marketing or sales in this. So, we always want to have these contracts and such crafts will always support us, will always be a helping hand in our dredging contracts that will happen in that ports.

Currently, we have made a bid with Kandla port. In Kanda port, we have two mooring boats and a service boat, which is going to be there. So, presence, and there will always be synergy in executing the three contracts together. So, we would like to grow in this ancillary craft business, which gives us long-term presence for our team to be in such ports.

Janak Lotwala: Any guidance on the resources that we need to commit in delivering the ancillary services in terms of manpower and cost if you try to comment on that?

Sujay Kewalramani: Sir, not a lot of manpower or cost goes once the craft are built. So, the capex is initial, after that, operational costs are very marginal because fuel is pass-through in this. So, we get fuel from the government. So that is completely not a cost, only marginal cost, which is approximately 2% to 3%, which is manpower cost of the contract value, which goes in monthly.

Janak Lotwala: So, you can look at it as a pre-sales or pre-development exercise before we get into the larger contract already, this is what you intend to say?

Sujay Kewalramani: Presence for a long-term duration and our team.

Sujay Kewalramani: I would also like to explain, there is no risk or very little risk in such contracts because execution is very easy and the contracts are long-term duration. So risk is very limited.

Janak Lotwala: This will be a higher-margin business than in that case?

Sujay Kewalramani: So the dredging is always a higher margin business as compared to ancillary crafts. Competition is also less in dredging as compared to ancillary craft business.

Janak Lotwala: My final query is around any plans of moving from SME into main bourse?

Sujay Kewalramani: Sir, next year, surely, we have plans to move to the main bourse.

Moderator: The next question is from the line of Ankit Agarwal an Individual investor.

Ankit Agarwal: Sir, congratulations on the good set of numbers. I just have one question, sir. We got the Mangrol contract in the early June it was reported. But after that, it's been almost like six months, sir, but we haven't received any big orders as such. So is there a concern on that, or how do you see that, sir?

Sujay Kewalramani: Sir, we want to move at a certain pace, just securing orders is not the only thing that we need to do. We need to have a good execution plan for securing orders and after that, executing them. So, during the monsoon, dredging is an activity that slows down. So none of the tendering and award happens during the monsoon period, only after the monsoon such work will happen. Also, for the current year, we were well placed not to take any further orders, we wanted to plan for next year. So accordingly, we were placing our bids.

Ankit Agarwal: So sir, just as a follow-up question now that the monsoon season has ended. So in the next six months, are we planning to bid for any dredging or any other kind of similar projects?

Sujay Kewalramani: Sir, we have already made bids worth INR 500 crores right now, which are under evaluation. We are planning to bid for another INR 200 crores to INR 300 crores worth of projects, which opportunity will convert into an business. So we are looking to do that this year. We have already done for INR 500 crores. We are looking to do another INR 200 crores to INR 300 crores this year.

Moderator: The next question is from the line of Prashant Sisodiya an Individual Investor.

Prashant Sisodiya: My question is, as we mentioned, in investor presentation, the company has mentioned that it is entering into sand mining segments and fishing harbour segment. So like can you share a few details and expected revenue contribution from the same?

Sujay Kewalramani: Sir, we are exploring sand mining business in certain contracts which are coming up in Rajasthan, that will convert into an opportunity. The tenders are already out and will convert into an opportunity once we succeed with the bid -- they have good high margins. So revenue right now from the current year, we are not looking for anything. We'll look for it in the next year itself.

Moderator: The next question is from the line of Vivek Mehta from BlueOcean Capital.

Vivek Mehta: Congratulations on your performance. Just one question. Who are your key competitors be? And are there any in the listed space?

Sujay Kewalramani: Sir, our key competitors in India are Dredging Corporation of India, Rock & Reef, Sahara Dredging and Reach Dredging. In the international market, there are four players, Vanoord, Boskalis, Dredging International and Jan De Nul. Boskalis is a company which is in the listed space, and Dredging International is another company, which is in the listed space on the European market.

Moderator: The next question is from the line of Janak Lotwala, an Individual Investor.

Janak Lotwala: Since we are discussing about the international business, just wanted your quick take on are we planning or are we in discussions with a business which is a similar ask of that of Myanmar in adjacent or other ports or other geographies apart from India?

Sujay Kewalramani: Sir, one of our bids that we have made is for a project in Maldives, which is being tendered by Ministry of External Affairs currently.

Janak Lotwala: And any more impact that you'll be able to share? Or is that right now...

Sujay Kewalramani: Unable to say more on that current status, because the project is of it relates to national security and not much information I can give on that.

Moderator: The next question is from the line of Dhiral from Phillip Capital.

Dhiral: Thank you for the opportunity, when you are guiding for an EBITDA margin of 30%. So what are the reason for the high margins we have done in last year because our margins are almost around 40%

Sujay Kewalramani: Current year, margins have reduced because of drydocking of two vessels and idling of one of the dredges during the monsoon period as per client instruction.

Dhiral: Now going forward as you're guiding for 30% kind of an EBITDA margin.

Sujay Kewalramani: Correct.

Dhiral: Yes. So is there any change in the product mix? Or is there any reason for giving a lower guidance for EBITDA because past we have done margins of almost 40%.

Sujay Kewalramani: Sir, I'm saying that it will be a minimum of 30%. It is not necessarily exactly 30%, but it will be a minimum of 30%. So it will be in excess of 30%.

Dhiral: So incremental orders that they are winning so in that, what is the potential margin? What margins we are winning their orders.

Sujay Kewalramani: So a minimum of 30%. We are bidding wherein our margins are a minimum of 30%.

Dhiral: So the incremental margins could be because of the operational efficiency.

Sujay Kewalramani: Correct.

Moderator: The next question is from the line of Gunit from CCIPL.

Gunit: I just want to ask regarding the orders that we have applied for. So we have INR 500 crores worth of orders that we are looking at right now. And you mentioned INR 200 crores to INR 300 crores more orders that we can book from this year, right?

Sujay Kewalramani: Yes, we can bid for another INR 200 crores to INR 300 crores.

Gunit: And so potentially, we can bid for around INR 800 crores of orders by the end of this year, right? That's what we are talking about?

Sujay Kewalramani: Yes.

Gunit: Looking at the 50% win rate that you mentioned about. So we can look at winning around INR 400 crores of order by the end of this year?

Sujay Kewalramani: That is what we will be targeting, sir.

Moderator: The next question is from the line of Chandru an Individual Investor.

Chandru: Sir, can you throw some light on the harbour business, you are looking at the Gujarat market and ship scrap business?

Sujay Kewalramani: Sir, ship scrapping business, we evaluated over the last three months to four months. We found that it is a fluctuating market and not very sustainable margins are there. So we are not looking further unless our margins of 30% are met in that business. So for the shipbuilding and ship scrapping business, we are awaiting wherein we get an opportunity that we can convert into a business only post ensuring that 30% margins are there. Only then we'll deploy our capital in that business. In terms of fishing harbour, there are three other projects, which have been tendered by Gujarat Government. And we are negotiating with those players who have secured those contracts for dredging works in fishing harbour's at Porbandar and Veraval, right now.

Chandru: Are you targeting any outside international projects apart from our Government of India, anything private project, sir, we are targeting for?

Sujay Kewalramani: Sir, we have participated in one bid of Ministry of External Affairs for a project at Maldives.

Chandru: That is the only project, now you are targeting, am I right?

Sujay Kewalramani: That is one of the international projects that we are targeting, right.

Moderator: Thank you. As there are no further questions from the participants, I would now like to hand the conference over to Mr. Ramadhin Rane for closing comments.

Ramadhin Rane: Thank you, Faizal. On behalf of HEM Securities Limited, I thank KMEW Team for giving the time we spent on this call and responding to all the queries in a detailed way. I would also like to thank all the participants for joining this call. Now I would like to hand over the call back to the moderator for the final remarks.

Moderator: Thank you. Ladies and gentlemen, on behalf of HEM Securities, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.

For further information, please contact:

Kanak Kewalramani Director & CFO kanak@kmew.in +91 22 3553 0988	**Anvita Raghuram / Vinay Singh** Churchgate Partners kmew@churchgatepartners.com +91 22 6169 5988

Note: This transcript has been edited to improve readability

Corp. Office: Office No. 402, Sai Samarth Business Park, Deonar Village Road, Govandi (East), Mumbai - 400088

Web: http://www.kmew.in