Knowledge Marine & E

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Operator: Good evening, everyone. Welcome to the Q3 FY26 earnings conference call of Knowledge Marine & Engineering Works Ltd. Today on this call, we have Mrs. Vidya Kewalramani, Chief Executive Officer, along with Mrs. Kanak Kewalramani, Director and Chief Financial Officer. Before beginning with the call, I would like to provide 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. Actual results may differ materially. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. 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. With this, I now hand over the call to Mrs. Kanak Kewalramani for opening remarks and financial performance of the company. Over to you, ma'am.

Management: Thank you. A very good evening to everyone. On behalf of Knowledge Marine & Engineering Works Ltd, I warmly welcome you all to our Q3 FY26 earnings call. At the outset, we wish all of you a very Happy New Year 2026. We hope that the year has begun on a positive note for you and your family, and that it brings good health, continued progress, and renewed optimism. I trust you have had the opportunity to review our financial results which have been uploaded on the stock exchange and are also available on our website.

Q3 FY26 marks one of the strongest quarters in our company's recent history. We recorded a 56% year-over-year increase in revenue, underscoring the acceleration in our growth trajectory. This sharp improvement reflects scaling efficiencies from our expansion initiatives, improved realizations, and stronger market demand across key segments. More importantly, this growth has been profitable and sustainable, which is supported by our stakeholders' and investors' confidence. While the growth rate is significant, we remain focused on sustaining performance through disciplined cost management and prudent capital allocation.

Moving forward to the financial performance, during the quarter, revenue stood at 90 crores representing 79% quarter-on-quarter growth. EBITDA stood at 38.54 crores with a margin of 43%, reflecting a strong improvement in operating efficiency. Profit after tax stood at 32.89 crores with a margin of 34%, significantly higher on a quarter-on-quarter basis. The expansion initiatives undertaken over the past year, along with a growing order book, have now begun contributing meaningfully to revenue. Importantly, this has resulted in improved operating leverage and enhanced profitability.

Regarding operational highlights, this quarter and financial year have been transformational for us. We entered the commercial shipbuilding segment, securing orders worth over 230 crores from the Inland Waterways Authority of India for the supply of workboats, accommodation boats, survey boats, and cutter suction dredgers to be executed over a period of 2 years. We received significant long-term orders from Visakhapatnam Port and VOC Port for the construction and chartering of 60-ton bollard pull green tugs with a total contract value of approximately 700 crores to be executed over a period of 15 years. These projects are not only commercially significant but also reflect our commitment to sustainability and innovation in maritime operations. We secured a specialized capital dredging contract at JNPT Port at the coastal berth valued at 50 crores to be executed over a period of 6 months. This is a technically demanding project involving dredging along with controlled drilling and blasting.

Moving forward, I will provide some highlights on the capital raised and share split during the quarter. To support our growth journey, we successfully raised 285 crores through a preferential issue of equity shares and warrants. This reinforces investor confidence in our long-term vision. The capital will primarily be deployed towards fleet expansion and for projects at hand and in the pipeline. Further, in line with our commitment to enhance shareholder value, with effect from December 22, 2025, we subdivided the company's shares from 10 to 5 to improve liquidity, enhance retail participation, and improve overall trading efficiency.

As we celebrate these milestones, we recognize they are stepping stones, not endpoints. The coming decade will demand greater discipline, innovation, and collaboration. With your continued trust and support, we are confident in our ability to convert opportunities into sustainable long-term value. Together we have built a company that stands tall at 10 years. Together we will chart the course for the next decade, anchored in growth, guided by sustainability, and driven by excellence. Our strategic vision remains clear: to establish a sustainable and reliable dredging and marine engineering company rooted in India with expanding operations and fleet strength and a prominent position in the industry.

I would now like to provide some key details about the company's order book and performance to avoid repetitive questions. The order book as of today stands at 1,500 crores, out of which the dredging order book is 409 crores, charter hire order book is 863 crores (including the green tug contract), and the shipbuilding order book stands at 230 crores. Bids in the pipeline stand at more than 3,000 crores, including 1,400 crores for dredging, 1,000 crores for chartering, and 704 crores for shipbuilding.

We own and operate 45 craft, out of which 16 are dredgers, 3 are hopper barges, 11 are support vessels for dredging equipment, and the remaining 15 are ancillary craft including survey boats, patrol boats, pilot boats, and tugs. Debt outstanding as of today is 166 crores. Fixed assets stand at 207 crores with a capital work-in-progress of around 36 crores. We raised 285 crores for which the allocation was as follows: 183 crores for CAPEX, 30 crores for working capital, and 71 crores under general corporate purposes, which will be utilized either towards CAPEX or working capital for shipbuilding projects. Thank you, everyone. I would now like the moderator to open the Q&A.;

Operator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Rahul Kothari from G Equity. Please go ahead.

Rahul Kothari – G Equity: Hi. Congratulations on the amazing results. I have two questions. First, regarding the tax part, can you help me understand what we should assume as an effective tax percentage from next year onwards, since there is a change in the taxation structure for your company? Second, this quarter has given amazing results. Can this be considered the new benchmark for the company, or is there any guidance that can be provided for growth next year?

Management: Hi. Good evening. Sujay here, CEO of the company. I will answer both questions. We have chosen to fall under the tonnage tax scheme. We approached the Income Tax Department, made our application, and it has been accepted. The tonnage tax scheme provides for training onboard our vessels and allows for corporate tax to be reinvested into the vessels. If we are able to comply with both of these requirements and receive a certificate from the tax cell, then there is a specific method to calculate tax based on the number of vessels. Since the number of vessels will not be constant between now and next year, I cannot give you a specific percentage, but it will be significantly lower than the corporate tax we used to follow. Our guidance is that it will be less than 1% of the total turnover. That is what we believe the total tax implication will be. Regarding the performance, we have moved toward higher revenue and higher profit margins, so this can be considered the benchmark going forward.

Operator: Thank you. The next question is from the line of Vishal Verma from Convergence Capital. Please go ahead.

Vishal Verma – Convergence Capital: Hi, am I audible? Congratulations on a very strong quarter. Recently, receivable days have increased. With the strong quarterly performance, what is the current working capital situation, and do you expect the current level to be the new normal, or do you anticipate a reduction in receivables in the coming quarters?

Management: I would like to answer this. Most of the revenue was booked in August and September, which is why receivables appeared higher in the numbers for the first half that we declared. Currently, our receivables range between 45 to 60 days. Going forward, receivable days will tend to decrease. The number of receivable days in the Bahrain books was a little higher compared to the Indian books, and we expect it to reduce to between 30 to 45 days.

Vishal Verma – Convergence Capital: Great. What is the current fleet utilization across the dredger and workboat fleet in terms of the number of days per year?

Management: It is 100% utilized; none of our equipment is idle as of today. Dredgers are deployed for between 270 to 300 days out of 365. Regarding port ancillary craft, they are utilized for the full 365 days.

Vishal Verma – Convergence Capital: Because of the government's increased focus on the industry and the revival of dredging Corp with a 4,000 crore investment, do you see any increase in competitive intensity? If the dredging Corp is revived successfully, will it reset subcontracting opportunities?

Management: We believe the government's push toward DCI is because there is huge demand and significant opportunity. DCI is investing in much larger vessels, such as 12,000 cubic meter TSHDs. We have been investing in smaller vessels and plan to invest in larger ones as well, but there is no overlap between the assets. Subcontracting from DCI is going to continue where shallow drafts and smaller vessels are required because DCI is not planning to invest in those.

There is sufficient demand for Knowledge Marine, DCI, and several other competitors because, as seen in the budget, approximately 20 more national waterways are required to be made navigable. This demand is huge. Over the next 5 years, inland waterway dredging demand will increase multifold. We are in that space, whereas DCI is not planning to be in that space as a direct competitor. We do not believe DCI is direct competition right now, and the demand is high enough for more than two players to be in the field.

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Vishal Verma – Convergence Capital: In previous calls, you mentioned that after getting a contract, you buy the vessels. If you win a contract and no suitable used vessels are available in the market, how will you deal with that? It could dilute margins or delay execution.

Management: We now own more than 45 vessels. In the last 11 years, this situation has not arisen. Usually, we identify the vessel first, then bid for the contract and enter into a soft agreement with the owners, binding them to sell or hire the vessel to us. Once the contract is awarded, the agreement is finalized and commercials are exchanged. This situation hasn't arisen to date, and we do not anticipate being in a position where we win a bid but lack the assets to complete the work.

Operator: Thank you. The next question is from the line of Saurav Gupta from Finansri. Please go ahead.

Saurav Gupta – Finansri: Thanks for the opportunity. You said we started applying the tonnage tax from Q3, but the announcement in December said the amendment would be effective from April 2026. Can you clarify the difference?

Management: The tax will be applicable from the current year itself. It applies from Q3 onwards.

Saurav Gupta – Finansri: Regarding cruise services and tourism: why are we diverting focus from dredging to these services?

Management: We have three verticals: dredging, operation of small craft, and shipbuilding. Cruising on a river is part of the second vertical, which is operating small craft on charter or hire. It is not different from our core business. We do not intend to enter the hospitality industry directly; we can have a strategic tie-up with a hospitality company for the personnel required. We will focus on operating the vessel rather than hospitality. We would handle re-certifying, insurance, and the crew, while the guest hospitality and ticketing can be outsourced.

Saurav Gupta – Finansri: Regarding the Dredging Corporation of India, they are planning to buy a 13-cutter suction dredger along with trailing suction dredgers and water injection dredgers. Would you like to comment on that?

Management: They are presently investing in a large trailing suction dredger. The small trailing suction dredger you are referring to is 2,500 to 3,000 cubic meters, for which they still have to do a feasibility study. The cutter suction dredger they are planning is for ports, not inland waterways. We have nine cutter suction dredgers operating in rivers; presently, DCI has zero dredgers operating in rivers. Their equipment is for ports and is not directly overlapping our asset base. The cutter suction dredger DCI plans to invest in is a 3,000-kilowatt cutter with a draft in excess of 3 meters. Rivers require a draft of 2.5 to 3 meters. Their vessel cannot enter rivers; it is meant for rock dredging or hard strata dredging in ports.

Operator: Thank you. The next question is from the line of Sharan Toklekar from Capital. Please go ahead.

Sharan Toklekar – Capital: Thank you for the opportunity. Regarding market size, what is your current market share in dredging and ancillary business? Also, approximately how many contracts in terms of value are up for grabs every year?

Management: In dredging, across ports, rivers, and dams, we are currently at less than 2% market share. In the small craft business across 12 major ports, there are between 550 to 600 vessels required. We presently have fewer than 25 vessels deployed. Given a vessel life of 20 years, anywhere between 15 to 30 vessels are up for renewal every year, ranging from hydrographic survey boats to tugs or electric tugs.

Close to 1,500 to 2,000 crores worth of maintenance dredging is done in major ports, including some minor ports. Capital dredging is close to 1,500 crores per year in major ports; if you include minor ports, that reaches nearly 3,000 crores. In river dredging, the market size is expected to increase from 1,500 crores to nearly 5,000 crores when all 20 national waterways are operational. Our current turnover in dredging is less than 200 crores.

Sharan Toklekar – Capital: On the Bahrain project, is there an update? Will vessels be deployed there, and are we expecting revenue in FY27?

Management: We are actively exploring for a vessel. The last vessel deployed in Bahrain was moved to India because there was high demand and better revenue here. Since the tax advantage now applies in India as well, it was more beneficial to operate it here. We have not given up on Bahrain; we are currently looking for an international vessel of a lower value than Riverpearl 18 to replace it there. As soon as a suitable vessel is found, operations can recommence.

Sharan Toklekar – Capital: From the 183 crores raised for CAPEX, will that all be deployed in FY27?

Management: That will be spread out over this year and the next financial year.

Operator: Thank you. The next question is from the line of Ansha from Mangal Keshav Financials. Please go ahead.

Ansha – Mangal Keshav Financials: Good evening and congratulations on the great numbers. Regarding Bahrain, are operations still on hold? Why was the vessel moved to India if there were no alternative domestic vessels available to meet the requirement?

Management: At the time the demand in India arose, there was no other vessel available domestically of the 1,500 to 2,000 cubic meter size. An opportunity came up to enter the maintenance dredging market on the West Coast of India with very good pricing—contracts at 1,200 to 1,400 per cubic meter. Given the short duration, it was not possible to acquire and flag another vessel in India. Since our commitment in Bahrain was not for a specific individual vessel, we moved it to India in early 2025. It has been gainfully deployed since then and is currently executing its fourth contract at rates higher than those available in Bahrain. We are now looking for a vessel in the international market to place in Bahrain.

Operator: Thank you. The next question is from the line of Jaim Luniya from Asset Investment Management. Please go ahead.

Jaim Luniya – Asset Investment Management: Congratulations on the results. Regarding subcontracting from DCI, how much revenue was booked in the first 9 months compared to last year?

Management: We don't have the exact figure handy right now, but the percentage is likely similar to or slightly higher than last year.

Jaim Luniya – Asset Investment Management: On the shipbuilding business, we secured two contracts for green tugboats which we will also rent out. Will you focus only on contracts with a renting option, or will you focus solely on shipbuilding contracts going forward?

Management: We have a shipbuilding contract from the Inland Waterways Authority of India for 240 crores to build and supply vessels. The green tugs are being built for our own fleet. It is a mix; we are building for supply to the government and building for our own operating company. We are actively participating in green tug tenders floated by major ports like Paradip, Cochin, Mumbai, and Kolkata. If we win, the shipbuilding company will build them and Knowledge Marine will operate them.

Jaim Luniya – Asset Investment Management: Is there any imminent CAPEX for the shipyard? What is the maximum top line you can achieve with your own facility?

Management: We are going to invest close to 100 crores in the shipyard via a mix of debt and equity. This will create a facility for building tugs and smaller vessels. We don't intend to build vessels longer than 100 meters or with a draft exceeding 5 meters. We believe we can reach a top line of between 500 to 700 crores with this facility three years down the line.

Jaim Luniya – Asset Investment Management: Green tugs require advanced battery technology. Have you signed up with a partner?

Management: We have tied up with a designer who helps us model the specifications. We have been negotiating with various suppliers for components and will handle the assembly in-house.

Operator: Thank you. Ladies and gentlemen, that was the last question for today. On behalf of Knowledge Marine & Engineering Works Ltd, this concludes today's conference. Thank you for joining us. You may now disconnect your lines.

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