“Ashoka Buildcon Limited Q3 FY22 Earnings Conference Call hosted by Anand Rathi Share and Stock Brokers”

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MANAGEMENT: MR. SATISH PARAKH – MANAGIND DIRECTOR

MR. PARESH MEHTA – CFO

Moderator: Ladies and Gentlemen, Good day and welcome to the Ashoka Buildcon Limited Q3 FY22 Earnings Conference Call hosted by Anand Rathi Share and Stock Brokers. 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 '*' and then '0' on your touchtone phone. I now hand over the conference to Mr. Meet Parikh from Anand Rathi. Thank you and over to you, Sir.

Meet Parikh: Thank you Tanvi. On behalf of Anand Rathi Share and Stock Brokers I welcome everyone to the Q3 FY22 Earnings Call for us. From the management side, we have Mr. Satish Parakh – MD and Mr. Paresh Mehta the CFO with us. We will start with the opening remarks from the management regarding the industry, the result and post which we will open up for an interactive Q&A. Over to you, Sir.

Satish Parakh: Thank you. Good morning everyone. We would like to extend a warm welcome to everyone on our earnings conference call for the quarter ended December 31st, 2021. Along with me, I have Mr. Paresh Mehta – our CFO.

Let me start with the equity sale of ACL Projects:

We have successfully completed an asset sale transaction of Ashoka Concessions Limited of five SPVs by entering into a share subscription and share purchase agreement with galaxy investment to private limited and affiliate entity of KKR. The deal to be completed by September 2022 after receiving required approvals from lenders, NHAI and other 11 stakeholders and completion of certain condition precedents. The deal transfer the entire share capital of these five projects including repayment of shareholder loan for an aggregate consideration of 1,337 Crore. The total proceed received will be utilized to facilitate the exit of SBI Macquarie funds from Ashoka Concessions Limited allowing SBI Macquarie to exit the company fully.

Further a transfer of these five SPV reduced the consolidated project debt of ABL by Rs. 3,166 Crore. Post this transaction the company will remain with following major projects in highway portfolio. 74% equity stake in one toll project Jaora-Nayagaon in the state of Madhya Pradesh, four annuity projects which includes 50% equity stake in Chennai ORR and three fully owned projects Hungund-Talikot, Bagewadi–Saundatti, and KSHIP and fully owned portfolio of 10 HAM projects. As mentioned earlier we are at an advance stage of discussion for equity sale of Jaora-Nayagaon BOT toll and Chennai ORR BOT annuity. Also, the HAM projects portfolio we are evaluating to exit options like InfravIT or sale to investors.

Coming to industry updates:

The rise in addition of national highways is compared to 13,326 kilometers of road constructed in 2021 and 1,237 kilometers in 19-20. In 2021, the construction of roads per day increased to

36 kilometers per day against 28 kilometers in 2019-20. In an effort to boost the logistical capacity of India's road network under the PM Gati Shakti initiative the Indian government has stated that the national highway network will be expanded by 25,000 kilometers within 22-23. The government is expected to increase phase of highway construction, existing highways will be made into a bigger, stronger and new ones to provide connectivity to all economic more than the PM Gati Shakti initiative. The target national highway expansion of 25,000 kilometers in FY23 will put an impetus on strong project award. The current expansion plan by government is expected to help the faster movement of people and goods.

Coming to HAM projects:

We have received appointment date for Ashoka Bettadahalli Shivamogga that is Tumkur Shivamogga package 4 in the month of October. The total equity requirement of all time HAM projects is about Rs.1,337 Crore of which already Rs.960 Crore has been invested as on December 2021. Coming to the order book as mentioned we have achieved a robust order inflow of Rs.8,526 Crore in current financial year, some of the key large orders are as follows. We have received an order from MCGM for a sewage treatment plants of O&M with 15 years and this order is a breakthrough order in sewage treatment for the company.

Along with this we have achieved work orders in Goa on a highway project from MoRTH amounting to Rs.687 Crore. We have also received LOI from NHAI worth Rs.829 Crore for construction of 6 laning from Belgaum to Sankeshwar Bypass of NH-48 in Karnataka on EPC mode. Recently were L1 for railway electrification order worth Rs.693 Crore. Also, we have received work order of Rs.263 Crore from Navi Mumbai airport. The breakup of Rs.12,252 Crore order book as on December 2021 is road projects comprised on Rs.7,633 Crore which is 62% of our total order book among the road projects the HAM road projects are to the tune of Rs.2,638 Crore and EPC projects are to the tune of Rs.4,995 Crore. Part ENA and other projects account for around Rs.1,902 Crore which is 16% of our total order book.

The EPC building segment contributed to Rs.1,905 Crore which is also 16% of our total order book while railway stood at Rs.729 Crore which is 6% of total order book. The EPC work and CGD comprises of balance of around Rs.82 Crore. The total order book including the projects received and the railway projects where we are L1 in current quarter stand at Rs.14,500 Crore.

Let me reiterate that our focus remains to build strong EPC businesses in the segments of highway, railways, power, T&D, buildings and now water treatment. The current order book of Rs.14,500 Crore provide us with good visibility of EPC business growth. On asset portfolio front we have already build 10 HAM projects portfolio. In terms of new projects bidding a priority will remain for HAM projects and strengthen the HAM project portfolio further.

This is all from my side I would now request Mr. Paresh Mehta to present the financial performance of Q3 FY22.

Paresh Mehta: Thank you sir. Good morning everyone. The result presentation and press release for the quarter have been uploaded on the stock exchanges and on the company website. I believe you all may have gone through the same.

Now, I would present a financial results for the quarter ended December 31st, 2021. Starting with the consolidated results the total income of Q3 FY22 grew by 10.8% year-on-year to Rs.1,475 Crore as compared to Rs.1,331 Crore in Q3 FY21. EBITDA stood at Rs.433 Crore in Q3 FY22 with a margin of 29.4%, profit after tax is at Rs.389 Crore in Q3 FY22. The exceptional item in the consolidated financials is write back of Rs.326 Crore on account of re-measurement of obligation towards investments in ACL. We have entered into agreement with SBI Macquarie through which we have reduced the obligation to Rs.1,200 Crore from Rs.1,526 Crore.

Now coming to the standalone numbers:

The total income of Q3 FY22 stands at Rs.1,133 Crore as compared to Rs.1,028 Crore in the corresponding quarter last fiscal registering a growth of 10.2%. EBITDA for the quarter was at Rs.150 Crore with the EBITDA margin of 13.2% the company reported loss of Rs.694 Crore on Q3 FY22 as we have recognized exceptional item of Rs.769 Crore. The exceptional item in standalone financials is expense of Rs.769 Crore towards impairment of its investments in equity share, CCDs and loans given to ACL. This is mainly due to sale of equity of 5 BOT projects to KKR from aggregate consultation of foreign aggregate consultant of Rs.1,337 Crore and giving exit to Macquarie.

During Q3 FY22 BOT division recorded a toll collection of Rs.257 Crore as against Rs.260 Crore in Q3 FY21 and Rs.243 Crore in Q2 FY22. Total consolidated debt as on December 31, 2021, is at Rs.6,822 Crore of which project debt is Rs.5,923 Crore of which Rs.3,166 Crore stands for project debt of five projects. LCDs stood at Rs.250 Crore at ACL level, the standalone debt is at Rs.649 Crore which comprises of Rs.140 Crore of equipment loans and Rs.509 Crore of working capital loans. Out of the total consolidated debt of Rs.6,822 Crore, Rs.3,166 Crore will be transferred along with the five SPV of BOT projects post the sale of transaction effective consolidated debt will be at Rs.3,656 Crore.

With this, we now open the floor for question and answers. Thank you.

Moderator: Thank you. We will now begin the question and answer session. The first question is from the line of Vibhor Singhal from PhillipCapital. Please go ahead.

Vibhor Singhal: Sir just wanted to confirm on one thing I think when we had call regarding the sale of the five assets to the KKR group entity we have mentioned that I think we were expecting our write off to the tune of Rs.500 to Rs.600 Crore, any specific reason that you ended up being significantly higher than what was estimated?

Paresh Mehta: So, when we had on the call post the transaction there about was not including any provision for exit for SBI Macquarie, it was only talking about the projects on a estimated basis loss on the projects of the five BOT project. So, from that perspective additional provisioning is on account of the exit to be given to SBI Macquarie which was accounted in this quarter.

Vibhor Singhal: But sir why would that lead to a incremental provision in standalone books I can understand there could be some provision, but why would happen if you require in our standalone books?

Paresh Mehta: So, what happens is that the total obligation to be paid to Macquarie will depend on the ACL networth and the shortfall in ACL realizable value in the balance sheet has to be funded from ABL holdings in ACL. So, from that perspective this provision of a total Rs.770 Crore has been provided for in Q3. We can discuss on the one-to-one basis also.

Vibhor Singhal: And this is the total provision do we expect any more provision after this or this takes care of the entire transaction requirement?

Paresh Mehta: This is the total provision for the valuation of ACL on this five BOT project then we are left with one project that is Jaora-Nayagaon which will typically fetch more value than its book and also then there are the HAM projects which are at book almost.

Vibhor Singhal: So, we do not expect any more write-offs may be going forward even if we were to sell Jaora-Nayagaon or Chennai ORR requisites?

Paresh Mehta: Nothing very significant.

Vibhor Singhal: Sir in terms of the order book if I could basically get Satish sir maybe comment I think we have had very strong inflow, but then I think our order book right now which was around Rs.12,000 Crore and maybe Rs.14,000 Crore including the L1 we basically are looking at an order book which is slightly on a softer side of more like 2.5 to 2.8 times good to sale, so are we looking at basically aggressive bidding for more kind of HAM projects I think sometime we won some HAM projects one is on that front and the second is I just wanted to check again on the fact that recently the mega projects of Ganga Expressway awarded IRB and Adani Group if it works for us would we open to working for them as a subcontractor even the none of five projects that they are?

Satish Parakh: See our focus will always remain on highways and budget also shows very optimistic aggression by government to build highways. This will come on EPC as well as BOT mode recently also we have won EPC two highways one in Goa and another in Karnataka. So, our participation is going to be there in all these highways and the projects which are won by major players like Adani and all we are also taking interest in participating and trying to get EPC part of this portion. So, we are open to such offers in the market.

Vibhor Singhal: Sir just last connected question we recently won this project on BOT basis in the sewage treatment plant I think we have been testing those water with earlier with CGD and now with the sewage treatment, will be looking for similar kind of more projects on a BOT basis I thought that we were basically looking more like either HAM projects or more EPC projects only, but if similar kind of projects let us say come in sewage treatment, CGD or water or mining, are we open to bidding for these kinds of projects on BOT basis?

Satish Parakh: So, let me clarify this is a pure EPC project with operation maintenance only that too paid operation maintenance for 15 years. So, this is not a BOT project and your question of whether we will be open to bidding to any of these kind of project it will all depend upon structures, availability of finance if it is available and our role is to be a major EPC contractor then definitely will be entering in there.

Moderator: Thank you. The next question is from the line of B Vijay from Spark Capital. Please go ahead.

B Vijay: So, are we interested in a bidding for developing solar projects because I saw our name in one of the recent solar bids and if so why are we bidding for being a developer on the solar side?

Satish Parakh: We are not trying to be a developer in solar side what we have done is we have been participating for EPC part of solar projects.

B Vijay: Because I remember seeing Ashoka's name in one of the hybrid cum storage bids recently that is as a developer right if I am not wrong?

Satish Parakh: See there are arrangements where finances made available and we have to play our EPC part in most of these projects. So, there are structures available where we actually pay an EPC part and not the investment part. We intend to remain as more of an EPC player than a developer.

B Vijay: So, the idea behind this bid was someone else will bring in the investment so who would that be?

Satish Parakh: We cannot disclose. They are very strategic names behind this that something we are unable to disclose here.

B Vijay: Then we will continue to bid for such projects in the future?

Satish Parakh: Yes see EPC is our strength and definitely we would like to encash that.

B Vijay: Even on the solar EPC side we are building our capabilities because I do not think we have solar project significant in the past?

Satish Parakh: No, we are already executing a solar project for NTPC on EPC basis so already we have experience now executed solar.

Moderator: Thank you. The next question is from the line of Mohit from DAM Capital. Please go ahead.

Mohit: Sir my first question is I think received appointed date for all the projects and I assume that the work on the Panagarh-Palsit that also started, how do you expect the FY23 to plan out in Q4, can we expect in FY23 Rs.5,000 Crore kind of Topline?

Satish Parakh: Let me clarify on appointed dates Panagarh-Palsit we have still not received appointed date, but we expect that to receive in this Q4 and other projects where we are L1, but we have not or we have got LOI also, but appointed date are yet to be declared like Mopa Airport Highway at Goa we have still not received appointed date. Sankeshwar we have got LOI, but we are yet to receive appointed date so all these we will receive either in Q4 or Q1 of next year and definitely these all orders will pick up as we go along in Q1, Q2, Q3, Q4. So, next year we see a good growth looking at the order book available in hand and picking above the projects.

Mohit: Can you expect 25% growth over FY2022?

Satish Parakh: I think we can easily target around 25%, 30% in next year.

Mohit: Sir I think we were advance stages to complete Jaora-Nayagaon in Chennai ORR; can you expect this in Q4 and the related question is what will you do with the receipt from Jaora-Nayagaon, will they seem to reduce this standalone debt?

Paresh Mehta: Jaora-Nayagaon and Chennai ORR we do target to get these deals signed off before 31st March that is what is our focus. Definitely what cash will come in will come in at ABL level somewhere around in the Q2 probably Q3 of next year at that moment definitely a debt reduction would be one of the targets at the standalone levels and depending on surplus availability and the new contracts being available we may decide allocation of the capital either for debt or for investors depending on how the execution plans out.

Mohit: And last is what is sewage order which you received from MCG of 10.5 billion I think the order which you have mentioned in the presentation is around 6 billion, so should I assume that this 4 billion is for 15 years or is it in JV and somebody else has to do the balance work?

Paresh Mehta: Yes it is a joint venture, so we have captured in our presentation for our portion of an execution because that is the EPC the work is of Rs.1,046 Crore which we have in joint venture so that is what we have declared in the stock exchange. It is a joint venture with another party.

Moderator: Thank you. The next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal: My just question on the bid pipeline so if you can highlight the bid pipeline on segment wise and how much of the bids have we committed which is yet to be opened?

Satish Parakh: Yes bid pipeline as we explained NHAI is aggressive on putting up lot of bids and we are participating in most of the HAM and EPC projects.

Parikshit Kandpal: Sir I was asking if you can give us segment wise like building, railways, highways so what kind of ordering or bid pipeline is there for the fourth quarter and also if you can highlight how much of bids we have already submitted which is yet to be opened?

Satish Parakh: So, bid submitted and to be opened there are few bids of course which are yet to be opened around Rs.9,000 Crore bids are there which are yet to be opened these are basically into highway sectors.

Parikshit Kandpal: And what about railway, CNG and other segment?

Satish Parakh: Railway there are no significant bid which are yet to be opened.

Parikshit Kandpal: Sir other question is on margin you have earlier guided for 25% to 30% is standalone EPC revenue growth for next year, so for next year even the commodity headwinds and some of the other peers reporting drop in margins, so how do you see the margin EBITDA for the next year if you can give some guidance there?

Satish Parakh: I think margins we will be able to maintain because we also are taking into consideration while bidding the commodity price variation which is really affecting a sector. So, these are part of our input and most of the bids have price variation clauses. The very few which are like fixed price contracts.

Parikshit Kandpal: So, what is the total fixed price contracts percentage in our order book and is it safe to assume that next year you can do 12% to 13% EBITDA margins?

Paresh Mehta: In the road projects most of the projects you may call HAM or you may call the EPC contracts most of the project have escalation clauses. Other projects most of them are in the fixed price nature.

Parikshit Kandpal: And sir next year EBITDA margin could be like range of the 12%, 15% or it will be more like 11% to 12%.

Paresh Mehta: It would be in the range of 11% to 12% that is what we have 11.5 is what 9 month is growing up and probably that would be range which will be maintained for 22-23.

Parikshit Kandpal: And lastly if you can who is the joint venture partner in the MCG so I mean just wanted to understand is it more for technical scoring that is why we partnered with them or say what is reason for it if you can just highlight?

Satish Parakh: This is basically from qualification perspective certain requirements are there so we need to and also breaking experience of this new segment for us for the JV partner has the experience and also the qualification.

Parikshit Kandpal: And who is the JV partner here?

Satish Parakh: I have got engineers as the JV partner who have been doing sewage treatment plant since long.

Parikshit Kandpal: Gondwana Engineers?

Satish Parakh: Yes.

Moderator: Thank you. The next question is from the line of Ranjeet from Mahindra Manulife Mutual Fund. Please go ahead.

Ranjeet: Sir if you can throw some more clarity regarding the equity infusion excluding the PIM portion in the hybrid annuity steps will be required?

Paresh Mehta: So, the equity infusion for the balance HAM projects in the coming 21-22 and 22-23 would be Rs.145 Crore for this year i.e. balance in the next one and half month and Rs.139 Crore for FY22-23. So, total investment is yet to be done in these HAM projects is Rs.284 Crore. So, may be some of the equity for FY21-22 may get spilled over FY22-23 depending on execution and requirement of project.

Ranjeet: And what is the update on this Maldives social housing projects?

Paresh Mehta: So, on this project the Maldives government is in the process of tying a debt with Exim. We will have to wait till then if they are successful in tying up then this contract will continue.

Ranjeet: And anymore large orders in the international geographies we are looking at?

Satish Parakh: We have been participating in international geography so Bangladesh we are L1 for Rs.500 Crore job.

Moderator: Thank you. The next question is from the line of Subhadip Mitra from JM Financial. Please go ahead.

Subhadip Mitra: So, I think you have already given a guidance of about 25% to 30% growth in sales I am sorry I may have missed some of the details, so just reiterating here that are we looking at this kind of a growth for both FY23 and 24?

Satish Parakh: Yes with current book I am looking at the government focus on highway sector we feel we should be comfortably able to grow by 25% to 30% from both years.

Subhadip Mitra: And any target order inflow that you have in mind for FY23, 24?

Satish Parakh: Like you know Rs.9,000 Crore is yet to be opened that is all highway sector that is where we are quite optimistic of getting something and also some portion in Ganga Expressway which could be an EPC part for us.

Subhadip Mitra: What I was basically trying to understand is there any overall targeted order inflow or annual order inflow number that you have in mind going into the next two years that annually we would like to reach a targeted order inflow for certain numbers?

Satish Parakh: So, like this year we have already done around Rs.8,500 so Rs.8,000 to Rs.10,000 should be like we should be able to cross Rs.10,000 Crore this year and then next year maybe even more or will go up to Rs.12,000 Crore. Now the focus to government is on major highways like expressways which really are of good size and they give good fast turnover also. So, hoping that this spending of the government we feel coming two, three years will be a very good growth in highway sector.

Subhadip Mitra: And lastly with regard to the solar EPC project that we are doing for NTPC I think in the last call you mentioned that the modules for the same is still to be procured, is the status still the same or we already procure the module?

Satish Parakh: Status is still the same and we are discussing with NTPC how to resolve this ordering issue or will take extension from them.

Subhadip Mitra: So, is there any possible penalty that could come up in this particular project and what is the last let us say quarter by which you would have to procure the modules to finish it on wider line?

Satish Parakh: So, basically we are in discussion with the authorities and till date there is no such indication and because this is a complete problem for all the entire sector for all the projects. So, this is being discussed at policy level to resolve this issue.

Subhadip Mitra: Your best guess would be that the deadlines would get extend on this one?

Satish Parakh: Yes definitely balance work is absolutely as per targeted timelines so all balance EPC is being done except for the module everything is being kept ready and this is very well understood by the authorities also because for them it is not they have a large portfolio and they understand it across the sector.

Moderator: Thank you. The next question is from the line of Vibhor Singhal from PhillipCapital. Please go ahead.

Vibhor Singhal: Sir just I think I missed out on the guidance front you mentioned 25% to 30% kind of a growth in FY23, but what are we looking in FY22 more like what is the guidance for FY22 in terms of revenues?

Satish Parakh: FY22 we would cross around 15% to 20% is what we still feel we will be able to achieve.

Vibhor Singhal: Also sir just a small book keeping question our debt at the standalone level appears to have gone up this quarter from I think at the standalone the working capital that we are talking of, so any specific reason on that and if you could just maybe tied up with how the payment cycle looking, how are the payment from various government bodies looking at?

Paresh Mehta: So, basically the realization which are happening in Q3 which will take care of the slightly higher debt, inflated debt on the working capital is more of a catching up with the billing payments.

Vibhor Singhal: More of a timing issue?

Paresh Mehta: Yes.

Vibhor Singhal: Sir the payment cycle from NHAI from other government bodies are they on track or any specific delays that you might want to flag-off?

Paresh Mehta: No, very insignificant on NHAI payment once they are approved so that way it is comfortable.

Vibhor Singhal: And the par TLD projects in Bihar and Jharkhand other states are also on time sir?

Paresh Mehta: We have received in fact few collections which were pending for last in this quarter and definitely some payments are in due course and they will come in. They are a retention payment which will come in when they are due so they are still some time to go for the retention.

Vibhor Singhal: But nothing that is out of the ordinary that is being delayed?

Paresh Mehta: There is one state Jharkhand where there is a bit delay, but then we are folloeing up very keenly.

Vibhor Singhal: Sir just one last question from my side basically now that we have managed to basically close this deal with a KKR group and as you mentioned that we will also be should be able to wrap up the Jaora-Nayagaon and the Chennai OR project by March that gives us a good amount of let us say headroom in terms of our bidding ability, so could we see more HAM projects going forward and could we also look at some of the BOT projects earlier bid for some of the NHAI projection West Bengal, would we be looking at bidding for BOT projects also or is it going to be the same waterfall that we have chosen before of EPC, HAM and BOT?

Satish Parakh: So, basically it will be more of EPC and HAM and very selectively where we have some structured arrangements for investments and all we will participate in BOT where investment are taken care by the investors.

Vibhor Singhal: Let us say if I am talking about BOT roads would that be JV with somebody or would that be we want to go alone?

Satish Parakh: Yes with project-to-project completely.

Paresh Mehta: One clarification the West Bengal project is not a BOT for us it is in EPC for us it is a BOT for Adani project.

Vibhor Singhal: But I think last year we had bid for couple of projects from BOT which we were not able to win, I was talking about our overall strategy of bidding for BOT projects West Bengal and EPC.

Moderator: Thank you. The next question is from the line of Jiten Rushi from Axis Capital. Please go ahead.

Jiten Rushi: Can you give me the revenue breakup segment wise for the quarter or 9 months?

Paresh Mehta: So, road front total revenue was Rs.898 Crore for the quarter, power was Rs.49 Crore, railway was Rs.70 Crore, CGD and smart Infra was Rs.37 Crore.

Jiten Rushi: Can you repeat the road sector again?

Paresh Mehta: Rs.898 Crore and RMC Rs.48 Crore.

Jiten Rushi: So, power Rs.49 Crore, railway Rs.70 Crore, CGD and Smart City Rs.37 Crore, RMC Rs.48 Crore and road Rs.898 Crore, right sir?

Paresh Mehta: Right.

Jiten Rushi: Sir can you give me few book keeping numbers like debtors, creditors or mobilization advance or unbilled revenue retention and inventory as on December?

Paresh Mehta: So, total debtors is in the range of Rs.1,094 Crore, un-billed revenue is Rs.1,071 Crore that is the reason as we said there is a slight jump in the working capital requirement. Advance is around Rs.360 Crore to be recovered so this is on the debtor side and on the creditor side Rs.733 Crore is what is the outstanding.

Jiten Rushi: Inventory and retention money?

Paresh Mehta Inventory is small Rs.165 Crore.

Jiten Rushi: And retention also Rs.500 crore?

Paresh Mehta Retention is around Rs.209 Crore. So, this is inclusive in the debtors Rs.1,094.

Jiten Rushi: Included in debtors.

Paresh Mehta Rs.1,094 Crore of debtors includes Rs.209 Crore retention.

Jiten Rushi: Sir this debt level which has gone up so now obviously our revenue mix is changing going forward because the share of other segment is going up, so do we see this debt levels to remain elevated because the payment cycles in other segment is always like 3 to 4 months while in road it has been faster. So, this would be the consistent phenomena capital that was remaining elevated in debt levels at this level or you are expecting the debt level to come down by March end what is your view sir?

Paresh Mehta Maybe 50% of the impact of debt level being higher is mismatch in the payment of road sector. Once which is being taken care in Q3 so from that perspective the impact on the working capital requirement at the debtor level would increase marginally because of the other sectors which will have increase working capital by approximately Rs.150 Crore.

Jiten Rushi: So, we can see debt levels of Rs.650 to Rs.700 Crore by March end it will not change significantly what I see?

Paresh Mehta I did not get you what was that?

Jiten Rushi: Sir the current standalone debt is of Rs.650 Crore so we can expect the same number we will not…..

Paresh Mehta Because the road sector mismatch will get resolved so then it should be in the range of Rs.500 odd Crore.

Jiten Rushi: And obviously you have given the order inflow guidance for this year we are targeting Rs.10,000 Crore so we are expecting Rs.1,500 Crore more orders from the road sector, is my understanding correct?

Paresh Mehta: Right.

Jiten Rushi: Now what kind of revenue inflow going forward you have guided for Rs.12,000 Crore of inflows next year, so what kind of mix do we see in this like from the road and the non-road segment?

Satish Parakh: So, basically we expect 75% to 80% again road and 20% to 25% on the sectors.

Jiten Rushi: And sir are we going to participate in the semi-TOT projects of any TOT bids because as you said correctly you might go selectively for BOT projects where we saw in Ganga Expressway, so any TOT bundles or any future NHAI TOT bundle we would like to participate in?

Satish Parakh: As of now we are not analyzing anything.

Jiten Rushi: And sir last question from my side CAPEX for 9 months and for full year guidance and next year CAPEX guidance and the current bank limits funds and non-fund base and utilization level?

Paresh Mehta: So, the CAPEX for 9 months was very insignificant, but by end of this quarter we will have a CAPEX around Rs.50 Crore to Rs.60 Crore on machinery side highways and other thing and as I said debt utilization we have already given Rs.648 Crore and BG business guarantee limits utilized in the range of around Rs.2,600 Crore.

Jiten Rushi: Again, what is the total limit is?

Paresh Mehta: **Rs.**3,600 Crore which will get enhanced by another Rs.700 Crore to Rs.800 Crore in the coming month we have got sanctions.

Jiten Rushi: Working capital we have used almost Rs.500 Crore plus our limit is about Rs.1,000 Crore in working capital?

Paresh Mehta: No, so this is in two forms basically working capital loan is Rs.350 Crore we have dipped into based on our MBPF and we have dipped into working capital demand loans with bankers at a very fine rate in the range of 4.25% so that kept the interest rate also lower, but these will be liquidated over a period of time as this realization which will come from the mismatch in the road sector so that will go down otherwise our working capital limit for not fund base is Rs.350 Crore.

Jiten Rushi: And sir the CAPEX guidance for next year like this year you said Rs.50 Crore, Rs.60 Crore total CAPEX next year how many same number or we can expect more?

Paresh Mehta No depending on the mix project which we win so in the road sector and others I think so we will continue to we will probably have total CAPEX of around Rs.80 to Rs.100 Crore.

Jiten Rushi: Sir any refinancing opportunity in the HAM project what is the refinancing rates we are getting now or for the new HAM projects what are the financial closure rate we are getting now in the banks?

Paresh Mehta The completed growth project we have two totally completed and one completed but annuity yet to come where we have opportunity for refinancing these are due in May 22 for recent so on that date we will do a refinancing with the probably with the existing financer. So, this would be in the range of in today's rate compared to today's rate range of 6.9 to 7.1 where today's financing rate is 7.9 so there will be arbitrage of approximately 1%.

Moderator: Thank you. The next question is from the line of Parvez Akhtar Qazi from Edelweiss Securities. Please go ahead.

Parvez Akhtar Qazi: So, one question is what is the equity that we had infused in the HAM project this quarter?

Paresh Mehta: In this quarter there was not significant infusion around only Rs.14 Crore, but post that in Q4 we have already invested Rs.55 Crore which includes major in the TS4 that is Bettadahalli-Shivamogga.

Parvez Akhtar Qazi: Have we received the appointed date for the Banur-Kharar project?

Satish Parakh: No we have not yet received this post-election we will get this.

Parvez Akhtar Qazi: So, of the Rs.12,000 odd Crore order book that was there at the end of December, is that the only project where appointed date is still pending or are there any other project as well?

Satish Parakh: No that is the only project where appointed date is pending and the others which we have received in Q4 there the appointed dates are pending which I mentioned this Mopa Airport and Belgaum to Sankeshwar and of course Panagarh-Palsit which we are expecting now.

Moderator: Thank you. The next question is from the line of Varun Murli Individual Investor. Please go ahead.

Varun Murli: I had a couple of questions just wanted to know what is the debt position on the HAM portfolio as of date the HAM portfolio under ACL and also on the two projects that you said are at advance stage basically?

Paresh Mehta: What is the question again can you just get back.

Varun Murli: Yes I just wanted to know what is the debt position on the 10 HAM projects you have as of December and also the external debt on the two projects that you said we are in advance stages of selling?

Paresh Mehta: So, the debt fund of all the HAM project as of date is approximately Rs.2,000 odd Crore and which on the two assets give me a minute I will just get back maybe you can carryon.

Varun Murli: So, one other question that I had was you have mentioned in your opening comments and also in your investor presentation around the monetization of the HAM projects, so just wanted to check given that most of these projects are still like in under construction stage like is this like a viable monetization near term or like is there something that we are looking out say one, two years down the line basically?

Paresh Mehta: This should be in a range of around not more than one year’s time for the completed project.

Varun Murli: And is there any early thought process around like the monetization because I am assuming even in an InvIT you would like end up owning most of the stake like would the eventual distant be driven by what is the value you are getting or like do you want to do you have a preference to continue ownership of these assets for the maintenance growth etc?

Paresh Mehta: Transfer it into Invit probably will not entail the substantial stake on our side maybe in the range of Rs.25Crore to Rs.30 Crore on a revalued basis not more. So, some cash will definitely be monetized. Definitely if we has a sponsors we will definitely continue to maintain the assets and have revenue from that side and coming back on the debt on the two projects which are completed the Kharar Ludhiana the debt is around Rs.568 Crore and on Ranatsalam it is Rs.391 Crore total debt is Rs.2,200 Crore as of December.

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

Ashish Shah: Sir just this question was asked in a slightly different way earlier, but in this Rs.1,337 Crore of equity that we are investing in the HAM projects what is the pin component what is the actual investment that we will end up making in everything put together?

Paresh Mehta: On the total equity of Rs.1,337 Crore which is envisaged the pin contribution would be around Rs.386 Crore.

Ashish Shah: And the balance is the cash flow invested from your balance sheet?

Paresh Mehta: Yes share capital or quasi equity.

Ashish Shah: When you are evaluating or you are talking to an investor in terms of the monetization potential of these project the benchmark would be Rs.1,337 Crore of equity invested at a full invested stage obviously because at the end of the day the pin which has got invested in the assets is actually the equity capital which otherwise you could have kind of captured it elsewhere in your EPC am I getting it right?

Paresh Mehta: Finally end of the day when the valuations will be right will be based on the future cash flows. So, it will represent both the share capital and the PIM.

Ashish Shah: Basically, you retaining the entire pim component in the asset that leaves more value on the table in the asset that is the point I am trying to arrive at?

Paresh Mehta: Right.

Ashish Shah: Directionally on the margin component we have been diversifying and we have indictor intention to keep getting more and more diversified so on a ongoing basis what is the kind of margin trajectory one should expect should we be more in the range of like a 10%, 11%, 11%, 12% let us say medium term perspective?

Paresh Mehta: This will be generally in the range of 10% to 12% the roads maybe slightly higher because that is a high expertise field apart, some projects may have a lower margin based on competition or as a new entrant. So, the range will be in the range of 10-12 or the big probably would be in the range of 11.25% to 12%.

Ashish Shah: Sir also on the MCGM project that we have got so if you can talk on what is going to be our role, what is going to be our share of the EPC and how does it help us in the future, what is the whole thought process behind that project?

Satish Parakh: See basically this is sewage treatment plans and entire civil works are being done by us so it is all 65-35 sharing in a JV ratio and this also gives us a good amount of qualification going ahead bidding in these kind of project?

Ashish Shah: Going ahead are we indicating that we are looking at sewage treatment or maybe desalination I mean is that the area that we are trying to build up the qualifications for?

Satish Parakh: Yes as a strategy 70% would always remain 70% to 80% is road and envision 20% we are trying to enter into EPC segment of buildings, sewage treatment, water treatment and railways. So, these require similar kind of skillset which we already have. They all have lot of civil portion in them like railways are civil as well as electrification telecommunication which we are already doing sewage have this and treatment part is also not like very difficult to pick up and institute.

Ashish Shah: Sir who are the partners in this?

Satish Parakh: Gondwana Engineers is our JV partner in this and they have been doing this treatment plants since more than three decades now.

Ashish Shah: Lastly can we just talk about your thoughts on the CGD business going forward because in the recently concluded bids we have not sort of got anything, so what is your whole thought process on that business going forward?

Paresh Mehta: So, here we have three GAs is with us approximately with the project cost of around 850 Crore and all the three GAs are operational and they have started revenues. We have not investor Morgan Stanley also in the joint venture, so they definitely will be looking out for an exit in a year's or two time that is generally their horizon of four to five years. So, from that perspective in this set of projects could be taken up for monetizing too. Presently because in view of most of the GA have already been bid out and allotted the next round of bidding may take a lot of time because most of it is almost covered now.

Ashish Shah: Basically sir is it safe to say we are looking at an exit from this business because you said the partner also wants to exit?

Paresh Mehta: That is one possibly we do not mind running it, but good possibility is that in case the existing partner also wants to exit it will make sense if he get a good valuation.

Ashish Shah: And there is no guaranteed IRR obligation etcetera to be Morgan Stanley investment right?

Paresh Mehta: No.

Ashish Shah: Lastly how much have they invested so far?

Paresh Mehta: At present we have invested approximately Rs.140 Crore.

Ashish Shah: And your investment is also matching amount around Rs.150 or so?

Paresh Mehta: No. put together.

Ashish Shah: Put together sorry it is Rs.140 Crore and is it equally split between you and Morgan?

Paresh Mehta: 51-49.

Moderator: Thank you. The next question is from the line of Jiten Rushi from Axis Capital. Please go ahead.

Jiten Rushi: Sir one last question from my side is what is the outstanding equity in Jaora-Nayagaon including sub debt and loss if any and Chennai ORR and the outstanding debt balance as on December sir?

Paresh Mehta: On Jaora-Nayagaon the basic equity is Rs.287 crore which is intact and there is no funding additional funding on the project.

Jiten Rushi: Basically, sir Jaora-Nayagaon total investment is Rs.287 Crore including sub-debt and actual equity?

Paresh Mehta: There is no sub debt it is your equity of Rs.287 Crore.

Jiten Rushi: And sir what about Chennai ORR?

Paresh Mehta: Chennai ORR Rs.189 Crore is the pure equity and there is a debt of around Rs.240 Crore.

Jiten Rushi: Rs.240 Crore is the sub-debt.

Paresh Mehta: Yes.

Jiten Rushi: Sir this Rs.287 Crore Jaora-Nayagaon is 100% level or it is 74 our stake?

Paresh Mehta: This is 100%.

Jiten Rushi: And Chennai ORR also 100%.

Paresh Mehta: Yes that is also 100%, but the debt which you are talking about has been funded by ABL.

Jiten Rushi: Interest noninterest bearing?

Paresh Mehta: No, interest bearing.

Jiten Rushi: And sir what is the outstanding gross debt?

Paresh Mehta: It is interest bearing just to repeat.

Jiten Rushi: Rs.240 Crore is interest bearing around 10%, 12% kind of.

Paresh Mehta: Slightly larger.

Jiten Rushi: And sir what is the gross outstanding borrowings in both the projects as on December?

Paresh Mehta: On both the projects on Jaora-Nayagaon it is approximately Rs.187 Crore and on Chennai ORR it is approximately Rs.850 Crore.

Jiten Rushi: But it is excluding debt Rs.240 Crore?

Paresh Mehta: No. this is extended debt which I am talking of term loan and from lenders these both numbers of Rs.187 Crore and Rs.850 Crore these are term lenders money.

Jiten Rushi: So, basically if you have go through the transaction probably this Rs.240 Crore of loan will come back to and any additional equity over and above what you have will come back to according to the share sir this 50% partner in Chennai ORR what is the status like GV or you are supposed to the stake of us was supposed to go back to 100% so the company was in NCLT so any update on that sir?

Paresh Mehta: The talks are on.

Moderator: Thank you. That was the last question. As there are no further questions I will now hand over to management for closing comments.

Paresh Mehta: We thank all the investors for joining on this call we would be happy to take any other queries. We are available or stellar relations are also available for the queries that is all from our side. Thank you very much.

Management: Thank you everyone.

Moderator: Thank you very much. On behalf of Anand Rathi Share and Stock Brokers that concludes this conference. Thank you for joining us and you may now disconnect your lines.