“Ashoka Buildcon Limited Q4 FY22 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Ashoka Buildcon Limited Q4 FY22 and FY22 Earnings Conference Call hosted by Anand Rathi Shares & Stockbrokers. 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 and operator by pressing "*" then "0" on your touchtone phone. I now hand the conference over to Mr. Meet Parikh from Anand Rathi Shares and Stock Brokers. Please go ahead, sir.

Meet Parikh: Thank you, Peter. On behalf of Anand Rathi Shares and Stock Brokers, I welcome everyone to the Q4 FY22 and FY22 Full Year Earnings Call for Ashoka Buildcon Limited. From the management side, we have Mr. Satish Parakh – Managing Director, and Mr. Paresh Mehta – the CFO with us. We will start with the opening remarks from the management regarding the industry and the result and post which we will open up for the interactive Q&A. Over to you, sir.

Satish Parakh: Thank you, Meet. Good afternoon, everyone. We'd like to extend a warm welcome to everyone on earnings conference call for quarter ended and year ended March 31, 2022. Along with me, I have Mr. Paresh Mehta, our CFO on the call.

Let me start with highlighting key developments in the financial year 2022. We have finalized the long-awaited equity sell of six projects and we will be able to provide exit to SBI and Macquarie, private equity investor in ACL. We have registered highest ever revenue till date and we have achieved highest order intake in any financial year and recorded highest closing order. Let me give an update on equity sell of ACL projects.

As mentioned earlier, we have successfully entered into an asset sell transaction of Ashoka Constructions Limited of five SPVs by entering into a share subscription and share purchase agreement with Galaxy Investments to Private Limited and affiliate entity of KKR. The deal to be completed by September 2022, after receiving required approvals from lenders, NHI and other relevant stakeholders and completion of certain condition precedent. We have received approvals from few lenders and some permissions from NHAI. We are in the process of completing the balance CPs. The deal transfers the entire share capital of these 5 BOT projects including the repayment of shareholders loan for an aggregate consideration of Rs. 1,337 crore. The total proceeds received will be utilized to facilitate the exit of SBI and Macquarie from Ashoka Constructions Limited allowing SBI and Macquarie to exit the company fully. Further transfer of these SPVs will reduce the consolidated project debt of ABL by Rs. 3,090 crore.

Also, we have executed a share purchase agreement with National Investment and Infrastructure Funds for the sale of 100% equity of Chennai ORR for an aggregate financial consideration of Rs. 686 crore. Out of Rs. 686 crore, ABL is expected to receive Rs. 450 crore, that is 250 crore toward loan repayment and around Rs. 200 crore towards this 50% equity stake in SPV. Post this transaction, the company will remain with following major projects in highway portfolio, 74% equity stake in 1 toll project that is Jaora-Nayagaon, 3 fully owned annuity projects, Hungud Talikot, Bagewadi Saundatti from KSHIP, and fully owned portfolio of 11 HAM projects. As mentioned earlier, we are in discussions for the equity sell of Jaora-Nayagaon BOT toll project. Coming to HAM projects, we have executed construction agreement with NHAI worth Rs. 1,079 crore for the development of 6-lane access control greenfield highway from kilometer 162.5 to kilometer 203.10, that is Baswantpur to Singnodi, section of NH 150 on Hybrid Annuity Mode under Bharatmala Pariyojana. The construction period is 912 days and the operation period is 15 years. The total equity requirement of all 11 HAM projects is about Rs. 1,080 crore of which we have already invested Rs. 739 crore as of March 2022. Coming to our order book. As mentioned, we have achieved a robust order book inflow of around Rs. 9,793 crore from 1st April 2021 till date. And some of the key and large orders of the above are, we have received LoA from NHAI of Rs. 829 crore for construction of 6 laning from Belgaum to Sankeshwar bypass on NH-48 in the state of Karnataka on EPC mode.

We have received an LoA for railway electrification order of Rs. 618 crore in the state of Assam from North Frontier Railway. We have also received LoA from MCGM for Rs. 1,046 crore for construction of sewage treatment plant based on MBR technology. And as I said earlier, we have executed a construction agreement with NHAI for Rs. 1,079 crore for the development of Baswantpur to Singnodi, which is section of NH. The breakup of Rs. 13,731 crore order book as of March 31 is road project compromised around Rs. 7,906 crore, which is 58% of our total order book. And among the road projects order book, HAM projects are to the tune of Rs. 2,454 crore and EPC projects are to the tune of Rs. 5,452 crore. Power T&D and others account for around Rs. 2258 crore, which is approximately 17% of the total order book. The EPC Building segments contribute around Rs. 2,177 crore, which is 16% of the total order book. While the railway stood at Rs. 1,226 crore, which is 9% of the total order book. And the EPC order of CGD is all to the tune of Rs. Rs. 65 crore.

The current order book, including the projects received post March stands at Rs. 14,633 crore. Let me reiterate that our focus remains to build strong EPC business in segments of highways, railways, power, T&D and buildings. The current order book of Rs. 14,633 crore provide us with a good visibility of EPC business growth. On assets portfolio front, we have already built 11 project portfolio in terms of new project building. Our 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 financial performance of Q4 FY22.

Paresh Mehta: Thank you, sir. Good afternoon, everyone. The result presentation and press release for the quarter have been uploaded on the stock exchanges, and on the company's website, too. I believe you all may have had an opportunity to go through them. Now I would present the financial results for the quarter ended March 31, 2022. Starting with the consolidated results, the total income of Q4 FY22 grew by 15% year-on-year to Rs. 2,057 crore as compared to Rs. 1,780 crore in Q4 FY21. EBITDA stood at Rs. 632.6 crore in Q4 FY22 with a margin of 30.8%. Profit after tax is at Rs. 224.6 crore in Q4 FY22.

Now coming to the standalone numbers, the total income for Q4 FY22 stands at Rs. 1,622.7 crore as compared to Rs. 1,433 crore in corresponding quarter last fiscal, registering a growth of 13.2%. EBITDA for the quarter was at Rs. 219.8 crore with an EBITDA margin of 13.5%. The company reported net profit after tax of Rs. 188 crore in Q4 FY22. During Q4 FY22, BOT division recorded a toll collection of Rs. 269 crore as against Rs. 261 crore in Q4 FY21 and Rs. 257 crore in Q3 FY22. Total consolidated debt as on March 31, 2022, is at Rs. 6,698 crore, of which project debt is Rs. 5,961 crore, of which Rs. 3,090 crore stands for project debt of 5 BOT projects. NCDs stood at Rs. 250 crore at ACL level. The standalone debt stood at Rs. 486 crore, which comprises of Rs. 201 crore of equipment loan and Rs. 285 crore of working capital loans. Out of the total consolidated debt of Rs. 6,698 crore, Rs. 3,090 crore will be transferred along with 5 SPVs of BOT. Post the sale transaction, effective consolidated debt would be Rs. 3,608 crore. During Q4, the company has initiated sale of its investment in GVR Ashoka, Chennai ORR Limited, a joint venture of the company, from which share purchase agreement with NIIF has been signed for a consideration of Rs. 686 crore, subject to certain adjustment specified in the SPA towards its equity investments, loans given and other receivables from the set joint venture. Accordingly, the asset investments along with loans and other receivables amounted to Rs. 346 crore have been classified as asset ready for sale.

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

Moderator: We will now begin the question-and-answer session. Our first question is from the line of Nikhil Abhyankar with DAM Capital. Please go ahead.

Nikhil Abhyankar: I have had 2 questions. So, can you give us a revenue margin and order book guidance for FY '23?

Satish Parakh: So, FY23 looks very good with the program of Ministry of Surface Transport, and they are really very aggressive and they're planning around 18,000 kilometers of roads in NHAI, MRTH, NHIDCL, and state NH together. The order inflow should be 10,000-plus in this year, and revenue guidance will remain like we should grow by 22%, 25% in this year. Even our current balance order book is also quite significant.

Nikhil Abhyankar: And the margin, sir?

Satish Parakh: Margins will remain the same what we have been already targeting, the same margins.

Nikhil Abhyankar: Somewhere around 13% to 15%?

Satish Parakh: Around 11% to 12%. .

Nikhil Abhyankar: 11%, okay. Sir, so you talked about this Chennai ORR. So, will we book any gains through the sale in Q1 FY23?

Paresh Mehta: We expect the sale transaction to happen Q1, hopefully or latest by Q2. So, the moment it happens, there would be possibility of a gain book based on the price which we have indicated.

Nikhil Abhyankar: And sir, any further update on NTPC EPC project that we had, did we reach any middle ground with the department?

Satish Parakh: No. NTPC, we are proceeding with all balance works except the modules.

Nikhil Abhyankar: And one final question, sir. Sir, what is the status of Jabalpur asset sale?

Paresh Mehta: So, you're referring to Jaora-Nayagaon asset sale?

Nikhil Abhyankar: Yes, sir.

Paresh Mehta: Yes. So, on the Jaora-Nayagaon asset sale, we are in talks with the potential investors. And we expect it to close as early as possible. We are 2 investors, Ashoka Buildcon and Ashoka Concessions along with Macquarie as a separate Investor there. So, we are negotiating with a potential investor.

Nikhil Abhyankar: And just if I may add one more, sir. Are we looking to add more solar EPC projects?

Satish Parakh: Solar EPC, at present, no opportunities we are looking at. Maybe we will evaluate if it comes across.

Moderator: Our next question is from the line of Ashish Shah with Centrum Broking. Please go ahead.

Ashish Shah: So, first question is on the Belgaum-Khanapur project. Over the last couple of quarters, we are not seeing much progress in terms of execution. So, just wanted to check what is the status there?

Satish Parakh: Belgaum-Khanapur actually has a major bypass of 10 kilometers. And this got released only after pre-COD we got. So, we got pre-COD at 56%. And now Belgaum bypass is released. So, we'll see progress in coming quarters.

Ashish Shah: So, by when do you think this could get completed? Within '23?

Satish Parakh: One year exactly from now.

Ashish Shah: So, by and large within FY'23?

Satish Parakh: Yes.

Ashish Shah: Also on some of the newer projects on the building EPC side, if you can just highlight where we are in terms of being able to start the work, especially Maldives. The Zodiac Hospital won the sewage treatment project in Mumbai. If you can just highlight.

Satish Parakh: So, all these projects are basically expected to start in Q2. Maldives, we are yet to get clearance from Exim Bank to start the project, which we are expecting in Q1 or maybe early Q2. Zodiac Hospital, again same thing, either we get in Q1 or maybe early Q2. Sewage treatment, though we have signed the LoI, agreement is yet to be signed, which will happen in Q1. And the real project will take off in Q3, Q4.

Ashish Shah: And in Maldives, sir, is there any chance of the order getting canceled? I mean because if they're not able to tie up funding, is there any possibility of that project being taken out?

Satish Parakh: We don't see any chance of this project being deleted. It's on priority of government and definitely it will happen.

Moderator: Our next question is from the line of Vibhor Singhal with Phillip Capital. Please go ahead.

Vibhor Singhal: Sir, so I got a couple of questions. The first question was in terms of the remaining HAM projects, the 4 packages of Tumkur-Shivamogga and the Kandi Ramsanpalle project. What is the status on these projects? And when do we expect any pre-COD for these projects going forward?

Satish Parakh: So, Tumkur-Shivamogga, TS1 pre-COD is already recommended. TS2, we will get in the end of maybe Q1 or early Q2. TS3 and TS4 are early stage, they have started, so may go into next year.

Vibhor Singhal: We might have just started there.

Satish Parakh: I Beg your pardon?

Vibhor Singhal: Same with Kandi Ramsanpalle project also?

Satish Parakh: Kandi also we're expecting in Q2, we'll get COD in Q2, yes. These are all at advanced stage of completion.

Vibhor Singhal: Also, sir, my second question was on the margins front. I mean this quarter, we saw margins dip slightly thought not very sharply up.

Satish Parakh: So, margin front, definitely, there was pressure due to all commodity prices going up and also fuel prices going up, which were not exactly matching with the pass-through available in the project. But of late, if you see last 8, 10 days are very positive after government taking certain measures on export and import duties. So, steel prices are now coming down to the normal and cement also will follow is what we see. So, going ahead, we will be able to retain the projected margins.

Vibhor Singhal: And sir, during the course of this 11% to 12% margins in next year, could we see more softening in Q1 or Q2, and then maybe pick up in Q3, Q4? Or do you think next quarter itself should be good enough?

Satish Parakh: Normally, pickup happens only in Q3, Q4. So, Q1, Q2, still, Q1 will be good. Q2 is affected by monsoon badly. So, it all depends upon how much it affects and which areas it effect. But we will see decent growth in Q1. And Q3, Q4 will be a robust growth year.

Vibhor Singhal: Sir, last question from my side. I know it is difficult to predict, and I think there are multiple formations, which are remaining. But any time line that you believe that you would be able to complete the BOT sale deal, and the cash could be in our books, and Macquarie could be provided exit. When do you think this entire thing will get completed?

Satish Parakh: Yes. These are at advanced stages now. So, definitely, September is our targeted time lines. But even if a delay happens, it could be another 1 or 2 months. It cannot be more than that.

Moderator: Our next question is from the line of Vasudev with Edelweiss. Please go ahead.

Vasudev: So, the first question is, what is the pending equity infusion in the HAM projects? And if you can give the year-wise schedule for the equity infusion?

Paresh Mehta: Yes. So, total equity to be infused, including the latest 11 projects we have got that is Singondi project, total equity is Rs. 345 crore, of which Rs. 255 crore will have to be funded in FY '22, '23, and Rs. 90 crore in FY '23, '24.

Vasudev: And what was the CapEx that we did in Q4? And what is that we' planning for FY '23?

Paresh Mehta: So, CapEx is almost to the tune of around Rs. 90 crore. And for '22, '23, we are expecting a CapEx of approximately Rs. 125 crore to Rs. 150 crore.

Vasudev: Rs. 125 crore to Rs. 150 crore. And for the Q4, can you give the revenue breakup between the segments, like road, power, T&D, et cetera?

Paresh Mehta: So, for Q4, on road sector, the total revenue was Rs. 1,100 crore. On the power, it was Rs. 267 crore. On railways, it was Rs. 136 crore. And other sectors, put together, was approximately Rs. 50-odd crore.

Vasudev: Sorry, can you repeat?

Paresh Mehta: Rs. 50 crore.

Vasudev: Rs. 50 crore. And for railways, you said Rs. 136 crore, right?

Paresh Mehta: Rs. 136 crore.

Vasudev: And what would be these figures for FY '22 as a whole?

Paresh Mehta: For FY22 as a whole, it will be approximately, for road sector, Rs. 3,501 crore, Rs. 410 crore for Power, Rs. 488 crore for railway, and balance approximately Rs. 130 crore for others like CGD, Smart.

Vasudev: And sir, for the Jaora-Nayagaon project, you said that we are in advanced stages of discussion. So, any timeline by when we can expect this?

Paresh Mehta: As I said, we are under discussions with the investors, and we expect it to be closed in a couple of months' time. It all depends how all things fall in place.

Vasudev: So, could it be expected in at least FY23? Or it can spill over to the next year?

Paresh Mehta: It should definitely happen in FY23.

Vasudev: And one last thing, what are the debt levels that you are targeting for FY '23?

Paresh Mehta: FY '23, we being at Rs. 6,700 crore, and with new projects to be executed, the balance HAM projects to be executed and other. We would be in the range of around Rs. 7,000-odd crore.

Vasudev: Rs. 7,000-odd crore.

Moderator: Our next question is from the line of Jiten Rushi with Axis Capital. Please go ahead.

Jiten Rushi: Sir, on the question on the order inflow. So, sir, last quarter, we were discussing about the order inflow from the subcontracting of Ganga Expressway. So, any progress on that side, sir?

Satish Parakh: For Ganga Expressway, we have not participated as an EPC contractor. So, we are expecting order inflow from NHAI and other projects.

Jiten Rushi: Sir, any outstanding bills as of now in NHAI?

Satish Parakh: There are certain things under consideration.

Jiten Rushi: And sir, again, on the balance sheet numbers, if you can provide unbilled revenue, mobilization advances and the retention money as on March?

Paresh Mehta: Yes, I will get that. One second. So, the total debt as of March '22, total debtors rather, including hold and retentions, is Rs. 1,112 crore. Unbilled revenue is around Rs. 813 crore. Total receivable is around Rs. 1,926 crore, against which we have Rs. 408 crore of advances. And net unbilled revenue is around Rs. 600 crore.

Jiten Rushi: Sir, I'm not able to get you. So, you said, sir, unbilled is Rs. 813 crore. You said debtors, which is including retention is Rs. 1,112 crore.

Paresh Mehta: Net unbilled revenue in terms of negative and positive impact is Rs. 613 crore.

Jiten Rushi: Rs. 613 crore is what?

Paresh Mehta: Net unbilled revenue.

Jiten Rushi: Net unbilled revenue. Sir, mobilization advance, you said is Rs. 408 crore, right, sir?

Paresh Mehta: Yes.

Jiten Rushi: And retention exact number, can you provide, sir?

Paresh Mehta: Retention to Rs. 232 crore.

Jiten Rushi: And sir, on the quarterly result, you can see other expenditure going up, so largely gross margin decline by 13 basis point, but majorly the EBITDA decline was due to higher other expenditure. And can you also explain the increase in other income in this quarter and the negative tax effect.

Paresh Mehta: Didn't get the question, sir.

Jiten Rushi: Sir, my question was on the other expenditure for the quarter was high. Other income was also high, and the negative tax impact. Can you please explain that for the quarter in standalone results?

Paresh Mehta: So, other income is higher basically because we have moved from a 2021 COVID period, when quite a substantial portions of fixed expenses were reduced in 2021, which is now back to normal. There are certain CSR expenditures made in other expenses, which is accounted in this quarter. On the income side, there are certain write-backs of payables, resulting in additional income. And as I said, on the tax side, there is a saving on tax because we have written off the interest receivable from ACL, which we have written off and that we have taken as a credit in our tax bookings.

Jiten Rushi: So, basically, sir, you said other income was high, basically, because of the write-back, which you have done, so what would be that write-back?

Paresh Mehta: Certain write-backs and certain miscellaneous receipts like insurance.

Jiten Rushi: And what is the CSR expenditure included in other expenditure, which resulted in the spike?

Paresh Mehta: That’s around Rs 9 crore.

Jiten Rushi: And the tax saving is because of the interest reversal you have written off in ACL. So, probably you have received a tax credit. Right, sir?

Paresh Mehta: Right.

Jiten Rushi: And sir, in the opening remarks, you said about the share you received from the stake sale in Chennai ORR at Rs. 450 crore. So, balance is with SBI Macquarie. Is my understanding correct?

Paresh Mehta: No. This is a 50-50 joint venture with GVR Infra as one of the other partners. The balance will go to the other partners.

Jiten Rushi: But sir, you mentioned here that we'll be acquiring stake from GVR Infra post with the deal will conclude. So, then we will be the 100% owner of the SPV. So, don't -- won't we get the whole amount? Just want to understand that.

Paresh Mehta: So, I mean, this is more of a reconciliation. No doubt, we are going to sell it 100%. But ABL will retain Rs. 450 crore, and balance has to pass through ABL to GVR Infra as considerations for their stake cost.

Jiten Rushi: So, sir, as mentioned in the notes to accounts, this deal is at around 2x price to if you add up to your equity receivables and loans given to SPV, right, sir?

Paresh Mehta: Right.

Moderator: Our next question is from the line of Parikshit Kandpal with HDFC Securities. Please go ahead.

Parikshit Kandpal: So, my first question is on the balance sheet. Sir, can you please reconcile this loans item which is like Rs. 1,094 crore, which has become 0 now?

Paresh Mehta: I'm unable to hear you.

Parikshit Kandpal: Sir, in the standalone balance sheet, there is 1 item in the noncurrent asset side, which is loan of about Rs. 1,094 crore in March '21, which has now become 0. I think this has gone into current assets. So, can you just reconcile this?

Paresh Mehta: So, this is loans given to ACL, Ashoka Concessions Limited, which has now become payable as current because we expect the deals to happen and all the accounts to get squared off.

Parikshit Kandpal: Sir, this is basically your investments, loans and advances and other equity investments in the ACL portfolio. So, that has been transferred now.

Paresh Mehta: Correct.

Parikshit Kandpal: And this asset side, for the Chennai ORR project, right, that Rs. 425 crore?

Paresh Mehta: Right, sir.

Parikshit Kandpal: Sir, the second question is on other income. So, now how do we read other income? So, on a recurring basis, now the interest which you used to charge on the open advances, so now that will get knocked off. It won't get any more. So, on a recurring basis, the other income will largely be the interest on our FDRs and scrappage and all other things, right? I mean there won't be any other big items here.

Paresh Mehta: Yes. Like other items like receipts, like scrap sale, insurance claims. These kind of items would keep on coming in.

Parikshit Kandpal: And just one last question on the ACL, sir. So, when the transaction closes by September or you said there would be possibly if there is another delay of 2 months, or maybe by third quarter of the financial year. And are there further write-offs on account of like the last funding for this portfolio for the rest of the year?. So, if you can just give some color on that?

Paresh Mehta: At present, we have taken account in account all impacts on the deal, which is to happen, and we don't expect any further write-offs.

Parikshit Kandpal: And just on this cash inflow, which we're expecting from Chennai ORR, Rs. 450 crore and plus Jaora-Nayagaon which may happen, which will accrue some cash to us. So, how do we intend to utilize this cash inflows? Sir, any thoughts there if you can highlight in this financial year? How do we intend to distribute this or use this?

Satish Parakh: So, definitely, we will cross the bid when it comes. But definitely, from a planning perspective, this will initially be reutilized to give an exit to Macquarie, the initial portion of around Rs. 1200 crore. The balance available will be used for propping up working capital and some other capital structure decision-making, which will happen at the right time.

Parikshit Kandpal: So, anything like working on some special dividend or some buyback, any plans on that?

Satish Parakh: That could be a possibility because if there is the surplus cash, there's no point in keeping the cash at the company level.

Moderator: Our next question is from the line of Dipika Mehta with Axis Bank. Please go ahead.

Dipika Mehta: This is a basic question, but can you tell me how does the cost of construction change? What was the split earlier? And what is the split now in terms because of the price increases? And also because of the change of steel that the government has allowed.

Satish Parakh: Hello. Yes, if I understand your question correctly, you're asking the impact of price rise, right?

Dipika Mehta: Right.

Satish Parakh: So, normally, all the NHAI projects or MoRTH projects, there is no pass-through, which is linked to indices of a particular commodity. So, now what happens if the indices don't move in tandem with the market. So, when there is a sudden rise in steel or cement prices, there is definitely an impact on the overall working. So, what normally we follow is we try to delay those kind of purchases. Sometimes the turnover also get delayed. So, if you see particularly Q1, it will get slightly affected because of this price rise. Decisions have been delayed accordingly, that is progress has been delayed to see. And fortunately, it's now favoring us when government has intervened, and they are taking corrective actions.

Dipika Mehta: Can you can you also tell me the breakup of cost of construction of, say, suppose if it's in highway road, product-wise like cement and steel?

Satish Parakh: So, cement and steel should compromise around 30% to 35%, including bitumen. These are the 3 basic prices which affect, bitumen, steel and cement. And fuel is another component, which normally varies from 10% to 12%.

Moderator: Our next question is from the line of Alok Deora with Motilal Oswal. Please go ahead.

Alok Deora: Just wanted to understand this Rs. 10,000 crore of order inflows which you are targeting. So, any bids which we have made, which are yet to open? And from which segments we are looking at these new orders from?

Satish Parakh: So, there are certain bids, which are yet to open, that is around Rs. 3,000 crore, which includes railways, metros and some energy projects. And order inflow, we are looking, of course, from NHAI and MoRTH where they have aggressive plan of 18,000 kilometers to be announced as against 12,000 kilometers which they did last year. Then if you look at railways and metros and semi high-speed railways, they are also throwing up a good opportunity. Power sector also, distribution programs are now coming up and they are also coming up with large budgets. So, all these 3 sectors are going to throw up a good amount of opportunity.

Alok Deora: And sir, on the margins, I believe you mentioned about margin guidance of nearly 11% to 12%. But if you see the margins now since the last 2, 3 quarters, it's been slightly weaker than that. So, how confident are we on the 11% to 12% margin, sir?

Satish Parakh: Going ahead, this volatility will be captured in the new bids. So, what we are suffering is only on the fixed price contracts. And our fixed price contract, where we are suffering is hardly 10% of the entire order book. So, margins definitely we'll be able to maintain at 11%, 12%.

Moderator: Our next question is from the line of Devam with ARDEKO. Please go ahead.

Devam: Sir, firstly, just wanted to understand about the consol balance sheet. So, from what we understand is that roughly the net of the liabilities held for sale and the asset held for sale, the remaining balance sheet is what is supposed to be the balance sheet that will continue post the deal. Is that the right understanding? Post the ACL deal?

Paresh Mehta: Right.

Devam: And in this case, what would be the adjustment to this balance sheet once the GVR deal is concluded? What will be the changes in that balance sheet, which is there?

Paresh Mehta: So, what will happen is this asset for sale, which is held as asset will get knocked up from the balance sheet and some gains will be booked. As you said, it is 2x. So, whatever excess we get on the equity will be booked as income side.

Devam: So, that will flow through to the networks, basically.

Paresh Mehta: Right.

Devam: So, you're saying the GVR deal is also included in the liabilities held for sale?

Paresh Mehta: No. GVR Chennai --

Devam: The Chennai ORR on top of this Rs. 6,600 crore, which I understand is with regards to the ACL deal, that is those 5 assets. On top of that, there will also be the Chennai ORR deal, which is not being captured in this balance sheet, right?

Devam: No. It is an asset held for sale. It's part of that.

Devam: Asset for sale includes the 5 assets plus Chennai ORR as well.

Paresh Mehta: Right.

Devam: And so apart from this, I just wanted to check, so I think the earlier participants mentioned regarding dividend and/or buyback. So, obviously, we all understand that buybacks are more friendlier than dividends on certain counts. So, any thought process or any requirement that we have, if we want to undertake a corporate action like a buyback, what kind of capital structure do we need to be at? And what kind of thinking would the promoter have with regards to, let's say, post this deal, what kind of capital structure we will reach? And what we'll have to do to reach, let's say, if we need to reduce the debt or something, how will we go about it?

Paresh Mehta: So, for doing a dividend, I don't think it is a challenge, from the reserves point of view. On the buyback structure, there are certain compliances required to be done for doing the buyback, which we have to see because unless those criteria are fulfilled, we will not be able to. In case the deal goes through, definitely, we are confident that we would be eligible at least for doing a buyback. And once the buyback is done, it will all depend on what kind of amount of buyback we are looking at. Numbers could be anywhere then -- could not be --

Devam: So, currently, sir, on that front, we have around Rs. 700-odd crore cash in bank with us, and plus I think some small investment part. Because we understand it is not an easy amount, easy thing to decide right now. But depending on the order book requirement, the growth requirement and all, what is the logic of thinking about what would be surplus cash as per us?

Paresh Mehta: Actually, anything above around 50% would definitely be surplus. 50% could be utilized for growing business because we will have HAM projects to be taken up periodically, though it will get funded on its own, but seed capital available would help the HAM projects to progress faster. But as you said, whatever surplus is left out, the 50% should be available for disposal.

Devam: So, given that current cash balance is around Rs. 730-odd crore, you are saying after all the deals and everything surplus would be what, roughly around Rs. 1,000 crore or more, total, including this current cash balance?

Paresh Mehta: Yes, it is. The current Rs. 730 crore cash balance is at the CFS level, most of the same is parked at the SPVs, so actually talk of purely free cash balances, it would be in the range of as per 31st March, what is noted at the stand-alone debt of Rs. 160 crore plus something from the SPV, which is parked there for just received in 31st March, would be around, say, Rs. 200 crore, of which more than 50% would be for guarantees and other purposes. So, the cash balance here would be normal approximately Rs. 50 crore to Rs. 100 crore, and then any further amount receivable from the stake sale.

Devam: So, what is the tentative amount which we are expecting from the stake sale towards this cash balance, which it will add, I mean, after netting of all the liabilities and all?

Paresh Mehta: We've really not worked out that. We'll cross the bridge as and when we come around because there are 3 deals under review. One is the KKR, one is the Chennai ORR, and the third is in case we get into a Jaora-Nayagaon deal.

Devam: And we understand you would also have sizable real estate on our balance sheet from the earlier buys that we would have done. Any thoughts of monetizing that at some point. Any thoughts on that, sir?

Paresh Mehta: We do. We keep on looking at opportunities of monetizing them. We have been doing a few, but in a very slower pace where we have given out this land parcels for development purpose to a developer and real estate player who is monetizing it. But we are looking out for opportunities.

Devam: So, sir, on a very rough basis, what would be the sort of size and tentative market value of this real estate, which is lying with us in the balance sheet right now, the Pune, Indore, Nashik, all these areas?

Paresh Mehta: Approximately, we have around Rs. 270 crore of assets as per book value. We should be looking at not less than at least 2x the price, if not more.

Devam: And finally, just on the order book. So, we understand, normally, people say that 15% to 20% of order inflow of their existing year revenues is good to sustain the revenue growth. Now we have a very large order inflow compared to existing year revenue. So, what kind of ramp-up in revenues should we expect? And are all the orders that we are showing in our current order book on an active note? And would it imply that, that should be a 30%, 40% CAGR in revenues over the next 2 years?

Satish Parakh: So, this year, particularly, we are expecting around 22% to 25%. And next year, it will all depend upon how the real order inflow stacks up.

Devam: But the current order book that we have does not have anything which is moving slow or dormant or anything like that. Most of it is moving. Is that the correct impression?

Satish Parakh: The buildings order particularly are slow moving. So, they really will pick up in Q3, Q4.

Devam: That is the Rs. 2,200-odd crore orders, which is there?

Satish Parakh: Right.

Moderator: Our next question is from the line of Anupam Gupta with IIFL Capital. Please go ahead.

Anupam Gupta: So, the question is related to the standalone debt which you have reported, sir. In the balance sheet, the debt appears to be Rs. 559 crore and cash appears to be Rs. 144 crore, whereas in the presentation, the number is Rs. 486 crore of debt and Rs. 162 crore of cash. So, where is the difference which is not visible in the reported balance sheet?

Paresh Mehta: So, certain debt pertains to related party debt from our subsidiaries basically. So, those are not external, they're internal debt from a standalone perspective. So, Rs. 486 crore is the actual external debt.

Anupam Gupta: And sir, why is the difference in cash?

Paresh Mehta: So, Rs. 161 crore with cash balance you're talking about is approximately around say Rs. 40-odd crore would be cash received on the last date of the year, which could not be appropriated with the lower accounts. And balance around Rs. 120-odd crore are cash bank balances leaned out to bankers for guarantees and the non-fund-based facilities.

Anupam Gupta: And the second question is relating to the HAM assets. So, you talked about Jaora being under negotiation, but what is the status on monetization of HAM? Will you be taking that up? Or is it already in negotiation for the monetization of those HAM projects?

Paresh Mehta: We are in discussions, but nothing very concrete at this moment of time. We are intending to monetize these HAM projects. Unfortunately, we have received only 1 full COD and others are under pre-COD already received. Of course, we are eligible to sell them off almost 5 projects are there, waiting to sell them. But we're just waiting time, I mean, definitely signals which have been coming, increase in RBI lending rates establishing a better market price.

Anupam Gupta: And then just one last question, sir. In terms of order inflows, when you talk about RS. 10,000 crore, so if you see the order book mix in terms of roads has come down versus FY21. Will that be the target mix for FY22, also? Or will we go back to roads being dominant?

Satish Parakh: We'll remain road focused. But how the orders pan out? Because today, we have a large number of players in that market. So, we're not very sure what the mix would span out to be. But definitely, our focus will be roads and highways. So, our first preference will be railways, then power and then buildings.

Moderator: Our next question is from the line of Varun Murli, an investor. Please go ahead.

Varun Murli: I had a couple of questions. First question, just wanted to check whether, with regards to your deal with KKR, I mean do you see any risks to closure there given the market scenario? And number two, also any update on that because last call even in the latest CRISIL rating report, there was mention of some of that arbitration amounts with NHAI. So, any update you can provide on those?

Paresh Mehta: So, we don't really expect any hindrances in the KKR deal irrespective of what's happening in the market, presently. I think so our markets have been rather buoyant. From both perspectives, we have had good toll rate rise, also interest rate rise are there, but they are not as significant, and they're already factored. So, we don't really feel much challenges in execution of the KKR deal. Secondly, on the CRISIL note of arbitration, yes, these are being pursued at NHAI level, some are at arbitration, but we are also taking them to conciliation processes.

Varun Murli: Just one other question that I had or in fact, like 2 other questions, if you could bear with me. This whole standalone revenue that you have, so what is the percentage contribution that you have on the standalone revenue as a result of maintenance that you undertake at these 5 KKR projects and the Chennai ORR project? So, just wanted to get some understanding like what percentage of revenue would you be booking because of maintenance activities at these projects?

Paresh Mehta: That could be very miniscule. So, these 5 projects, it should not be really significant. From a maintenance perspective, not more than 1% -- 1% to 1.5%.

Varun Murli: And my final question. I think I heard you say earlier in the con call where you were giving a debt guidance of Rs. 7,000 crore. So, did I hear that right? I mean because the number looked a bit off given the reduction in debt that is likely to happen over the next year?

Paresh Mehta: Yes. But there are 2 parts. So, presently I'm not factoring the deal receipts where they will be part because most of the debt is term loan debt which are typically at SPV level. So, I'm not considering deal as part of the estimation of that Rs. 7,000 crore. And this Rs. 7,000 crore, new projects we'll be picking up debt, it can be more than that also, and some debt being repaid for the current BOT projects.

Varun Murli: Just so that I get the understanding right, this Rs. 7,000 crore guidance that you were giving, it's not assuming the deal, right?

Paresh Mehta: Yes, exactly. Right. Please go ahead.

Moderator: Our next question is from the line of Mahesh Bhadang with Nirmal Bang. Please go ahead.

Mahesh Bhadang: Sir, couple of questions from my side. So, firstly, I just wanted to understand, we have received annuity on 2 HAM projects. So, was there any variation in terms of how much annuity you were supposed to receive and how much you actually received because of GST?

Paresh Mehta: So, we have paid annuity as per the agreement, subject to rescope if any. But as far as GST is concerned, the claim will be issued separately from NHAI. Suppose Rs. 100 was to be received, billing starts with Rs. 112, we have received Rs. 100, this Rs. 12 will be received in the near future. We're sorting out that procedure and I think we'll receive that same.

Mahesh Bhadang: So, the money that has been received that has been adjusted for GST, right? Or actual receivables, they have not cut the GST, but we have actually raised the bill including the GST.

Paresh Mehta: Yes. We have raised the bill.

Mahesh Bhadang: So, basically, we have received the cash flows that we wanted to, but we still have to pay Rs. 12 upfront, which we will get it later.

Paresh Mehta: Correct, which we already have credit at our GST account, which will be cash flow for this deal.

Mahesh Bhadang: And sir, second one is on the project Baswantpur to Singondi which you mentioned, so the project cost is around Rs. 1,079 crore and EPC portion we have mentioned in order book is Rs. 790 crore. The difference seems a bit large. So, can you just explain that?

Paresh Mehta: It's true that the EPC cost is at Rs. 790, so around Rs. 800 crore against Rs. 1,079. So, balance is left at SPV level for taking care of its margins and as well as its IDC and other expenses.

Mahesh Bhadang: Sir, just lastly, I just wanted to check, how do you see competition in the bidding of HAM and EPC this year?

Satish Parakh: So, we still see there is a large number of players participating. So, competition is there, and one needs to be very careful and selective about picking up projects.

Mahesh Bhadang: So, in terms of margins, we'll have to go with the lower margins to get the projects or I just wanted to understand as compared to what we've done say previously?

Satish Parakh: Normally, bid margins are retained, and this all is about engineering around the project. [Foreign Language]. We try to retain those margins. Lastly also we could get around the MoRTH plus

NHAI, our orders are to the tune of Rs. 5,000 crore. So, even though there is aggression, there's definitely an opportunity.

Moderator: Our next question is from the line of Jiten Rushi with Axis Capital. Please go ahead.

Jiten Rushi: Sir, my first question is on Jaora-Nayagaon. What is the outstanding equity, including some debt in the project, sir?

Paresh Mehta: The equity is Rs. 287 crore. There's no other debt. There is term loan of Rs. 165 crore from the senior lenders.

Jiten Rushi: Rs. 165 crore term loan. And sir, on the balance sheet side, we can see contract assets and contract liability, so contract assets going up significant and contract liability coming down. Sir, can you explain us the change in the underlying items in it, sir, in the standalone balance sheet?

Paresh Mehta: Could you go again, contract assets --?

Jiten Rushi: Sir, the contract assets and the contract liability, we can see a significant change. So, if you see in the standalone balance sheet the contract asset is almost gone up and contract liability also there is a change. So, I wanted to understand what is this change and what are the underlying items in it.

Paresh Mehta: The contract asset is basically unbilled revenue.

Jiten Rushi: Unbilled revenue, okay. So, sir, the unbilled revenue this time is high, but probably expect this to come down this quarter or how it is?

Paresh Mehta: This has come down as billing happens. And as turnover goes, on a pro rata basis, it will remain in that range. But it will come down by approximately Rs. 150-odd crore.

Jiten Rushi: And sir, on the contract liability, does it include mobilization advance or how it is?

Satish Parakh: Yes, it includes.

Jiten Rushi: So, this increase is because of the higher share of mobilization advance in contract language.

Paresh Mehta: Yes.

Jiten Rushi: And sir, on the Maldives project, obviously, the project you have received a long time back. So, is this a fixed price contract? Or there will be a revision in the contract price as we start the work in Q3, as you said in the opening remarks.

Satish Parakh: This is a fixed-price contract. But the payments are in dollars, so dollar appreciation has already happened. And more or less, steel prices, which has abruptly gone up are now coming to a normalized level. So, the contractor is still very much within the budgeted margins.

Jiten Rushi: So, we don't see any risk to the margin as such.

Satish Parakh: No. We don't see any risk unless again, we see some erratic price rises.

Moderator: Our next question is from the line of Ronald Siyoni with Sharekhan. Please go ahead.

Ronald Siyoni: I had a couple of questions. Firstly, the WPI inflation over the last 12 to 13 years has risen in double digits. And month-on-month, it has increased lately to 15%. So, does it not cover fixed-price contracts? Or are you baking in these numbers? And then you are saying that it's only the 10% impact on fixed-price contracts.

Paresh Mehta: This double-digit WPI increase definitely is not a factored aspect. But as we have already said, on the revenue side, also, there are certain increases like if it's as overseas contract, dollar rates have improved. So, that has insured maintenance of the required margins. And as we have said, okay, now general margins should have been in the range of 11%, 11.5%. We're now estimating around 10% and 10.5%. So, there could be a marginal hit up by 1%, 1.5%. It will all depend on at the time of execution, how these prices continue to behave, as you have said that these are looking better off in the last few days and in the coming few months. So, we believe that the margins will continue to remain on what we have estimated.

Ronald Siyoni: Another question is that NHAI, MoRTH implementing restrictions or increasing restrictions on bidding with respect to net worth for bidding and those kind of things, which earlier were eased. So, this is not expected to have any impact on lowering competition or any such thing. Is that understanding correct? And one was that we are seeing a strong growth in building and those segment. So, are you basically concentrated towards government buildings and not towards Category A builders, which will be throwing up ample growth opportunities because buildings you are not as much optimistic in building segment.

Satish Parakh: So, we are focusing building segment, EPC segment, and these are normally government contracts or it could be a private contract, but we are not working for builders as such. They're not a real estate play related to this.

Ronald Siyoni: And that question with respect to competition, haven't you seen easing because of tightening of some norms from FY23?

Satish Parakh: Slight tightening has happened, but that may not completely reduce the aggression in the sector. I think this aggression will remain for some time more.

Moderator: Our next question is from the line of Abhishek Modi with Emkay Global. Please go ahead.

Abhishek Modi: So, my question is the same related to the one asked by one of the previous guys. So, you have told the debt level for FY23 will be approximately Rs. 7,000 crore consolidated. Post the deal you will be less than Rs. 3,600 crore.

Satish Parakh: Correct.

Abhishek Modi: So, the Rs. 7,000 crore is assuming there is no deal happens. So, if the deal happens, what is the --

Paresh Mehta: You're correct. If the deal happens, then it should go down to Rs. 4,000 crore.

Abhishek Modi: So, instead of the Rs. 7,000 crore for FY '23, it is Rs. 4,000 crore. So, there will be a Rs. 400 crore jump in consolidated debt?

Paresh Mehta: Yes. That is because HAM projects are being executed. Their debt drawn will be there. That will continue to keep on happening. New projects will be taken, new debt will be taken. As and when the HAM projects are also sold up, again, the debt will go down. So, it's a continued process.

Abhishek Modi: Sir, my next question pertains to CapEx. FY23, if I'm right, the CapEx is Rs. 125 crore to Rs. 150 crore. For Q4, Rs. 90 crore. So, what is FY22 total CapEx?

Paresh Mehta: Total CapEx itself is not more than Rs. 125 crore to Rs. 130 crore. So, let me check that. I'll tell you. I'll come back on that.

Abhishek Modi: Sir, my question was because the 90% of the CapEx is done in Q4, am I right? Assuming it is Rs. 105 crore, so Rs. 90 crore was done in Q4. So, just wanted to have that clarity.

Paresh Mehta: I will get back to you on this separately.

Moderator: Ladies and gentlemen, this was the last question for the day. I will now hand the conference over to Mr. Paresh Mehta for closing comments.

Paresh Mehta: We thank you all participants for joining on this call. We are happy to take any further queries if you have. And you may get in touch with us or with Stellar Investor Relationship, our IR guy. So, wish you all the best. Thank you.

Satish Parakh: Thank you, everyone.

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