"Ashoka Buildcon Limited Q4 FY 2017 Earnings Conference Call"

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Moderator: Ladies and Gentlemen, Good Day and Welcome to the Q4 FY 2017 Earning Conference Call of Ashoka Buildcon Limited hosted by PhillipCapital (India) Private Limited. 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 "*" then "0" on your touchtone phone.

I now hand the conference over to Mr. Vibhor Singhal from PhillipCapital (India) Private Limited. Thank you and over to you, sir!

Vibhor Singhal: Thanks, Stanford. Good Evening, Ladies and Gentlemen. Welcome all to the Fourth Quarter Earning Call for Ashoka Buildcon. We have with us the management team comprising of Mr. Satish Parakh -- the Managing Director and Mr. Paresh Mehta -- who is the CFO.

Without wasting any time, I will just hand over the floor to Mr. Satish Parakh who will just take you through the broad numbers and Mr. Mehta after that and then we will open the floor for Question-and-Answers.

Satish Parakh: Yes, thank you Vibhor. Good evening, everyone and a very warm welcome to our earnings call for FY 2017. I have with me Mr. Paresh Mehta and Stellar Investor Relations our IR Advisors.

Let me start with the industry update. The Union Budget 2017 has given a major push to the infrastructure sector with an allocation of Rs. 3.96 lakh crores. For the road sector the budget allocation has been steeped up to Rs. 64,000 crores in FY 2018 from Rs. 57,000 crores last year. Also 2,000 kilometers of coastal connectivity roads will be constructed and awarded during current year.

In last fiscal, road ministry had set an all-time high target of 15,000 kilometers and manage to complete 8,200 kilometers. Though the execution was not to the target of 41 kilometers per day it did a record all time high pace of 22 kilometers per day which is 33% more than the last fiscal.

The ministry had also set a target of awarding of 25,000 kilometers of stretch under highway projects in 2016 - 2017 and manage to award around 14,000 kilometers which again is the highest so far. On the awarding front NHAI is facing challenges most on the land acquisition front. To meet its target of awarding of road project, MoRTH has announced a target of 25,000 kilometers again in FY 2017. Of which, 15,000 kilometers will be under National Highway.

Now, coming to the developments at Ashoka Buildcon – I am happy that this year has been a very good year for us in terms of order inflow. We have won orders to the tune Rs. 3,925 crores. The highest ever order inflow in a year.

In current quarter, we have backed hybrid annuity project in the state of Andhra Pradesh the bid project cost of the same is Rs. 1,187 crores and EPC value for the ABL would be Rs. 920

crores. We have also bagged EPC orders in power T&D sector in Bihar and Jharkhand to the tune of Rs. 399 crores.

Currently, our order backlog is Rs. 7,005 crores. Again, the highest ever order backlog for us. This clearly gives us a revenue visibility for over the next couple of years.

In terms of break-up of order book, road projects of Rs. 5,114 crores which is 67% of our order book and Rs. 1,890 crores are power T&D. Among the road order book EPC projects are Rs. 2,484 crores and the rest is BOT which is Rs. 2,629 crores.

Please note that all the orders in our order book are moving smoothly except Sambalpur bypass which is of Rs. 276 crores. We are waiting for another two months to take the final call on Islampur project.

Our bigger EPC order including Eastern Peripheral and JNPT have picked up well. We have achieved financial closure of our hybrid annuity project Kharar - Ludhiana the loan amount is Rs. 600 crores and the interest rate is 9.25%.

That is all from my side. I would now request Mr. Paresh Mehta to present the results of Q4 FY 2017.

Paresh Mehta: Thank you, sir. Good evening, everyone. I am sure, you have had look at the Presentation which has been circulated and also uploaded on our website.

Before I discuss the results, let me brief you on a couple of major changes when we are migrated from iGAAP accounting to IndAS accounting. One of the major changes in the accounting is the accounting of premium which we are paying to NHAI. Earlier we recognized intangible assets to the tune of the premium to be paid over the entire concession period and the same depreciated and the liability also was created to NHAI at an absolute amount of total amount payable to NHAI.

Now, under the new policy of IndAS, we need to create liability equivalent to the NPV of the premium to be paid during concession period and the same is to be adjusted in the intangible assets and depreciated and the liability which is created towards NHAI will bear in interest cost which is also known as finance cost which over the years would be equivalent to the premium payable that is our total liability plus the interest accrued thereon would be equal to the total premium payable. This has result in reduction in the asset value and the depreciation amount also over the year.

However, the notional interest will be high and charged off to the P&L account. This change will not have any cash flows impact on the company. Another major change is on the annuity projects.

As per IndAS, annuity projects are to be recognized as a deferred EPC contract and no, intangible asset will be created. This being a major IndAS impact other than normal impacts of expected credit loss I think so we can go ahead now to the results for the March 31st, 2017.

Total income including other incomes for FY 2017 is Rs. 3,101 crores as compared to Rs. 2,903 crores over FY 2016. The revenue of EPC division is Rs. 2,181 crores. Please note, that the EPC revenues does not include revenue of inter SPVs of Rs. 86 crores done for major maintenance and other O&M works.

During Q4 FY 2017, BOT division recorded a toll collection of Rs. 257 crores, up from Rs. 239 crores in Q4 FY 2016. Toll collection total for FY 2017 was at Rs. 913 crores as compared to Rs. 907 crores. The lower growth in toll during FY 2017 is mainly due to stoppage of toll collection for 23 days in November due to demonetization.

Here, I would just like to highlight that under the new IndAS we have included Jaora - Nayagaon project for the consolidation purpose and that has result in the high toll revenue vis-à-vis last year revenues as per iGAAP.

Going ahead, our EBITDA for FY 2017 is Rs. 1,034 crores compared to Rs. 1,024 crores in corresponding quarter last year. The consolidated EBITDA margin for the year is at 33.04% percentage. The consolidate debt as per iGAAP stood at Rs. 4,447 crores of which project debt is around Rs. 4,315 crores. The standalone debt is Rs. 1,032 crores which comprises of Rs. 41 crores of equipment loans and Rs. 91 crores of working capital loans. as communicated by Mr. Parakh, we ended March 2017 with a order book of Rs. 7,500 crores which we believe will enable us to grow at a higher rate over the next couple of years.

With this, we would open the floor for Question-and-Answers. Thank you very much.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin with the Question-and-Answer Session. We take the first question from the line of Parkishit Kandpal from HDFC Securities. Please go ahead.

Parkishit Kandpal: Just to know on this PNG toll what is the update, I mean we are not consolidating the losses. So, does it become an off-balance sheet liability now for us, so we will be recording it there?

Satish Parakh: No, so on the PNG tollways we have actually written all the asset investments which we had in 2016. So, as a shareholder we have no obligation to fund the SPV. We do not have the debt on the SPV also is non-recourse debt. From that perspective, we do not have any obligation to fund any losses which occur at the SPV level. Second point is the loss arising at the SPV level which of around Rs. 37 crores pertaining to our interest is typically a fair market value loss which has been derived in the SPVs accounts which has been not now provided in our books because we do not have any carrying cost and neither any binding to fund it.

Parkishit Kandpal: Okay. So, these items will not carry any off balance sheet item for us like in terms of contingent liabilities and others**?**

Satish Parakh: No, not this amount.

Parkishit Kandpal: Okay. My second question on the airport side, so Mumbai airport project, so is the project now financially closed and what kind of outgo we are basically building in for this year for this project and how we will be financing it? Basically, I want to know from the standalone whether debt from the current level will go up sharply in terms of financing this project?

Satish Parakh: So, on the project per se we got our LOA in first week of April and we are in decisions with MIAL for certain clarifications on the subject and we intend to close this out in Q2 and then we will start our work on the project. As far as funding of the project is concerned, definitely the project will be part in an SPV and we will take debt at the SPV level. We would probably entail based on the project side for approximately Rs. 900 odd crores, we will probably have a equity commitment of around Rs. 240 odd crores - Rs. 250 odd crores which in the first year we will be outlaying approximately Rs. 120 crores and then going forward in the next two years we will be spending the balance equity. So, this Rs. 120 crores definitely will be funded by ABL from the ABLs balance sheet. But I do not think we will require any long-term debt for funding that. Internal accruals will be sufficient to take care.

Parkishit Kandpal: So, the cash flows generation at the ABL level will be partly going towards funding this real estate project and balance equity requirement of all the balance BOT projects?

Satish Parakh: Right, sir. And also as we had indicated in our previous call when the project was awarded this equity participation could also be shared by a potential partner who could walk in once we get whole documentation done with MIAL and then invite a partner.

Parkishit Kandpal: Okay. And just one last question on the other income, we have recorded around Rs. 43 crores, so this is again from the real estate monetization in the SPV?

Satish Parakh: At SPV level there is no real estate monetization but at ACL level we had investment in one of SPVs where Macquarie was invested and we exited that investment in the same year where we had a revenue of profit of Rs. 33 crores that is the major event which has occurred.

Parkishit Kandpal: This was which SPV?

Satish Parakh: This was a project already held by Macquarie where 26% was bought by us and then sold off to another investor within the year.

Parkishit Kandpal: This was our share, right sir this 26% Rs. 33 crores?

Satish Parakh: Right. Rs. 33 crores of net profit.

Moderator: Thank you. We take the next question from the line of Abhijith Vara from Sundaram Mutual Fund. Please go ahead.

Abhijith Vara: This annuity projects revenue, how will it be recorded?

Satish Parakh: So, typically I think so it will be recorded as a construction revenue because going future IndAS treat is more of a deferred EPC contract and what will happen is during the construction phase, the construction revenues will be recorded and post construction other income of financial income which is accruals of interest on the outstanding amount of work done for the employer will be recognized as other income. So, may be going forward for our Presentation we will present it under EPC.

Abhijith Vara: In the console as well?

Satish Parakh: Yes.

Abhijith Vara: Okay.

Satish Parakh: That is how we have recorded in our Presentation, if you could see the Presentation, other income includes Rs. 72 crores of which part of it is pertaining to income from annuity project, carry cost income.

Abhijith Vara: Okay. Sir, second question is on the status of Chennai ORR and Modhul - Nippani project. Have they started being recognized in terms of revenues?

Satish Parakh: So, on the Chennai ORR and Modhul - Nippani, we are waiting for completion certification from both the authorities, they are with them for quite some time now more than a couple of months but we expect to receive them anytime, the partial completion for Chennai ORR and complete completion for Modhul - Nippani. As far as recognition of revenue is concerned, we are recognizing this as an EPC contract as I said under the IndAS, so we have recognized certain revenue on that as far as the carry income on the outstanding receivable from the employer at the cost of asset.

Moderator: Thank you. We take the next question from the line of Bharanidhar Vijayakumar from Spark Capital. Please go ahead.

Bharanidhar Vijayakumar: My first question is on our order inflow for FY 2017 we had booked closed to Rs. 3,900 crores including one EPC to HAM and three power T&D orders. Could you guide us as to how FY 2018 will look like in terms of order inflow in terms of EPC HAM, and T&D orders?

Satish Parakh: Yes, if you see the target of NHAI they have a very aggressive target of awarding even this year and what we feel we should be able to bag fresh order book in road side of at least Rs. 3,500 crores to Rs. 4,000 crores and on power side we will be having another Rs. 1,000 crores of order book. So, this year our target of bagging orders is around Rs. 5,000 crores.

Bharanidhar Vijayakumar: Understood. And given there is slow down from NHAI side in giving orders how is our bidding happening in other opportunities like Mumbai, Nagpur or any other projects?

Satish Parakh: Yes, we do evaluate state projects also, so we are participating in most of the projects.

Bharanidhar Vijayakumar: Understood. So, this Rs. 3,000 crores to Rs. 4,000 crores would be from other NHAI and the other state projects also?

Satish Parakh: Yes. But most of it would be from NHAI may be one or two orders from the state.

Bharanidhar Vijayakumar: And at least one or two and given odd of the day HAM it will be one or two HAM projects, right?

Satish Parakh: Yes, HAM projects would be a good opportunity.

Bharanidhar Vijayakumar: Understood. My second question is our traffic growth or toll collection growth, if you see fourth quarter after the third quarter lower income, the other projects like your Dhankuni, Jharkhand, Bihar are doing well but your Bandhara Road and Durg Bypass is still seeing decline in toll collection. So, what is the reason there?

Satish Parakh: In the Bandhara and Durg basically the decline is actually there was negative WPI in last year for toll rate rise. So, which is unfortunately a flat traffic in both these projects, they are still not picking up. This is major impact no doubt due to demonetization for the states of Chhattisgarh and Maharashtra yet to show some economic revival is what is our judgment from these two projects traiffic.

Bharanidhar Vijayakumar: Understood. So, from these two projects, traffic growth has not been year-on-year it is flat?

Satish Parakh: Yes, for Q4-to-Q4 it flat, but if you see on year-on-year there is a growth of at least 4% to 5%. If you see in Bhandara it is on an adjusted basis it is around 5% and on Durg it is almost around 7%.

Moderator: Thank you. We take the next question from the line of Vibhor Singhal from PhillipCapital (India) Private Limited. Please go ahead.

Vibhor Singhal: Sir, just I had one question which would probably be on the minds of other investors also just to get the clarification. So, you mentioned that one of the major changes because of IndAS adoption was the interest expense because the premium payable the recognition of that was different and that is actually what we see in the numbers also the FY 2016 and FY 2017 console numbers, have a much higher interest expense reported then FY 2015. So, would you be able to quantify the impact of this IndAS adoption and how much of this Rs. 788 crores were actually a cash expense and how much was it a non-cash expense and what could it be going forward just for us to be able to make basically forecast those numbers?

Satish Parakh: So, as we have already indicated in our Presentation in page number five, the interest impact on this due to IndAS change is around Rs. 273 crores for 2017 and for 2016 it was around Rs. 267 crores, this is basically a non-cash expenditure. So, that is one part. On the second part, so on the depreciation side there is a decrease in charge off of depreciation by almost Rs. 60 odd crores which is already included in the depreciation schedule of Rs. 230 crores, so that has reduced by Rs. 60 crores because of de-capitalization of the intangible asset.

Vibhor Singhal: Okay. So, basically the Rs. 273 crores which is the non-cash that is only the non-cash part of the interest expense?

Satish Parakh: Correct.

Vibhor Singhal: Okay. And this will probably continue as per the NAV of the project keep on getting depleted and this is the recurring?

Satish Parakh: Yes, so what will happen is this will keep on growing year-on-year, so that the liability of NHAI gets repaid.

Moderator: Thank you. We take the next question from the line of Adhidev Chattopadhyay from Emkay Global. Please go ahead.

Adhidev Chattopadhyay: Sir, just wanted to know what is your guidance for the EPC revenue in both FY 2018 and FY 2019, now that we have about Rs. 7,000 crores of order book in place?

Satish Parakh: On EPC side we would clocking more than Rs. 2,600 at least going ahead.

Adhidev Chattopadhyay: Okay. Means will this be back ended or you are expecting the pace to pick-up from this quarter itself?

Satish Parakh: Pace will pick-up from this quarter itself because projects are in advance stage.

Adhidev Chattopadhyay: Okay.

Satish Parakh: Like Ludhiana will be doing good work, Eastern Peripheral had already picked-up pace and JNPT is doing well. So, most of the projects will throw turnover for this quarter.

Adhidev Chattopadhyay: Okay. And going forward we will be declining consol in every quarter, or it is again going to be an annual event just to check up over there?

Paresh Mehta: Now, because we are geared up now we will be giving console every quarter that is the intend.

Adhidev Chattopadhyay: Okay. Sir, and we have taken fund raising approval recently at the broad meeting to discuss fund raising through QIP route. So, given we have such low standalone debt, so what is the thought process here?

Paresh Mehta: This is only an enabling resolution which will be available for me to use for a year or so. So, this is only within any opportunity which comes if the debt slightly goes high, if we can take any low-cost debt in the form of an NCD, so we do not intend to do any QIP what would be our debt instrument for an arbitrage purpose, the basic intension is for an arbitrage.

Adhidev Chattopadhyay: Okay. So, nothing to fund some exit to SBI, Macquarie or something there is nothing.

Paresh Mehta: No, nothing. There is no intend of that.

Moderator: Thank you. We take the next question from the line of Rajarshi Maitra from Axis Capital. Please go ahead.

Rajarshi Maitra: I again have a question on this IndAS change. So, you mentioned that this premium to NHAI the change in accounting. So, what will be the quantum of because of this change that has happened in the earlier method and now in the intangible asset in the balance sheet?

Satish Parakh: Yes, as I said, under the IndAS the interest cost including senior lender interest cost has gone up to Rs. 377 crores for a project like Dhankuni whereas under iGAAP the interest was only pertaining to senior lender interest which were around Rs. 176 crores. So, net impact has been Rs. 200 crores of additional interest cost debited to P&L account which is a notional interest cost which will get paid over a period of time back ended from a cash flows perspective it does not have an impact because my payment to NHAI will be based on the premium and will not be based on what interest I accrue. But what will happen over the total life of the concession, the amount will tally, the amount accrued, total interest accrued plus the principal will be equivalent to the premium paid which we are already contracted for.

Rajarshi Maitra: Okay. So, the intangible asset, it has reduced by this the same amount of this the interest on premium, so by around Rs. 200 crores?

Satish Parakh: No, the intangible asset has reduced by difference in the absolute amount of the premium payable and the NPV of the premium payable which in both the projects put together would be in the range of approximately Rs. 4,000 odd crores.

Rajarshi Maitra: Rs. 4,000 odd crores, thanks a lot for that. And also, annuity, so you are saying for the annuity projects there will be no intangible asset created, so when we are actually constructing an annuity project, so there will not be any reflection in the balance sheet is that correct?

Satish Parakh: No, we will create a financial asset, so it will be a receivable, so how it will work is when I start dong work on annuity project whatever amount I have completed whatever value of work I have completed I will show it as receivable from the employer and at the end of the COD the amount will get freeze and this amount whatever is due from time to time we will carry a finance cost which as a finance revenue which I will book and this will settled by the annuities which I receive from the employer.

Rajarshi Maitra: Okay, got that. I mean it will basically keep reduces as the annuity keeps coming in.

Satish Parakh: Correct.

Rajarshi Maitra: But this will be the part of I mean the current assets it would not be part of the fixed assets.

Satish Parakh: No, it will be non-current assets, but you are right. non-current assets because they are long-term.

Rajarshi Maitra: Okay. If I may just ask one other question, the working capital if you look at the standalone, so the inventories and receivables they seem to be at similar levels as the last year March 2016. I mean what is this about I mean so we were expecting it to come down but it seems that it has not?

Satish Parakh: No, what has happened new projects may be the old projects inventories have gone down and receivables also but the project they have taken off their results have pulled up. So, the levels of inventories and debtors are still comfortable from our perspective.

Rajarshi Maitra: Should we expect similar levels I mean next year also or do we expect it to come down somewhat?

Satish Parakh: I think it will be slightly higher based on the turnover achieved but it will not be abnormal.

Moderator: Thank you. We take the next question from the line of Ankit Fitkariwala from Jefferies. Please go ahead.

Ankit Fitkariwala: Sir, just wanted to first understand on the financials, again probably it is some IndAS thing only. On the segmental that you have given on the EPC side, the income from operations on a Y-o-Y basis has changed. So, that is because of annuity projects being added, is it?

Satish Parakh: Yes, annuity projects being added to the BOT segment.

Ankit Fitkariwala: Okay. Why would the EPC revenues change on a Y-o-Y basis?

Satish Parakh: Because in the annuity projects, EPC revenue is being recognized. We were recognizing EPC then also but then it is now categorized in FY 2017 under BOT. You are talking of the CFS, right?

Ankit Fitkariwala: No. So, in the EPC in the last year FY 2016, we had given Rs. 1,923 crores as the EPC revenues. In the Presentation now we show the EPC revenues as Rs. 1,993 crores, so what is the gap there means why has that increased is what I am asking.

Paresh Mehta: You are talking from the consolidated point of view?

Ankit Fitkariwala: Yes.

Paresh Mehta: Maybe I will come back on this.

Ankit Fitkariwala: Okay. And you are basically saying that the revenues for the annuity has now been taken in the BOT segment, right?

Paresh Mehta: Yes.

Ankit Fitkariwala: Okay. What was the revenues for the annuity projects in this?

Paresh Mehta: Approximately Rs. 240 crores.

Ankit Fitkariwala: In FY 2017?

Paresh Mehta: In FY 2017, yes.

Ankit Fitkariwala: Okay. Secondly, again, on the EPC side the minority interest portion and the share of profit from associates that number seems to have gone some change, why would that again be the case in the EPC segment?

Paresh Mehta: EPC segment wherever we have this minority interest in our annuity projects that has been recognized.

Ankit Fitkariwala: Okay. Secondly, in the cash profit number for BOT all these IndAS things that have happened, do not change the cash profit numbers, right? So, on the BOT segment again the cash profit for FY 2016 was coated at Rs. 69 crores whereas in the Presentation it is now being quoted at Rs. 107 crores, so again there is some mismatch there I do not know.

Paresh Mehta: Rs. 69 crores in which Presentation?

Ankit Fitkariwala: FY 2016, last year.

Paresh Mehta: So, what will happen is there are certain adjustments of IndAS over and above this. Which are smaller in nature and also what will happen is in the last year Presentation, we were not including premium payment as the part of our cash flows adjustments. So, now we have made it very clear the premium paid actually is now being deducted in previous year that deduction was not there.

Ankit Fitkariwala: Okay, great. That can probably explain it, okay. Secondly, Paresh bhai, coming to the standalone financials, what has been the hit on the margin side and this quarter and if you can give some guidance on the tax side also?

Paresh Mehta: So, the margins basically because of the EPC revenue on third-party contracts is generally lower and this is merger component of this year revenue, EPC on third party because BOT most other projects were getting only expect for Mudhol major component and start off this Kharar-Ludhiana. So, slight hit on the margins just due to composition of the EPC revenue and on the tax front because as I said most of the component of the EPC was third-party EPC road contract they were eligible for 80I benefit that is the reason there is a dip in the tax component.

Ankit Fitkariwala: What is the tax guidance going forward for FY 2018 - FY 2019?

Paresh Mehta: For FY 2018 FY 2019, I think we will slightly move up again because for FY 2018 - FY 2019 it will be similar because we will continue to do a lot of JNPT and EP works but we will be balanced with when works will start on Kharar - Ludhiana and a bit on Ranastalam. So, it will still be almost similar or slightly more.

Ankit Fitkariwala: So, above 21% that you have reported for FY 2017?

Paresh Mehta: Yes, right.

Ankit Fitkariwala: Okay. Broadly 25% odd is it fair assumption?

Paresh Mehta: Yes.

Ankit Fitkariwala: Okay. And secondly, in the revenues that you have reported for the BOT segment, why has others revenues been higher is there something that is included there? So, others are at Rs. 26.5 crores in Q4 versus Y-o-Y or second quarter around Rs. 15 crores so what has changed there? I am talking that toll collection numbers in the owned BOT projects, the other segment that you report in the Presentation it is on Slide #13.

Paresh Mehta: Okay. What you are sayin?

Ankit Fitkariwala: I will take offline.

Moderator: Thank you. We take the next question from the line of Ashish Shah from IDFC Securities. Please go ahead.

Ashish Shah: Sir, on 1st of April, you would have got toll hikes for few of your projects, so what could be the toll hike that you have received if you can give it project wise?

Paresh Mehta: I think so we got toll hikes only for three projects Sambalpur, Dhankuni, and Belgaum which I think so approximately the range of 3.8 and for Jaora - Nayagaon 7%, is the major impacts. Bhandara and Durg will happen on 1st of September, Wainganga will happen on 1st of July.

Ashish Shah: Fair enough, and any expected number of hike for Durg and Bhandara any communication that you would have received?

Paresh Mehta: No, that will come just a week before Bhandara. It would be in the range of approximately, we believe is around in the range of 3% to 3.5%.

Ashish Shah: Okay. Because the inflation benchmark was almost 5% odd for the previous year, so…

Paresh Mehta: Yes, so I think so because it is on from December to December the number will arrive from December to December.

Ashish Shah: The cycle is December to December for Durg and Bhandara.

Paresh Mehta: Yes.

Ashish Shah: Sure. Also what could be margin guidance for FY 2018 on standalone?

Paresh Mehta: I think so, we will continue with the same margin guidance of what we have always been stating in the range of 12% before other incomes that is the EBITDA margins on the road and the power the mix of that. So, power will be in the range of 11%-odd and roads in the range of 11.5% - 12%.

Ashish Shah: Okay. And what could be the CAPEX commitment for FY 2018?

Paresh Mehta: On the equipment side, in the range of around Rs. 50 odd crores and otherwise on the equity side, we may have commitment of around Rs. 280 odd crores including the MIAL commitment and the gas distribution commitment. And the four annuity projects which we have.

Ashish Shah: Rs. 80 crores.

Paresh Mehta: So, on the road side we will have around Rs. 180 crores and gas distribution Rs. 35 crores and MIAL Rs. 120 odd crores.

Ashish Shah: Just lastly what is the status of the Jharkhand project because I believe Jharkhand project was also going a bit slow but has it picked-up now?

Satish Parakh: Jharkhand NHAI project will get started in October around.

Ashish Shah: This is Chas project we are talking about.

Satish Parakh: Chas project, yes.

Ashish Shah: So, that will start around October.

Satish Parakh: Yes.

Ashish Shah: But are we confident of this project moving ahead, I mean we would not have to remove it or anything, right?

Satish Parakh: I think all land acquisition issues would be sorted out by October, if it does not happen then we will have to take up with NHAI for nomination.

Ashish Shah: Okay. But as of now it seems like it will go ahead.

Satish Parakh: Yes, as of now they are very much in advance stage, a lot of payments have been transferred to local authorities, so distribution and removal of encroachment at site, removal of structures at site what is still balance. So, now the revise target is October.

Moderator: Thank you. We take the next question from the line of Parvez Akhtar from Edelweiss. Please go ahead.

Parvez Akhtar: A couple of questions. Sir, just wanted to check the difference between the EPC division revenues in the P&L and as given in the segmental break-up the difference is about Rs. 240 odd crores, what is that referred to?

Satish Parakh: As we said basically, the annuity construction revenue which has been recognized, which was previously appearing under the EPC under the segmental reporting of 2017 under one pager now it is appearing under the BOT.

Parvez Akhtar: But in the financial statement you are still seeing it as part of EPC revenues?

Satish Parakh: Yes, in the Presentation which we have given. Because that is more correct Presentation. So, now we will try to sort it out because majorly more of construction activity though it is under the BOT format of business.

Parvez Akhtar: And what does the other income of Rs. 72 crores in the EPC refer to in the Presentation.

Satish Parakh: The Rs. 72 crores refers to Rs. 36 crores of the carry income on the annuity projects that is receivables which I explain about the receivables which we have created in favor on the employer, on that there is a carry income which we keep on booking which is notional and balance Rs. 49 crores pertains to interest income, some sale of scrap and other miscellaneous income of the business of ABL majorly.

Parvez Akhtar: Sure. And sir, second question is with regards to the FY 2017 toll revenues that you have booked, are these based on the actual toll collection or the adjusted toll collection where you have not considered the demon impact?

Satish Parakh: No, these are all on actual basis not on…so, the 23 days of toll collection loss is not accounted for in our top-line.

Parvez Akhtar: And how will these be accounted for?

Satish Parakh: So, what will happen is we will probably await the await the extension of concession period of this project and at that moment it will be accounted. So, what will happen typically is the expenses which are being reimbursed by NHAI has been reduced from the expense side and we are presuming this 23 days as postponed post the concession period. So, what will happen is your concession period for all your TCF will be extended by 23 days.

Moderator: Thank you. We take the next question from the line of Abhijith Vara from Sundaram Mutual Fund. Please go ahead.

Abhijith Vara: Just on clarity I wanted this Rs. 2,600 crores of EPC revenue guidance if or FY 2018?

Satish Parakh: Yes.

Abhijith Vara: Okay, sure. So, this standalone interest cost, I just wanted to get an idea now the standalone debt is about Rs. 170 crores. So, depending on of course the working capital requirement, the working capital loans will be around 11% of interest cost?

Satish Parakh: Yes, around 10.25 and then arbitrage by CPs, we try to keep it as low as possible may be around 10 you can say.

Abhijith Vara: Okay, sure, sir. Sir, but Q4 interest cost it seems to be a little high compared to quarter-on-quarter?

Satish Parakh: No, so average utilization would be typically slightly more than what we are talking about for Q4 and up to Q2 we had NCDs where the interest was being approved substantially but post that interest has dropped down and in the month of March we received payments from Kharar - Ludhiana and other projects which brought the CC limits….

Abhijith Vara: Okay, based on the business plan it does not looks like you will require significant debt from next two years at least?

Satish Parakh: Yes, based on our realization of working capital I think so we should be far more comfortable to be in the range of around Rs. 200 odd crores of working capital. Working capital is including the machinery loan.

Moderator: Thank you. We take the next question from the line of Shirish Rane from IDFC Securities. Please go ahead.

Shirish Rane: Sir, I needed some clarity on this IndAS accounting when you talked about this revenue share to be booked as a liability. So, let us take any project where you have completed construction in the books, you have recorded it as an asset and you were earlier recording net revenue, so gross revenue minus revenue share that was our original or old idea of accounting.

Satish Parakh: When there was revenue sharing their accounting is different. So, unfortunately, we do not have any revenue sharing project in our portfolio, we have premium, so premium is not considered as a revenue sharing concept. So, total revenue collected minus revenue share is not accounting which we do. What we do revenue collected and the revenue paid that the premium paid is capitalized in the asset and amortized this is under iGAAP. Today, same thing we are capitalizing but we are not capitalizing at the absolute amount of amount payable to NHAI but at the NPV of the amount payable to NHAI as update. So, the asset value is reducing vis-à-vis iGAAP and then amortization according will happen for a reduced amount.

Shirish Rane: And what would read this NPVs calculated at?

Satish Parakh: This is we have an average, decided an average rate of around 11% at which we have based on our cost of funds and some small mark ups which we have discounted all the cash flows of the premium payable and then we will keep on loading. So, the rate of accruals will be constant with that interest rate.

Shirish Rane: That is our flexibility….

Satish Parakh: Yes, but that is flexibility at the start of that the day we will be NPV.

Shirish Rane: Once you book it the same rate has to continue.

Satish Parakh: Over the period.

Shirish Rane: Okay. Now, sir similarly in case of annuities or rather I am more interested in case of hybrid annuities what will happen because you will have to get some component from the government, so how is it booked when you start booking the revenues of hybrid annuity?

Satish Parakh: What I believe is if I have to based on the annuity accounting for pure annuity projects, this will be typically I will book a revenue of the total Rs. 1,000 crores whatever Rs. 400 crores I get payment from NHAI, I will reduce it from the receivable from NHAI balance will be left out of Rs. 600 crores which I will show it as a deferred financial asset and I will keep on accruing finance income on that and adjust the total amount from the annuities received from that. So, annuity would be component of Rs. 600 crores plus 9.5% which they will pay which may not be my discounting factor.

Shirish Rane: So, your discounting can be different from…

Satish Parakh: Yes, my discounting would be generally higher if I am making money on the project, if I am making say 17% return, so my discounting factor would be 17% for that receivable.

Shirish Rane: For that receivable and that will be recorded and so you will accrue it at 17% mimes that….

Satish Parakh: Annuity, kind of annuity payable.

Shirish Rane: So, that is what will accrue to me in the P&L?

Satish Parakh: Correct.

Moderator: Thank you. We take the next question from the line of Prem Khurana from Anand Rathi. Please go ahead.

Prem Khurana: Most of my questions have answered. A couple of questions, so one was for our Kharar - Ludhiana, I mean if I look at our Presentation, it says we have tied-up debt of around Rs. 600 odd crores and as far as I understand the project bid cost was almost Rs. 1,600 crores out of which 60% what we were supposed to fund through a mix of debt and equity. So, Rs. 1,600 crores into 60% works out to almost Rs. 960 odd crores. Now, Rs. 600 or Rs. 960 crores of the requirement seem to be on higher side or equity that you are committing in the project seems to be higher works, it works out to be almost more than 30%. So, if I have to compare with some of our peers I mean these guys have been able it around 25% - 75% kind of debt equity mix, so why would this number be different for us?

Paresh Mehta: No, so I think there is a calculation which we need to put in place. See, the project Kharar - Ludhiana project cost is bid at Rs. 1,600 crores but the project cost will be capitalized at Rs. 1,450 crores. Under this Rs. 1,450 crores we will be funded in the form of Rs. 640 crores by grant, Rs. 600 crores by loan, there will be internal accrual of Rs. 50 crores which will arise due to change in WIP and CWIP this is what we are presuming based on in the next two and half year and my basic equity in the range of Rs. 150 crores. So, that is how this Rs. 1,450 crores will be funded. So, we typically landing up of around 20 to 78 kind of ratio of funding.

Prem Khurana: So, once the project is complete and we are due for receiving annuities from the government authority or from NHAI, so the number would be considered as Rs. 1,600 or Rs. 960 crores compensating you or Rs. 1,450 crores and minus…

Paresh Mehta: So, what they will do is they will consider Rs. 1,600 crores and they will change it by the internal accruals which I have told about Rs. 50 crores it will become Rs. 1,650 crores based on that that they will reduce their 40% which they arrive at from Rs. 1,650 crores 40% will be reduced balance left will be considered for my annuity purpose.

Prem Khurana: So, in our books accounts it will look as if we have spent Rs. 1,450 crores but we would accrue our interest and annuities based on Rs. 1,650 odd crores.

Paresh Mehta: Correct. Then only I will make an IRR of 15% - 17%.

Prem Khurana: Okay. Sure. And what is land status of our second hybrid annuity, is the land in place or it is yet to kind of be acquired?

Satish Parakh: Most of the land is in place for the second annuity.

Prem Khurana: Basically possession has been taken or only the payment has been made to the state authority for acquisition?

Satish Parakh: More than 90% possession is in place there.

Prem Khurana: Okay. And just for the last time if you could share the total equity requirements, you gave us the number for FY 2018 and wherein you talked about Rs. 280 odd crores of infusion is what you would do and how much is the total equity requirement beyond FY 2018 how much would that number be?

Paresh Mehta: So, may be and 2019 we will put around Rs. 170 crores and in 2020 around Rs. 90 crores this is for the existing set of project which we have including the real estate project, the gas distribution business as well as the gas distribution business presently we are presuming as funded by ourselves whenever we get the debt tied-up then the requirement will be zero in the next two years that is around Rs. 80 crores will be less.

Prem Khurana: Sure. Sir, just one last if I may, I mean the financial asset or the annuity asset that you talked about, so once the construction is complete and you start booking numbers I mean in terms of annuity that you receive, so I understand it will be booked in the form of interest income only, but it will form a part of your revenue from operation or it will come as a part of other income because as far as I see it you would book your operating expenses as a part of operating expense right to the regular O&M or your normal provision you make for major maintenance would form a part of operating but then if I were to book it as a part of other income then my margins would look suppress, right?

Satish Parakh: Yes, but then there will be two kinds of income at that moment of time. There will be receipt on account of O&M also and where there are no O&M so O&M is only a part of the HAM contract but I the annuity projects as of today we will have to provide it under other income only and after completion, also we will have to provide it as other income only at present how it stands, it is anomaly.

Moderator: Thank you. We take the next question from the line of Rajarshi Maitra from Axis Capital. Please go ahead.

Rajarshi Maitra: Sorry to come back to this same issue, again. So, in the accounts that you have released, so there the BOT income we have given as in the segmental break-up of about 11 billion and in the Presentation it is given as about 8.7 billion around 9 billion. So, this gap is because of what, because of again…

Paresh Mehta: Construction revenue of annuity projects.

Rajarshi Maitra: Constructing revenue, so in one part it is not and the other one existing….

Moderator: Thank you. We take the next question from the line of Bharanidhar Vijayakumar from Spark Capital. Please go ahead.

Bharanidhar Vijayakumar: Sir, you mentioned that we earn lower margins on third-party contracting work. So, how much percentage of the current…

Satish Parakh: It is almost see around 11% to 11.5% on third-party EPC contracts and if it is the BOT project EPC is around 12.5% that is the difference when it is third-party or BOT 1% differential.

Bharanidhar Vijayakumar: 1%, okay, understood. And coming to HAM project, what will be the equity requirement for the second HAM project?

Paresh Mehta: Approximately Rs. 120 crores.

Bharanidhar Vijayakumar: Rs. 120 crores. And what will be the first year O&M there?

Paresh Mehta: I would not have that number off hand, sir.

Bharanidhar Vijayakumar: Okay, understood. Coming to our order book, I see that the power T&D projects that is the Bihar and the U. P. projects that we had won recently in the last two quarters, on the Q-o-Q movement does not seem to be moving much, is there any delays there when is it expected to get completed or when it is going to start?

Paresh Mehta: So, the Jharkhand has come just lately, actually the final LOA was received in May. The Bihar one Rs. 116 crores, you are talking of?

Bharanidhar Vijayakumar: I am talking about the Bihar one and the U. P. one.

Satish Parakh: Yes, U. P. also we actually get started only in May.

Bharanidhar Vijayakumar: Okay. We will start in May and Bihar also last quarter the order backlog was about Rs. 1,260 crores this year sorry the fourth quarter backlog is again similar as to Rs. 1,260 crores, so that is where I am asking is there any delays there?

Satish Parakh: No, early stage we do not see revenues because there is a lot of phasing of quantities and approval of materials is there in the first six months of any power project, really starts speaking only after two quarters.

Bharanidhar Vijayakumar: Understood. And typically, this would have an execution timeframe of about two years, right?

Satish Parakh: Two years, right.

Moderator: Thank you. We take the next question from the line of Parvez Akhtar from Edelweiss. Please go ahead.

Rita: Hello, sir this is Rita here. Sir, I have one book keeping question, like how much is the current premium payable on our balance sheet as in FY 2017?

Paresh Mehta: Current premium payable.

Rita: Premium payable, we normally crate a premium payable liability, right? As motioned, so as of now…

Paresh Mehta: Yes, NHAI.

Rita: Yes, NHAI, how much is that on our books as on date?

Paresh Mehta: No, I would have it now, I do not have the break-up of that because we have two annuities which is payable, Belgaum-Dharwad, Sambalpur and Dhankuni, but what is the NPV of the current number I would not be able to tell you, it could be in the range of Rs. 1,800 top Rs. 1,800 but I could not confirm.

Rita: Yes, that is sure. And sir, what is our effective state in the Jaora - Nayagaon project for us to consolidate in our revenues right now?

Paresh Mehta: So, for all economic purpose, ACL has a 37.74% stake; ABL has a 36.26% stake; and Macquarie on its own has 26% stake.

Rita: Okay. If I can squeeze one more question, of the total standalone revenues which we have, have we done any MMR expense or any expense what was the maintenance expense of the BOT asset or the entire standalone revenues of Rs. 2,000 crores is purely the EPC revenue?

Paresh Mehta: No, there is a component of Rs. 80 crores which are maintenance and O&M related expenditure which is built by ABL to its SPV which is knocked off in the consolidated.

Rita: Okay. So, of that Rs. 2,045 crores Rs. 80 crores is pertaining to the BOT and is there any sale in the standalone numbers, any other income.

Paresh Mehta: No major. Not in standalone.

Moderator: Thank you. We take the next question from the line of Ashish Shah from IDFC Securities. Please go ahead.

Ashish Shah: Sir, actually I was not very clear about what you said about the gain that you have made in ACL because of the purchase and sale of our stake during the year, could you just probably elaborate a little?

Paresh Mehta: One of the projects owned by Macquarie where they had 74% interest. The 26% which was remaining we acquired them sometime back and we sold that off before the year end.

Ashish Shah: Okay. But sir, just a little confused that I mean how come we would have made a gain by merely just buying and selling the asset within the same year.

Paresh Mehta: No, it is just an opportunity they sold it off to somebody else we tagged along.

Ashish Shah: Okay. Actually we would have bought it from ACLs point of view but the later…

Paresh Mehta: To retain, we intend to retain it along with Macquarie, they got a good offer we tagged along.

Moderator: Thank you. We take the next question from the line of Sanjay Sathpathy from Ampersand Capital. Please go ahead.

Sanjay Sathpathy: Sir, just the way you have given your P&L broken it down to EPC and BOT, can I ask the same thing for your balance sheet, I just want to know the exact net capital employed for your EPC business?

Paresh Mehta: Partially probably you may get something from the one pager segmental reporting but there is a bit of non-allocable because it becomes quite but otherwise most of the EPC business you could get it from the ABL balance sheet. ABL balance sheet is purely EPC there is hardly anything which comes from any other SPVs.

Sanjay Sathpathy: No, sir, the way I am trying to understand is that I can see that you have huge amount of inventories and receivables at the same time big amount of other current liability and your fixed asset is about Rs. 200 crores and your other current assets are about Rs. 400 crores. So, just want to know whether your net capital employed in your EPC business is around Rs. 500 crores, is that a correct judgment to make?

Paresh Mehta: May be reasonably well, because if my net worth is Rs. 1,800 crores and Rs. 1,300 crores invested into project makes probably sense but I have not calculating that number per say at this moment.

Sanjay Sathpathy: Other thing that I wanted to check with you this inventory cycle per say looks pretty big and also of course, it is backed by bigger amount of current liabilities, can you just explain your inventory cycle versus some of your competitor because it looks very different.

Paresh Mehta: So, it is a mix of power and EPC road contracts. In the road contracts generally the working capital cycle is lower in the range of two months, one and a half months to two months whereas in the power it is in the range of five moths to six months, that is the mix and it depends on the turnover this keeps on varying the total working cycle. Last year we had higher share of almost 50% - 50% was power in road this year we had different issue almost three-forth and two-third.

Sanjay Sathpathy: At which year you are talking about, fiscal 2018?

Paresh Mehta: Fiscal 2017, fiscal 2017, we have a Rs. 450 crores of turnover in power and Rs. 1,400 crores turnover in roads which is the ratio wherein the last year it was Rs. 900 crores almost.

Sanjay Sathpathy: But still we are seeing this inventory gone up through I will just say because of this mix change it is visible in receivables going down but your inventories have gone up by some 20%-odd.

Paresh Mehta: Inventories also would go up when new projects have started. So, there this initial piling of all this AP, Kharar - Ludhiana, JNPT, the projects had just started.

Sanjay Sathpathy: Understood. And sir, lastly wanted to check you have some 12% EBITDA margin in your EPC and it looks like depend a lot on outsourcing, is there any kind of thoughts in terms of increasing your own work and increasing the margin or it is going to be like this?

Paresh Mehta: No, historically and even currently, most of the work is in-house executed, we hardly depend on outsourcing to the tune of 10% to 15% non-critical items. That is the reason we have a high quantum of machinery also. So, I do not think so we need to change our strategy of because we already are doing in-house jobs.

Sanjay Sathpathy: Understood. And most of these machineries are setting on leased?

Paresh Mehta: No, they are owned, so there is a mix of owned and lease out property. Leased out machineries are those which are typically required only seasonal or for certain works but which are critical and for the project are all owned by us and deployed at each project.

Sanjay Sathpathy: Okay. Sir, I am asking this because your EBITDA margin are 12% looks a little lower than others are around 14% - 15% is it something which specific and lastly, if you can give us a sense of that considering that most of you have seen such a massive increase in order backlog, have you seen some reduction in intensity of biding?

Paresh Mehta: We expect intensity to reduce because bidding capacity also takes a hit and execute also takes a hit but I think so that will happen I mean intensity will reduce.

Moderator: Thank you. We take the next question from the line of Anish Shriprasad from Antique. Please go ahead.

Anish Shriprasad: Just a couple of questions. Sir, this Rs. 244 crores of annuity construction income this is from which project?

Paresh Mehta: This is Chennai ORR, Modhul – Nippani majorly, and Bagewadi - Hungun also the four annuity projects which are going on. Major contribution by Modhul - Nippani balance contribution by Chennai ORR and Bagewadi - Hungud.

Anish Shriprasad: Okay. And what could be the contribution in FY 2018 out of the so, you mentioned Rs. 2,600 crores is our target what would be the target from annuity projects part of 2017?

Paresh Mehta: Annuity project would be including Kharar - Ludhiana, I do not have it off hand but roughly around Rs. 800 crores to Rs. 900 crores

Anish Shriprasad: Rs. 800 crores to Rs. 900 crores, okay. And coming to this other income, I understand this time there was some exceptional. So, going forward what is the range of other income that we foresee Rs. 34 odd crores to Rs. 40 crores?

Paresh Mehta: Yes Rs. 34 crores to Rs. 40 crores is generally in that range, you are right.

Anish Shriprasad: All right. And interest expenses?

Paresh Mehta: That is included in that, expense?

Anish Shriprasad: Yes, interest expenses.

Paresh Mehta: On the expense side, it will probably remain same because there will be some increment in loan due to the Kharar - Ludhiana project which will pick-up loan in next quarter but there is also reduction in cost also because we are having a reset in the near future may be interest cost will…

Anish Shriprasad: Rs. 50 crores to Rs. 55 crores would be assumption.

Paresh Mehta: Then you are talking about the standalone?

Anish Shriprasad: Sorry, I am talking about standalone numbers.

Paresh Mehta: Standalone would be in the range I think so should be lower in the range of Rs. 50 odd crores.

Anish Shriprasad: Rs. 50 odd crores, all right, sir.

Moderator: Thank you. Ladies and gentlemen, that was the lat questions. I now hand the conference over to Mr. Vibhor Singhal from PhillipCapital (India) Private Limited for closing comments.

Vibhor Singhal: Thanks, Stanford. We would like to thank the management of Ashoka Buildcon for giving us the opportunity to host this call. Thank you so much, sir and wish you all the best.

Satish Parakh: Thank you very much.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of PhillipCapital (India) Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.