"Ashoka Buildcon Limited Q4 FY2021 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Ashoka Buildcon Q4 FY2021 earnings call hosted by DAM Capital Advisors 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 touchstone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Mohit Kumar from DAM Capital Advisors Limited. Thank you and over to you Sir!

Mohit Kumar: Thank you Mallika. On behalf of DAM Capital, we welcome you all to the Q4 FY2021 earnings conference call of Ashoka Buildcon. We have from the management side Mr. Satish Parakh, Managing Director and Mr. Paresh Mehta, the Chief Financial Officer. We will start with brief update followed by Q&A. Over to you Sir!

Satish Parakh: Thank you Mohit. Good afternoon everyone. We welcome you all to our earnings conference call for the quarter and year ended March 31, 2021. I have with me on call Mr Paresh Mehta, our CFO.

To start with, I will initially brief you on industry updates followed by company's performance during the year gone by. As we all know the road construction industry has encountered numerous challenges, most notably in terms of workforce availability. As a result of COVID-19 related disruption at the start of financial year 2021, despite the pandemic led disruptions, the pace of highway construction touches a record of 36.4 kilometers per day in fiscal 2021, thanks to the slew of industry friendly measures enacted by the government as well as continuation of liquidity boosting measures and relaxation of norms for the bidders norms. This exudes confidence that the current fiscal target of 40 kilometers per day of highways construction set by the government will be accomplished.

Furthermore, the government has set a target of 15 lakh Crores in road construction in next two years, underlining government thrust on infrastructure development to spur economic growth. NHAI expects to award projects worth around 2.25 lakh crores indicating a higher order inflow going forward.

On toll collection front with the modest rebound in economy activity toll collection began to pick up in H2 of FY2021, surpassing pre-COVID levels. But the second wave of COVID 19 has had a negative impact on toll collection across India. Despite the lack of state-wide stringent lockdown or toll suspension, regional restrictions implemented in various states combined with increased fear negativity affected the movement in the month of April and May. We are seeing gradual recovery in toll collection as number of COVID cases are decreasing and the lockout restrictions are relaxed. However, for the full year 2022 toll collection likely to witness a double-digit growth on lower base of FY2021.

Now coming on company's performance despite the challenging year we were able to maintain our momentum and efficiency resulting in a complete recovery in execution following the difficult first quarter. We were able to recover the deficit in the last two quarters and delivered performance in-line with the last fiscal, a resultant of our unwavering commitment.

The pace of execution across all projects are faring well; however, we witnessed the impact of second wave of COVID-19 in the months of April and May with labor efficiency dropping by around 30% which is presently improving as general situation improves.

In terms of order book, we have won projects of worth Rs.1949 Crores in the current quarter, which includes an order from Gujarat Rail Infrastructure Development Corporation worth Rs.283 Crores for gauge conversion and total length of 38 kilometers in Ahmedabad division of Western Railway. We also won USD $140 million approximately Rs.1018 Crores order from FDC, a state owned company of Government of Republic of Maldives for construction of 2000 social housing units on EPC basis in Hulhumalé, Republic Of Maldives and we also won a NHAI project in Punjab worth Rs.648 Crores where we emerge as the lowest bidder, the project entails development of sixth laning of IT City Chowk to Kurali Chandigarh Road with design length of 31.23 kilometers in the state of Punjab on EPC mode. This is under Bharatmala Pariyojana package II.

The company's total order book has on date Rs.10,117 Crores against Rs.8167 Crores on March 31, 2021. The breakup of this is road projects comprise around Rs.6183 Crores which is 76% of order book. Among road projects all the book HAM Projects roads are to the tune of Rs.3471 Crores and EPC projects are around Rs.2712 Crores. Power T&D and other comprises of Rs.1376 Crores which is 17% of the total order book. Railways contribute around Rs.537 Crores which is 7% of the total balance of the book. CGD business comprises around 71 Crores.

Other key developments of the company, the company has entered into share purchase agreement with India Infrastructure Fund for purchase of 49% stake held by IIF and subsidiaries in Ashoka Highway Bandara Limited along with zero interest shareholders loan for an aggregate consideration of 34 Crores. Post completion of this transaction, the company along with its subsidiary Ashoka Buildcon Limited would hold 100% stake in Ashoka Highways Bandara Limited. The completion of the transaction is subject to receipt operates from NHAI and if required from lenders.

This is all from my side. I would now request Mr. Paresh Mehta to present the financial performance of Q4 FY2021. Thank you.

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. I believe you all may have gone through the same.

Now I would present the financial results for the quarter and year ended March 31, 2021. Starting with the consolidated results the total income of Q4 FY2021 grew by 11% year-on-year to Rs.1780 Crores as compared to Rs.1609 Crores in Q4 FY2020.

EBITDA stood at 525 Crores in Q4 FY2021 with a margin of 30%. Profit after tax is at 153 crores in Q4 FY2021. Pat margins are at around 8.6%.

Now coming to the standalone numbers the total income for Q4 FY2021 stands at Rs.1434 Crores as compared to Rs.1289 Crores in the corresponding quarter last fiscal registered growth of 11%. EBITDA for the quarter was at Rs.248 Crores with EBITDA margin of 17.3%. The company reported profit after tax of Rs.149 Crores in Q4 FY2021 with a margin of 10.4%. During Q4 FY2021, BOT division recorded a total collection of Rs.262 Crores, recording a growth of 18% year-on-year as against Rs.222 Crores in Q4 FY2020. For FY2021 toll collection totally was at Rs.880 Crores as compared to Rs.900 crores in FY2020.

Total consolidated debt as on March 31, 2021 stood at Rs.6157 Crores of which project debt is Rs.5795 Crores including Rs.150 Crores of NCDS at ACL level. The standard debt is at Rs.362 Crores which comprises of Rs.157 Crores of equipment loans and Rs.205 Crores of working capital loans.

We would also like to inform that the CGD arm of the company achieved financial closure for its projects for a total debt of Rs.543 Crores and an equivalent equity of Rs.291 Crores for the project.

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

Moderator: Thank you very much. We will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Meet Vora from DAM Capital. Please go ahead.

Meet Vora: Thank you for the opportunity. So I had two questions; first one is what would be the equity requirements for FY2022 and FY2023 for HAM Projects?

Satish Parakh: So for FY2021 and FY2022 equity requirement would be Rs.176 Crores and for FY2022 and FY2023 Rs.141, totaling to Rs.317 Crores for our HAM projects.

Meet Vora: Thanks for that and the second question was regarding you know our BOT project. Where are we in terms of closing the deal to exit our BOT projects?

Satish Parakh: So the portfolio of projects which ACL has of BOT as well as annuity and HAM projects, they are under process for monetization. With the ultimate aim of giving an exit to Macquarie, which is our shareholder at ACL level so the process adopted is the potential investors are looking at SPVs to pick up so there is a diligence process going on which is almost at a stage of completion and we are also discussing on certain assets and we are also discussing on the share purchase agreement for those assets and so this we believe should crystallize, the SPVs should crystallize within in the coming quarter.

Meet Vora: Thanks. That is all from my side.

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

Seeta Raman: Thank you. Can you give an idea about the bid pipeline and when it is expected to start given the current the disruptions on the on the bidding side also from the government? That is my first question.

Satish Parakh: From next quarter onwards means Q2 onwards we will see bidding at NHAI happening. They have already announced bids of around 70,000 Crores and other states also would start now bidding like UP and Tamil Nadu and all the states. So I think Q2 and Q3 will see a good amount of bidding.

Seeta Raman: What is the order inflow expected across segments by Ashoka?

Satish Parakh: We are expecting like you know Q1 we have won around 2000 Crores and going ahead 4000 to 5000 Crores should be achievable.

Seeta Raman: Totally 7000 on the roadside alone or it is mix?

Satish Parakh: This is mix of road and others.

Seeta Raman: What will be the proportion will be approximately?

Satish Parakh: Proportion exactly what cannot be said, but normally 60% to 70% is roads and 30% to 40% orders we are expecting from other sectors like power.

Seeta Raman: How do you see the impact of competition on the EPC bids HAM bids and also what is the impact of the commodity price rise that that is you are seeing in your books?

Satish Parakh: See there is an impact of, you know, lowering down the qualifications, the aggression is there in the industry particularly at nationalized level and competition is there, but I think there will be a huge opportunity of 2.25 lakh Crores which NHAI and MoRTH are planning to bid out. So again we will see some reasonable competition going ahead as far as these two authorities are concerned. There is a reasonable competition even at states and this competition is there in HAM as well as an EPC.

Seeta Raman: The average number of people participating in HAM and EPC?

Satish Parakh: Depending upon the size of the project they vary. If the size of the project is below 800 Crores we see a lot of competition. If it is beyond like 1500 Crores to 1600 Crores we see around 10-12 competitors. If it is below 1000 Crores the competition number is almost 15-20 numbers.

Seeta Raman: Okay this is for EPC.

Satish Parakh: This is for EPC and for HAM it is around or 6-8 bidders for larger projects 10-12 years for smaller projects.

Seeta Raman: Okay and on the commodity side the question that I asked?

Satish Parakh: Since there is an element of pass-through escalation certain impact is there but it is not a significant impact for looking at the project sizes.

Seeta Raman: On the EBITDA level what will be the change can you give some sort of an indication?

Satish Parakh: It will all depend if I bid today, which is at peak of the market then there may not be any significant impact, but if people who have bided earlier in our order book we are not seeing much of the impact.

Seeta Raman: Thank you.

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

Vibhor Singhal: Good afternoon. Thanks for taking my question. Congratulations for an excellent performance this year. A few questions from my side; standing that as we are in almost end of June so we are right now at the end of first quarter itself, so just wanted to check with you as you mentioned that the number had dropped by around 30% due to this COVID where are we right now in terms of the labour availability, has it come back and where are we in terms of the execution capacity, at what levels are we executing at the current level currently in June as we speak?

Satish Parakh: See whatever effect was there in April and May so efficiency was around 70%. Now it has gone around 90% to 95%.

Vibhor Singhal: The labour also the migration country so has that reversed or there is still have to come back?

Satish Parakh: Most of the labor will come back hence we are able to match around 90% to 95%.

Vibhor Singhal: Sure in that backdrop given that this COVID impacted here also we were able to basically report a kind of flat topline on a YoY basis what is the kind of topline that do you think, do you have any sort of guidance in terms of their growth or absolute number of topline that we are looking at?

Satish Parakh: This year we should grow by at least 20%, 20%-25% easily we should grow depending upon how we back the orders.

Vibhor Singhal: Following on the assessment for topline growth is what we are looking at?

Satish Parakh: Yes.

Vibhor Singhal: To support, if I look at the order book pipe right now, even as we include the 2000 crores orders you have received in Q1FY22, you are standing at an order book of let us say around 10000 Crores, so this is a two and a half times book to sales. So do you feel comfortable with that kind of an order book growth given that there are two HAM projects which are under financial closure and which might take more time to start execution? What is roadmap to that kind of a growth given the order book is slightly on our weaker side?

Satish Parakh: We think we can still target for 25% of growth 20% to 25% is easily achievable because going out also Q2, Q3 will see some orders coming in and these two projects mentioned which have not done FC that definitely will happen in a month or month and a half.

Vibhor Singhal: So, we are expecting the financial closure for these two to happen?

Satish Parakh: Yes. We will start in Q3 and Q4, yes.

Vibhor Singhal: Just one last bookkeeping question for Paresh Sir. Sir, the SEB requirement that you mentioned does not include the two HAM projects which are under financial closure right?

Paresh Mehta: It includes that. It includes the two HAM projects Tumkur-Shivamogga and Banwara Bettadahalli.

Vibhor Singhal: Sir in our presentation what we see is the total equity requirement for the HAM portfolio is around 1326 Crores and we have invested around 725 Crores.

Paresh Mehta: Sir to clarify this includes PIM, if you see the statement it includes also the PIM to the extent retained at the SPV level so that is around 200 rules for all these projects put together.

Vibhor Singhal: Including PIM that would be the number would be 200 Crores.

Paresh Mehta: Yes.

Vibhor Singhal: Thank you so much for taking my question. Wish you all the best.

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

Jiten Rushi: Good afternoon Sir and congratulations on good set of numbers. The first question is on the revenue breakup between roads, railways, power T&D and CGD business for Q4 and comparable last year and FY2020 compared to last year?

Paresh Mehta: I will just give you a breakup of the road and power and rail and CGD for the year year-on-year. So for the year we did road turnover of 2884 Crores against 2974 Crores last year. On the power side 218 Crores against 474 Crores last year. On the railway side 373 Crores against 210 Crores last year. CGD was 40 Crores against 32 Crores last year and then other businesses of 181 Crores against 69 Crores of last year.

Jiten Rushi: Q4?

Paresh Mehta: Q4 would be 1031 Crores on road against 918 last year, 73 Crores on power against 137 Crores last year, railway 162 Crores over 89 Crores last year, CGD 10 crores over 14 Crores last year and other sectors 57 Crores over 39 Crores last year.

Jiten Rushi: The march ending numbers for mobilization advance without unbilled revenue, retentions and loans advances outstanding, is there any raise on this?

Paresh Mehta: Total receivables was 1016 Crores against over and above with the retention and overhead amounts was around 480 Crores and the unbilled portion was under 460 Crores. Mobilization advance was to the tune of 290 Crores.

Jiten Rushi: So basically receivable was 1016, retention 480 unbilled 468 and mobilization 290, right?

Paresh Mehta: Yes.

Jiten Rushi: Can you give some breakup in terms of roads, railways, how have they been?

Paresh Mehta: On a net-net basis including receivables, hold, advances or unbilled, all considered together, roads exposure was 562 Crores, power was around 223 Crores, railway was 111 Crores, other sectors was 195 Crores, CGD was 36 Crores.

Jiten Rushi: As we said the two packages are expected to get the financial closure in the near term, so what is the land status in both the projects and we actually have seen any of this because we were in discussion last quarter to achieve FC in package 3 and the COD is expected?

Paresh Mehta: The land is around 92% and package 3 closure is happening in maybe another 15 days time. We have already submitted to NHAI but due to COVID there was no due diligence done at their end so now we are expecting within on the 15 days time. Package 4 we have around 61% of land available, which they promised within a month's time they would be around 80% and then also then we can proceed with financial closure and maybe in next quarter we will be able to achieve that.

Jiten Rushi: The package three we should get the hearing July end, before the end Q3 right?

Paresh Mehta: Yes.

Jiten Rushi: I have more questions. I will come back in the queue. Thank you Sir.

Moderator: Thank you. The next question is from the line of Ashish Shah from Centrum Broking. Please go ahead. I would request you to rejoin the conference the next question is from the line of up Subhadip Mishra from JM Financial Services. Please go ahead.

Subhadip Mishra: My questions pertain to how do you see the EBITDA margin sustaining over the next couple of years?

Paresh Mehta: EBITDA margins in the last year except for Q3 have been in the range of 14% percent on the construction without other incomes, 14.5% so these are these have been basically resultant of projects coming to an end and ECLS being reversed for receivables on power front, which have contributed to the margins which are generally our recommended margins of 12.5% more by 2% so these are basically reasons of certain revision in margins, ECL provisions being reversed, some impact of PIM on achieving milestone or renewable so PIM being passed on to the EPC contractor on achievement of milestones and reversal of any COVID contingencies. So based on these grounds our expected margins in coming quarters also would be in the range of 12% to 12.5%.

Subhadip Mishra: So the favorable margin numbers that you are looking at is about 12% to 12.5% say for FY2022-2023.

Paresh Mehta: That is before other incomes. That is construction margins.

Subhadip Mishra: Secondly, with regard to the order inflow that you are targeting in the current year and you did mention that there is you know good tender pipeline from NHAI so would you be focusing more on HAM or EPC or any preference?

Paresh Mehta: The selection is from the ease of working and availability of land execution and available of raw material in those areas and our strength of working in those areas. So whether it is HAM, whether it is EPC will all depend upon particular stretches.

Subhadip Mishra: Lastly just harping back on the BOT sales with the Macquarie part, is there any visibility in terms of by when you would like to target completing this transaction given it has been pending for long and at least my understanding is you know until this transaction does not fructify it may even impair your consolidated debt, equity and the ability to bid for more HAMs. Kindly correct me if I am wrong.

Paresh Mehta: On the deal perspective we are definitely working very keenly on the deal and the potential investor is also quite very keen so we do expect to close the deal most of the assets to be monetized by Q2 or Q3 that is the target but from a perspective these are all most of the projects are invested projects and there is cash flow available with the company for picking up new HAM projects so we believe that there will not be challenges on further taking our projects on the balance sheet of ABL.

Subhadip Mishra: Understood. That is from my side. Thank you so much.

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

Ashish Shah: Thank you for the opportunity. Sir, if you can spend some time on the Kharar Ludhiana project whereas the balance on your book is going to be descoped now or this is going to be an executed Rs.109 Crores odd?

Paresh Mehta: Part of the work is de-scoped which is equal to Rs.26 crores and balance work of Rs.100 crores would be executed as and when land is handed over.

Ashish Shah: Sir, just repeat, now you said that it could be descoped?

Paresh Mehta: Approximately it is Rs.26 Crores.

Ashish Shah: Okay, and so what is the status of this Smart Infra project in Kerala that we have, is that on track or that kind of slowed down?

Paresh Mehta: We are executing a major amongst them is KEFON, so KEFON is delayed due to COVID, we have got an extension and balance works of around Rs.100 Crores will be doing this year.

Ashish Shah: Okay, and just last thing, can you once come back on the number for the equity invested in the ACL portfolio and we would have discussed this number in the past, not just to got us aligned with the March 2021 numbers, what is the total equity invested, how much of that invested by Ashoka and by Macquarie, if you can give that numbers?

Paresh Mehta: So, as far as the HAM projects are concerned total equity to be invested is around Rs.176 Crores for 2021–2022 and 2022–2023 Rs.141 Crores i.e., Rs.317 Crores, total to be invested. On all these HAM projects or annuity projects which we have we have totally invested Rs.778 Crores and Rs.317 Crores yet to be invested of which Rs.178 Crores is pertaining to projects under ABL. So, Rs.600 Crores ACL projects, plus Rs.223 Crores to be invested, total Rs.823 Crores. If you ask the total investment of ACL in these projects including its whole funding is around Rs.3100 Crores has been totally invested of which Rs.800 Crores has been invested by Macquarie and Rs.2300 Crores invested by Ashoka Buildcon.

Ashish Shah: So, Rs.2300 Crores is ABL’s total investment in ACL portfolio?

Paresh Mehta: Yes, including to that.

Ashish Shah: Yes, and this is exclusive of the support loans or outstanding loans that we would have taken?

Paresh Mehta: Yes, all kinds of support loans as well as CCDs.

Ashish Shah: Sure. That is all. Thank you.

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

Prem Khurana: Thank you for taking my question, Sir. Sir first question was on the asset monetization that we are still working on and I think in your response to one of the earlier questions, it sounded as if you are looking at a piecemeal transaction rather than going for a single buyer. So, am I right in my reading or is it a single buyer that did your plan to deal with and not do multiple transactions, because you said there are multiple buyers involved and due diligence then there could be multiple experiences, so would it be done asset by us or this is a entire portfolio going go to a single buyer?

Satish Parakh: We can get to know only at the end of the transaction, but to give you an assurance it is not very multiple buyers like and couple of buyers only looking at it, but asset by asset.

Prem Khurana: Couple of buyers okay, so there could be multiple SPVs but then in terms of buyers would not be that big a number for us?

Satish Parakh: Yes.

Prem Khurana: Okay, and Sir, also if you could share your thoughts on international Maldives order book because I think we have done one project was done long back and in between we did not do much in international geography and then we have taken this project and that too of this size, if you could help us understand, one is how do you see the margin profile to be different from the way we work in India because as far as I know in most of these international orders tend to be fixed price in nature and are there any more in the pipeline and in international geographies that you are looking and in terms of adding new more projects in or either Maldives or some of these other geographies that you are targeting?

Satish Parakh: Yes, after the first completion we have also started second phase which is just smaller value and then this is the third project which we have bagged in Maldives and margin wise they are similar to what we make in India.

Prem Khurana: Sure, that 12% to 12.5%?

Satish Parakh: Yes. Other geographies yes, we are participating in and evaluating like Africa.

Prem Khurana: Any number if you could share in terms of what is the bid pipeline and what is our target or what is our appetite from international geographies in terms of the order addition on a yearly basis or as a percentage of the order backlog that ideally you do not have from these international geographies?

Satish Parakh: We are not sure, we are being a new player in these geographies. We are still evaluating like which geographies, which countries to approach, how to approach and how much to close all this is in the evaluation.

Prem Khurana: Sure, and Paresh Sir, I think on this PIM that you spoke up, but I always thought the orders that you get to have is these kind of the fixed price and fixed time orders, so how do we pass this PIM benefit to the standalone entity?

Paresh Mehta: So, the situation of the PIM passing through is only situations where there is a PIM budget at the SPV level which SPV retains. So, that is kept intact and due to delays in execution because of land liability or land or because of delay in awarding in appointed date, the fixed price typically remain, so that the impact of fixed price is done only with the impact of additional PIM only if receivable from any channel over and above the budgeted PIM of the SPV.

Prem Khurana: Just one last if I may squeeze, what was the total equity infusion during the quarter?

Paresh Mehta: During the fourth quarter approximately Rs.40 Crores odd.

Prem Khurana: Rs.40 Crores odd okay, because when I look at the cash flow statement the somewhere we have invested almost around Rs.280 Crores odd in last quarter when you spoke you have given us a number of almost around Rs.87 Crores odd, so which is I was wondering why would this jump because cash flow statement shows some other number, if I would add this Rs.40 Crores into the Rs.87 Crores that you gave us the last time it works out to be around Rs.127 Crores, so am I missing something there?

Paresh Mehta: So, there is loan repaid also of the subsidiaries, so Rs.285 Crores and Rs.123 Crores, net.

Prem Khurana: Okay, Rs.123 Crores is what you manage to okay, and just on Jaora–Nayagaon there was this issue with one of the feeders stretch there was under construction which is why we were not getting the kind of traffic that we used to get at Jaora–Nayagaon, so has that been taken care of?

Paresh Mehta: No, the project which is to the north of Jaora–Nayagaon stretch continues to be under construction, their construction also was held up due to COVID and other reasons. So, we still continue to face that impact on the stretch, but I believe in three months to four month time or six month time they should be able to get the work done.

Prem Khurana: Sure, Sir and thank you. That is it from my end. Thank you.

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

Parvez Akhtar Qazi: Good afternoon Sir. Couple of questions from my side. First, if you could tell us what is the kind of capex that we are looking to do for FY2022, and is it that we did in Q4?

Paresh Mehta: Last year the capex was only to the tune of around Rs.27.6 Crores. Coming this year we probably will be in the range of Rs.50 Crores to Rs.60 Crores for FY2021–FY2022. It would again change as per projects which come in, so new projects.

Parvez Akhtar Qazi: Sure, for the CGD business what is the incremental equity that we need to infuse?

Paresh Mehta: So, Rs.291 Crores is the total equity to be funded for the project over a period of another three years of which we have already funded Rs.130 Crores, so Rs.160 Crores is to be funded maybe after almost one and half year to two years' time before that debt will be drawn, now because most of the works which has been done today is based on equity, now debt has been tied up, so debt will be drawn for the next two years before any further equities to be funded.

Parvez Akhtar Qazi: You had mentioned a figure of Rs.548 Crores for the debt, is that correct?

Paresh Mehta: Yes, correct Rs.543 Crores that is the total proposed debt.

Parvez Akhtar Qazi: I was talking about the payment cycle especially during April and May when there was a second wave that being any kind of delay from any of our clients and how do we see the payment cycle going ahead?

Paresh Mehta: So, as far as NHAI, NHAI continues the support system, so they have been up to June and they will continue to, they have a circular continue to fund the projects on monthly basis also. On the state funds other than Uttar Pradesh and Jharkhand where we have certain jobs in certain exposures, there is a challenge as such they will come out only in two month to three month time they take some time. But other states are quite comfortable. We have had lot of recoveries from Bihar also. So, payment cycle would be comfortable except for certain teething problems in Uttar Pradesh and Jharkhand.

Parvez Akhtar Qazi: Sure Sir. That is it from my side. All the best for you. Thank you.

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

Jiten Rushi: Thanks for the question, Sir. Sir, I just wanted to understand the NTPC solar project we have seen the increase in the cost order backlog, so this is because of the increase in the solar module and silicon prices or why is this increase in the cost and is it a fixed price cost, how is the structure, Sir?

Satish Parakh: There has no increase in this project cost.

Jiten Rushi: So, last in Q3 the order back log was Rs.503 Crores and Q4 it is Rs.625 Crores based on the pipeline?

Satish Parakh: Paresh, could you clarify, there is no, maybe it is GST excluded?

Paresh Mehta: I will just come back, there is something more added in that, the basic NTPC contract cost remains same.

Jiten Rushi: Sir, but this is a fixed price contract or how it is like and whether it has started now?

Satish Parakh: Yes, it has started now, it is a fixed price contract, and it is Rs.503 Crores, of course in GSS it is fixed one.

Jiten Rushi: Right and so exchange order backlog?

Paresh Mehta: I will just explain, there are two GSS orders clubbed in to NTPC things, in them the nomenclature is not full that is another Rs.120 Crores added in that column we will clarify.

Satish Parakh: On that two further orders from Rajasthan which are clubbed with that.

Jiten Rushi: Okay, so there was a new inflows in Q4 in the power segment in Rajasthan?

Satish Parakh: Correct.

Jiten Rushi: Sir, these solar project are fixed price so any hit back, because of the increase in the solar module prices or something like that on as far as the margins?

Satish Parakh: Yes, if you compare with prices there is some impact, but we see going ahead we will be able fit within our contingencies.

Jiten Rushi: Sir, loss funding done in any of our BOT toll assets in FY2021 and any additional loss funding which we are expected to do in FY2022?

Paresh Mehta: Yes, major as we continue, if the Sambalpur continues to need support of around Rs.35 Crores odd per year that will continue to be there.

Jiten Rushi: Okay, so basically we did Rs.35 Crores in 2021 and in 2022 also we will do Rs.35 Crores?

Paresh Mehta: Yes.

Jiten Rushi: And Sir, can you highlight on the fund limit and non-fund limit and utilization levels, Sir?

Paresh Mehta: So, our funding limits are CC limits of PIM Rs.330 Crores which we are generally utilizing of around 35% to 40% only on an average, so it would come up and down and then they are over and above this funded limits we have other funded limits of Rs.200 Crores of CP limits as well as supply chain finance limits of Rs.125 Crores. On the non-fund base we have almost Rs.3000 Crores of non-fund base of which approximately 60% is utilized balance is available.

Jiten Rushi: Okay and Sir on the CGD project as you said you have a tie up for Rs.543 Crores and we have to invest further equity of Rs.160 Crores, so Sir the Rs.160 Crores of equity will be coming 50% from our partners, right?

Paresh Mehta: Right, correct.

Jiten Rushi: And Sir, this debt tie up has been done with which bank, Sir in the interest rate?

Paresh Mehta: Debt tie up has been done with PNB and HDFC at a cost of 8.75%.

Jiten Rushi: Thank you and that is all from my side. Thanks a lot and all the best.

Moderator: Thank you. The next question is from the line of Anupam Gupta from IIFL. Please go ahead.

Anupam Gupta: Sir, just one question, why was the Bhandara project bought by you, what was the logic behind that?

Satish Parakh: Basically in order to facilitate, we are in the process of monetizing assets all buyers are typically looking at buying 100% stakes in the SPVs, so from that perspective we have targeted one of the SPVs to take 100% so that it is easier then sell the total project.

Anupam Gupta: Okay, but is it like individual SPVs that you bought or you still in the segment that our portfolio put together?

Satish Parakh: As I said before the basic interest is in picking individual assets which we find from the potential buyers.

Anupam Gupta: Okay, so there is a possibility that few assets are left behind with you that is also possibility?

Satish Parakh: Could be, yes.

Anupam Gupta: Okay, understand Sir. Thank you.

Moderator: Thank you. The next question is from the line of Harshil Kothari an individual Investor. Please go ahead.

Harshil Kothari: My point is what is the reason behind the changes in stance regarding that previously we were thinking at monetizing directly at ACL level and now we are thinking of having individual asset by asset so, what is the reason behind that?

Satish Parakh: It is more from the perspective of the buyer’s interest, what they are interested in and what kind of risk profile they want to buy into, whether buy into ACL us such as a company or at the SPV risk limits, so it is more of a perception of the buyer and we were open to that.

Harshil Kothari: Thanks.

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

Meet Vora: Just had a follow up on the EBITDA margin. Sir, if you exclude the other income our EBITDA margin is at 14.5% this quarter, so if there any one off in EBITDA because the normal run rate we are guiding at 12% - 12.5%, so just wanted to understand on that?

Paresh Mehta: As I said on the year end transactions and there were certain revision in margins in some of the projects, in power projects because amounts were stuck, there were ECL created which was reversed because of receipt of payments on the power projects. Also, there were achievement of certain milestones and reasonability of PIM being realized by the HAM projects more than the budgeted PIM that was provided for ABL and whatever COVID provisions we had contingent we have created in the last year were reversed in this year. So, all put together were the reasons for margin crystallization of 14.5%, but otherwise at a project level generally our targets are for 12% - 12.5%. So, any release in contingencies or certain events which give a higher margin are the reason for higher margins otherwise 12.5% is generally guided EBITDA margins.

Meet Vora: Understood Sir. Thank you.

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

Ashish Shah: Thank you for the opportunity again. Sir, especially on the financial results of Ashoka Concessions, so therein the equity there has been an impairment of Rs.110 Crores and last year also there was impairment of Rs.155 Crores, but that kind of impairment we do not see in our standalone consolidated numbers, so if you can just put some light on, how does that accounting work where we do not see those impairments will reflected in our books?

Paresh Mehta: So, in ACL our impairment is based on SPV wise evaluation, so some assets maybe impaired and some assets maybe doing well. So, based on each asset which is impaired we need to provide for a ACL, but when we go at ABL at upper level it is an investment in ACL then we look at a consolidate number of pluses and minuses in ACL and then compare. So, that does not have any impact, so there are assets which are not impaired are doing better, so their value is positive and over and above the Rs.155 Crores plus Rs.110 Crores, provision created, that is the reason there is no impairment at the ABL level.

Ashish Shah: Sir that would mean that there are some assets of ACL whose money has been revised upwards and which is why those can negate the impairment hat otherwise we should be going to buy?

Paresh Mehta: Yes, exactly. Suppose an asset is on the books for say Rs. 200 Crores and another asset is at another Rs.200 Crores, one is revised to Rs.150 Crores other is Rs.250 Crores, so overall there is no impact in when we total the two Rs.250 Crores plus Rs.150 Crores is Rs.400 Crores and Rs.200 Crores plus Rs.200 Crores is Rs.400 Crores, so from that perspective there is no impairment at the grandparent level and at CFS level what happens is these impairments get knocked off because they do not get carried forward.

Ashish Shah: Thank you.

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

Subhadip Mitra: Thank you for the opportunity again. My question is pertaining to the solar contract and there given that we have seen the surge in the module prices and that by March 2022 we will be seeing VCD becoming applicable, do you really see a larger risk going ahead?

Satish Parakh: Yes, being fixed price contract we do keep contingencies while bidding. So as of now yes, prices are very steep but going forward we feel that this may come down. So, we still not placed any orders for these modules and due to COVID there is an extension of around six months in the timelines, so we have sufficient time to decide on when to buy.

Subhadip Mitra: Understood, so by when are we mandated to deliver these modules or this project as per the contract, what is the timeline?

Satish Parakh: The total timeline for this contract is 24 months.

Subhadip Mitra: 24 months starting January, I am sorry if you can just help on that?

Satish Parakh: Start time was January, but due to COVID we are getting around five months of extension.

Subhadip Mitra: Understood, and lastly are you looking to expand on this Solar EPC business, what are your thoughts on that?

Satish Parakh: Yes, we are participating in other bids. These are EPC business, so absolutely whenever we get an opportunity we are participating.

Subhadip Mitra: Yes, that is it from my side. Thank you.

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

Parikshit Kandpal: Sir, given the second wave of COVID and potentially third wave is coming in, so as a prospective investor the way are we efficiently looking on these old projects and does it imply that the HAM assets monetization will happen earlier than the toll assets get monetized?

Paresh Mehta: No, the whole portfolio is being looked at the same time depending on the way the closure happens, any project which is completed for the divulgence could achieve SPA stage and there is no specific reason the toll projects will get delayed or the HAM projects will get earlier. So, it will all depend on how the investor wants to go ahead with acquiring the assets.

Parikshit Kandpal: Second point which you made earlier in the call that, they may okay such practices on the HAM project for SPAs, so when do you feel these actually picking off and will start finding on next year so, any timelines on that now?

Paresh Mehta: We are already under discussion on the SPA as well as final stage of DD for a few assets, so that should be happening in coming quarter.

Parikshit Kandpal: Must be September so basically July?

Paresh Mehta: Yes, definitely midway September quarter.

Parikshit Kandpal: With something concrete may basically somewhere September and because we are targeting money is coming in that September–October quarter. So, in close then most probably just mentioned here that is what is coming here or you are looking at a fourth quarter of FY2022?

Paresh Mehta: We are targeting this financial year, financial Q4 to happen.

Parikshit Kandpal: Just on affordable housing projects which you have picked up, so any thoughts there are we still to do more projects, because I understand there some more bids coming up. So, first of all there are not enough opportunities in India alone and we have earlier done projects in Maldives say just because we are taking up some more orders because we have some projects there earlier. So, just to understand the rationale of bidding outside India when the opportunity India such huge opportunity building size?

Satish Parakh: Yes, this is an independent vertical which is looking for opportunities outside India. India definitely is going to throw up lot of opportunities, so anyway our 80% to 90% of book is going to be India, but since our presence is there in Maldives and we are also exploring Africa and our strategy always has been to start with smaller projects and the scale up.

Parikshit Kandpal: So, in this international market what kind of opportunities are you going to basically look at across or specific to certain segment, if you can just highlight?

Satish Parakh: We are looking at any opportunity.

Parikshit Kandpal: So, roads, the maintenance?

Satish Parakh: It could be roads, it could be power, it could be railways, so we are looking at whatever EPC, wherever it makes sense definitely we will participate and bid.

Parikshit Kandpal: Okay and we be as a multinational compete project which we will be eyeing?

Satish Parakh: Mostly, EXIM bank funded projects.

Parikshit Kandpal: Thank you. That is all from my side. All the best.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Mohit Kumar from DAM Capital Advisors Limited for closing comments.

Mohit Kumar: Thank you all for joining in. Thank you Sir for giving us a chance to host the call. Do you have any comments to make, Sir before we close this?

Paresh Mehta: We thank all the participants for having joined the call and taking out the time. If you have any further queries you may get in touch with us or IR Relationship Agency, Stellar Investors Relations. That is all from my side. Thank you everyone. Thank you.

Moderator: Thank you. On behalf of DAM Capital Advisors Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.