



“Ashoka Buildcon Limited
Q3 FY2019 Earnings Conference Call”

January 31, 2019



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Moderator: Ladies and gentlemen, good day and welcome to the Ashoka Buildcon Q3 FY2019 Earnings Conference Call, hosted by Anand Rathi Shares & Stock Brokers 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, please signal an operator by pressing “*” then “0” on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Prem Khurana from Anand Rathi. Thank you and over to you Sir!

Prem Khurana: Good Evening on behalf of Anand Rathi Research, I welcome all participants to Ashoka Buildcon Q3 FY2019 Earnings Conference Call. From the management, we have Mr. Satish Parakh, Managing Director and Mr. Paresh C. Mehta – CFO. We would like to thank the management for having given us this opportunity to host their conference call. Without any further delay, I would now hand over the call to the management. Over to you Sir!

Satish Parakh: Thank you Prem. On Behalf of Ashoka Buildcon Family I wish everyone joining us on this call a very happy new year and welcome you all for the earnings call of December 31, 2018. Joining me on the call is Mr Paresh Mehta, our CFO and Stellar Investor Relations our IR advisors.

We are glad to report yet another quarter of robust performance. In fact the company reported highest ever revenue in any quarter backed by our strong execution capabilities and healthy order book. We are confident to deliver the same in coming years.

As on December 31 2018, our balance order book of the company is Rs.9,537 Crores, the breakup is like road project comprises of Rs.7,435 Crores which is 78% of our total order book, power T&D comprises of Rs.1,357 Crores which is 14% of our total order book and railway comprises of Rs.745 Crores which is 8% of the total order book. Among the road projects, the EPC projects are to the tune of Rs 2,542 Crores and HAM projects are Rs.4,893 Crores.

We are lowest bidder for the orders worth Rs.214 Crores for rural electrification work in Jharkhand. During the nine months of FY2019, there was not much of traction on ordering particularly in the road space. The award activity usually picks substantially during the Q4. We expect the pickup in order awards over the next couple of months.

Moving onto the other key developments for the company, I am happy to state that we have received a favourable Arbitration Award of Rs.168 Crores by NHAI in our SPV Ashoka Highways (Bhandara) Limited against various claims. We have also received appointed dated as December 10, 2018 for Ankleshwar Manubar Expressway HAM project, construction period for this project is 910 days from the appointed date with an operation period of 15 years post COD. We expect to receive appointed dates for our balance four projects very soon.

In the other major developments, we have received the provisional completion certificate for two annuity projects, Ashoka Bagewadi Saundatti Road Limited and Ashoka Hungund Talikot Road Limited. The commercial operation date of projects is October 1, 2018. The SPVs are eligible for

receipt of annuity payments within six months from the date of achievement of COD that is from March 1, 2019. During the quarter, we received extension of 703 days in concession period of Ahmednagar Aurangabad Road Project. The extension is from December 19, 2018 to November 22, 2020.

In our city gas distribution, we are gradually making significant progress. I am very happy to share that Morgan Stanley India Infrastructure fund has committed Rs 150 Crores by the way of private equity investment in our wholly own subsidiary Unison Enviro Private Limited. Unison builds and operates CGD network across cities and towns in India. These investments will be utilized to meet the equity requirement towards the CGD business. Ashoka and Morgan Stanley fund will hold share in UEPL in the ratio of 51 to 49. That is all from my side. I would now request Mr. Paresh Mehta to present the financial performance for Q3 and nine month FY2019.

Paresh C. Mehta:

Thank you, Sir. Good Afternoon everyone. The result presentation and the press release for the quarter have been also 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 nine month end date and December 31, 2018.

Total income for Q3 FY2019 stands at Rs.1,091 Crores as compared to Rs. 675 crores in Q3 FY2018, a significant growth of 61% year on year. For the 9M FY2019 total income grew by 45% year on year at Rs 2,591 Crores against Rs.1,783 Crores in 9M FY2018. During the quarter, BOT division recorded a toll collection of Rs.236 Crores.

EBITDA for the quarter was at Rs.174 Crores as compared to Rs.91 Crores in the corresponding quarter last year, 91% year on year growth. EBITDA for 9M FY2019 was Rs.411 Crores, 65% year-on-year growth against Rs.249 Crores of 9M FY2018. The company reported PAT of Rs.62 Crores in Q3 FY2019 against Rs.47 Crores Q3 FY2018 with a 32% year-on-year growth for the 9M FY2019 PAT was at Rs.188 Crores over Rs 132 Crores reporting 9M FY2018 at 43% growth. During the quarter the company provided Rs.39.75 Crores exceptional expenses against provision for receivables from GVR Infra. Though the company holds securities in the form of pledge of securities of Chennai ORR SPV owned by GVR infra which is sufficient for the total outstanding exposure, the provision is provided on a prudent policy.

During the quarter the company issued nonconvertible debentures of Rs.150 Crores through private placement basis. The tenure of this is for two years four months with a coupon of 9.8% per annum payable annually. Total consolidated debt as on December 31 2018 is at Rs.5,479 Crores of which project debt is Rs.4,886 Crores, the standalone debt is Rs.593 Crores which comprises of Rs.237 Crores of equipment loans, Rs.206 Crores of working capital loans, and Rs.150 Crores of NCDs. Increase in working capital is mainly due to commencement of construction activities in all the five HAM projects. With this we now open the floor for the Q&A. Thank You.

- Moderator:** Thank you. We will now begin the question and answer session. The first question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.
- Parikshit Kandpal:** Congratulations on good set of numbers. Sir, this quarter what is the contribution of the T&D business and their revenue?
- Paresh C. Mehta:** The T&D business has contributed at Rs 248 Crores for the quarter.
- Parikshit Kandpal:** Okay and the margins been almost at 14% levels were there are any reversals on account of any bonuses or GST reversal?
- Paresh C. Mehta:** No there are certain projects which got completed and their margins were recognized slightly on the upper sides.
- Parikshit Kandpal:** Okay so what will be the full year guidance now since we have already delivered approximately Rs 2,500 Crores of top line. Earlier, we had guided for 35% to 40% growth so what are the numbers we are looking at now?
- Paresh C. Mehta:** We will maintain our guidance of 35% to 40% growth and achieve those definitely.
- Parikshit Kandpal:** Sir lastly, under years AS-115 I mean it has been allowed that establishment cost can be amortized over the project life, so what are we following and is there any impact of that on EBITDA margins?
- Paresh C. Mehta:** Not at this moment, because new projects which are starting establishment cost will be apportioned. We will follow the standards.
- Parikshit Kandpal:** But till nine months, we have not done anything, we are still expensing everything as and when it gets incurred.
- Paresh C. Mehta:** Yes.
- Parikshit Kandpal:** Okay Sir. That is all from my side. Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Sharavan Shah from Dolat capital.
- Sharavan Shah:** Congratulations for good set of numbers, Sir my question is related to remaining four HAM projects where we have appointed date is pending, just wanted to understand we are hearing that recently NHAI has internally cleared that this would be clearing the FC for the projects where TPC is 90% or above NHAI cost and if I go by that calculation, our two projects particularly Karnataka I, Karnataka II projects will not fall under that. So there may be a delay in letting the FC and appointed date from NHAI?

- Satish Parakh:** Yes right, recently NHAI has taken this stand but we are discussing with them and we hope very soon we will get the appointed dates.
- Sharavan Shah:** Sir related to this do not you think starting from the tender to the concession agreement this is not part of any of this document and now NHAI gives more importance to the internal circular versus the contractual terms and condition. As an industry do not you think is it a risk or NHAI is the big boss no body questions and they just accept it?
- Satish Parakh:** Yes I think it needs proper deliberation with NHAI and once that happens they will be very much convinced and as you say correctly it is against the contract.
- Sharavan Shah:** So as a industry have you represented these because they are going by this rule and so what I also hear is there will be a sizeable delay as you mentioned initially in your remarks that you will be soon receiving the FC and the appointed date from their side but my understanding is there will be a three to four months delay particularly for these two projects?
- Satish Parakh:** So delay exactly is not only on that account, even land acquisition still is going on in this projects, so 3H has not happened fully to the tune of 80% plus, so anyway even if they resolve this issue there still will be a delay two to three months.
- Sharavan Shah:** And secondly, as you mentioned in your initial remark you will see a pickup in the ordering award from the NHAI side but considering whatever recently is happening between two top leaders, no need to mention everybody knows it, do not you think there is a risk too in terms of awarding from the NHAI side also?
- Satish Parakh:** No, it has nothing to do with the award with NHAI they have already lined up huge projects around 1 lakh 6 Crore projects are already in pipeline where dates have been announced for bidding and 70% of it is in February itself. So unless there is postponement of this, I do not see any major delay. But postponement was happening for the last couple of months in terms of the...though the tender were there in the past...?
- Paresh C. Mehta:** Postponement basically was for land acquisition. They have seen delays in what was done in last year and they are not able to complete the land acquisition in their estimated time. So this time they have taken a very firm view of doing entire payments and then only go for the bidding. So this time they have become little more stricter therefore the delay is there, it is completely on land acquisition.
- Sharavan Shah:** Okay. That is it from my side, Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Ashish Shah from IDFC Securities. Please go ahead.
- Ashish Shah:** Yes, Thank You for the opportunity. Sir on the execution side we have seen some revenue likely to have been booked from, Vadodara Kim project. At least we see Rs 140 odd Crores reduction

in the outstanding order book, is that the revenue booked or there is some change in the EPC order value?

Paresh C. Mehta: That is the revenue book, you are right.

Ashish Shah: Okay. So Rs. 140 Crores has been booked in that project. Sir, this is like proper execution or it is mostly utility shifting?

Paresh C. Mehta: No. This is part of the proper division also.

Ashish Shah: Okay. This is a part of the EPC execution. Sure, secondly in the Jharkhand projects we see that there has been some sort of a slowdown in this quarter, if I compare the outstanding order values, the last quarter versus December, you see that have not moved much. So is there some sort of an issue there or some seasonal variation?

Satish Parakh: No Jharkhand project basically is a difficult project. So getting work front in this project becomes more and more challenging. So there can be quarter to quarter little difference in estimates.

Ashish Shah: Sure but there is not any issue which will bring them to some sort of halt, these are...?

Satish Parakh: No nothing like that, there can be little delay here or there..

Ashish Shah: Right, Sir lastly on the GVR exposure issue. We have about 84% stay which is pledged with us, now since it is the NCLT process, just wanted to know how secure are we on the fact that this 24% stake will eventually come to us, and as a part of the NCLT process is this sort of secured with us or it may be turn out to be otherwise?

Paresh C. Mehta: From the opinions which we have taken from our lawyers they are quite confident that these securities will go in our favor. So from that perspective we feel that total amount of exposure will be secured but as a prudent practice and because of presidencies which are still established in NCLT these are typical cases they are not standard cases, we have made a provision of approximately Rs 40 Crores on the exposure.

Ashish Shah: Sir just on the same point, the 24% stake, if you go by the normal valuation of the asset, the 24% stake might be worth much more than the Rs.20 odd Crores of advance which you have given against shares so then you know what happens I mean how does NCLT take a view on the fact that the advance against shares is Rs 20 Crores and the 24% stake is what much more. So do they bring down the stake or do they ask you to get in more money or I do not know how that works?

Paresh C. Mehta: I would just like to clarify the 24% stake is for the shares which is in the Chennai ORR SPV, so that is a different pledge, different company shares which has got a value of around Rs.75 to Rs.80 Crores for the 24%, which is covering our exposure towards the financial and operational liability at Chennai ORR, which is approximately around Rs.60 Crores. The Rs.21 Crores of advance paid is for the Mudhol Nipani shares which we have procured and purchased from

already SPA has been signed. It is only a transfer process pending. So there is no possibility of the shares not getting transferred. It is only a process involved, payment is made and share purchase agreements are signed. Once we receive the permission from the authority to transfer, because they have a clause of two years post COD they will give the permission for transfer. Once that happens, we will there, two years also over in December. So we are in the process of getting NOs from authority, post that we will insist for the shares to be transferred. The purchase agreement is in place.

Ashish Shah: Sure. The exposure on Chennai ORR remains right but this takes care of the provisioning which we have done, takes care of the exposure on account of Mudhol Nipani.

Paresh C. Mehta: Right, so there is no exposure on Mudhol Nipani, Rs.21 Crores is backed by our share purchase agreement where the shares will get transferred, the share value is far about Rs.21 Crores so that is fine. As far Chennai ORR is concerned, the receivables from GVR Infra of around Rs.60 Crores is covered by the pledge of 24% of shares Chennai ORR SPV which is sufficient to cover that. It is almost Rs. 75 Crores to Rs. 80 Crores, the value of the pledge.

Ashish Shah: Thank You Sir, I am clear. That is all from my side.

Moderator: Thank you. The next question is from the line of Kunal Sheth from BNP Securities. Please go ahead.

Kunal Sheth: Hi sir, Thank You for the opportunity, Sir continuing on the same GVR Infra issue, just one clarification so this Rs.40 Crores provision that we have made that is pertaining to the receivable from the SPV?

Paresh C. Mehta: It is not from the SPV, it is from GVR Infra, the company which is under NCLT.

Kunal Sheth: Right Sir and the outstanding their receivable from them is Rs.60 Crores and against that we have provided Rs.40 Crores?

Paresh C. Mehta: Right Sir.

Kunal Sheth: And Sir, my second question is pertaining to next year's guidance in terms of construction revenue what are we looking at for next year's sales?

Paresh C. Mehta: I think so based on our work order portion which we have and the execution milestones which we need to achieve our 30% to 35% growth in the next revenue is warranted and we will deliver with that too.

Kunal Sheth: Sir then these factors in the kind of delays we can see in getting the appointment dates for the four pending projects, right Sir?

- Paresh C. Mehta:** Yes we believe that this will come in a month and month and a half time, if it does come, then I think that it takes care of the execution.
- Kunal Sheth:** Okay, Thank you so much Sir.
- Moderator:** Thank you. The next question is from the line of Vibhor Singhal from Phillip Capital. Please go ahead.
- Vibhor Singhal:** Good evening Sir, thanks for taking my question and congratulations on great set of numbers. Sir two questions from my side, one is as you mentioned that basically you expect the appointed date for all the four HAM projects in the next couple of months, did I get that right?
- Paresh C. Mehta:** Right.
- Vibhor Singhal:** So basically work case scenario in April we should be executing all the HAM projects in terms of our EPC revenues?
- Paresh C. Mehta:** Before March, we should be able to.
- Vibhor Singhal:** Fair enough, Sir in terms of the equity requirement what is the scenario right now, how much of equity have you already invested in these five projects and how much we will need to invest in the remaining part of FY2019 and in FY2020?
- Paresh C. Mehta:** So we have already invested Rs 188 Crores in all these five projects, we need to totally invest Rs.476 Crores of which the balance will be invested in 2019-20.
- Vibhor Singhal:** So Rs.476 Crores is total that we need to invest. Over and above the Rs.188 Crores what we have already invested?
- Paresh C. Mehta:** This is supposedly inclusive so Rs.200 Crores will be invested in 2019-20.
- Vibhor Singhal:** Rs. 200 Crores 2019-20, okay fair enough and secondly Sir in terms of the capex that you might require, this year we are looking quite well set to do around 40% to 45% kind of growth and next year as you are guiding for around 30% to 35%, what is kind of capex requirement that we might need to buy more plant and machinery equipment and a related question, so what have been the capex for this year and how much do we expect it next year?
- Paresh C. Mehta:** This year we will have a capex of approximately slightly short of Rs.200 Crores and next year we would be requiring approximately Rs.150 Crores and then subject to new bids.
- Vibhor Singhal:** Sur Sir. Sir my last question basically on the bidding activity as you mentioned that basically you expect some momentum to pickup in the next couple of months, but given the political scenario right now and maybe the bottleneck NHAI has, is in case let us say the bidding activity does not pan out, what would be and then of course we are going into the election mode and then

we could see a significant amount of period for the next five to six months in which we do not have much project apart from NHAI. In that case how will our bidding strategy change in terms of are we going to bid more let us say railway or power distribution projects or looking to get into other segments as well or would we just wait and watch let the orders from road projects come to us.

Satish Parakh: Yes what we see as of today, we feel February will be a great month for award of projects. Unfortunately, if this gets postponed and goes beyond election then we may have a gap of four months particularly from NHAI. So definitely there are state order, there are other power T&D, Railways, these sectors are there we are looking to bag some orders and this whole thing may come up after say Q1. So in Q2 we may whatever gets postponed onto the Q2 will throw up another huge opportunity for orders in road system.

Vibhor Singhal: Sure Sir, Thanks a lot for taking my questions. Wish you all the best.

Moderator: Thank you. The next question is from Ankita Shah from Elara Capital. Please go ahead.

Ankita Shah: Yes, thanks for the opportunity. Sir my question was if we see the pending order book number it seems like the highest revenue contribution seems to have come from Maharashtra T&D project, is that correct?

Paresh C. Mehta: So revenue in this quarter, it has come from Bihar, Jharkhand.

Ankita Shah: No but I think Rs.136 Crores of execution contribution from Maharashtra T&D project that seems to be very higher as compared to what we have done in previous...?

Paresh C. Mehta: This includes also on the CGD part, a few more miscellaneous contracts are included in Maharashtra

Ankita Shah: Okay how much will be that contribution?

Paresh C. Mehta: I mean totally it is Rs.136, the number what you are saying is right, it is not only power T&D, it is CGD also that would be around say Rs. 35 Crores to Rs. 40 Crores and Jalgaon Bhadgaon would be there. We will come back to on that.

Ankita Shah: Okay and Sir secondly the toll collection looks weaker in terms of traffic growth seems to have not picked up the way we were expecting, so any reading there?

Paresh C. Mehta: No specific reason for the traffic drop. There are lot of works going which may have an impact on the traffic temporarily. I think they should pickup over a period of time and once economy also takes a traction.

Ankita Shah: Overall traffic growth blended for the portfolio would be?

- Paresh C. Mehta:** Would be in the range of 3% around.
- Ankita Shah:** 3% okay and any progress on the PE exit?
- Paresh C. Mehta:** No, we are still in talks.
- Ankita Shah:** Okay sure, That is it from my side. Thank you and wish you all the very best.
- Moderator:** Thank you. The next question is from Nilesh Bhaiya from Macuarie.
- Nilesh Bhaiya:** Yes, Sir first question on this arbitration what that we got in the Bandara project of Rs.168 Crores and this being an SPV where I think there is another PE investor, I think GIP is there. So can you tell me if ABL will get any portion of this or this money will get between GIP and then Ashoka Concession and then probably some portion may come to the ABL?
- Paresh C. Mehta:** So this is the Ashoka Bhandara claim so it will be part of Bhandara and all the stakeholders.
- Nilesh Bhaiya:** So can you quantify the amount that will come to ABL balance sheet.
- Paresh C. Mehta:** We cannot quantify now as of date because we will have to work that out, there are some different claims.
- Nilesh Bhaiya:** Okay my second question on the CGD investment that we have got, is there assured IRR there?
- Paresh C. Mehta:** No, not at all, it is a pure equity investment.
- Nilesh Bhaiya:** And the amount that Morgan Stanley has, what they have been putting Rs. 150 odd Crores that will also go towards existing CGD projects or it will be only for future projects?
- Paresh C. Mehta:** No it is for all, they will put in for right from the plug in project also whatever investment we brought they will match it up with what we have invested and then they will be part of all the three existing projects and the future projects.
- Nilesh Bhaiya:** Okay, Sir can you give me the cash balance because I think the NCD would not have been used entirely for December. So that is why probably your other income may also be higher. Can you give me the cash balance as of December end?
- Paresh C. Mehta:** No that would on be very significant it could be in the range of Rs 30 odd Crores because the NCD amount which was drawn was actually transferred to the CCA account obviously.
- Nilesh Bhaiya:** Okay, okay Sir last question, just on this GVR thing. So just in case I understand that you believe that you have the pledged shares and it should cover up for your exposure, but just in case because it is under IBC and you never know what is the outcome, in case because the financial creditors have first right if the 50% stake on GVR, the first right is given to them, then can a

situation arise where probably basically you may need to buy out the stake to GVR with additional money or something like that, or may be an external party can also buy the remaining 50% in GVR, the such in the Chennai ORR project?

Paresh C. Mehta: So these shares which GVR infra owns in the SPV is 24% of it is secured to us so the lenders do not have any right over those shares in the normal course. It is not an asset assigned to them. So that would definitely we carved down to whom it is actually secured, if it is secured to us, it will be carved out and money will be transferred to us whenever it will be the realized. So if somebody can buy it, we can buy it or somebody else can buy it and proceeds will be a profit to us.

Nilesh Bhaiya: So what is the holding, current holding is 50-50% right in Chennai ORR?

Paresh C. Mehta: Yes.

Nilesh Bhaiya: So still 26% will be assigned to financial creditors.

Paresh C. Mehta: Correct.

Nilesh Bhaiya: Got it, Thanks a lot.

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

Jiten Rushi: Thanks for the opportunity. Sir my question is related to the four HAM projects, Sir we have seen some change in the order backlog in those four HAM projects Vadodara Kim so, have we booked any revenue in terms of utility shifting in these projects how is it Sir?

Paresh C. Mehta: Yes in all projects some activity is going on, on mobilization and other activities and utility services also, from that perspective it is not very significant we have booked revenue, we may have not recognized margin there, but it has been booked.

Jiten Rushi: Sir it comes to Rs. 99 Crores I am assuming this is all related to utility shifting and not the basic part sir?

Paresh C. Mehta: Some mobilization expenses on EPC also.

Jiten Rushi: Okay and sir one thing on the other incomes can you just give us the breakup of other income?

Paresh C. Mehta: So of the Rs.25 Crores majorly it is particularly to interest income and some unwinding of Ind-AS accounting of which almost Rs.10 Crores is interest charged for funding of ACL and such nature of income.

Jiten Rushi: Sir any dividend we have received from SPV this quarter?

- Paresh C. Mehta:** Not in this quarter.
- Jiten Rushi:** And sir we used to book those expenses of 5 Crores and other expenses as per Ind-AS for fair value measurements, have we booked the same in this quarter also Sir?
- Paresh C. Mehta:** Yes that is booked as an expense.
- Jiten Rushi:** That Rs.5 Crores.
- Paresh C. Mehta:** And other income also includes one item of approximately Rs.4 Crores, which is M to M for where we have purchased equipments with a long term credit period.
- Jiten Rushi:** Sir what has been the capex for first nine months Sir?
- Paresh C. Mehta:** First nine months approximately Rs.160 Crores including WIP capex.
- Jiten Rushi:** Okay that is what the capex, so Rs. 200 is a capex you are targeting and Sir can you give me the breakup for the equity investments so far you have made in the CGD business, I think it is Ratnagiri only and the balance for Ratnagiri and the other projects Sir?
- Paresh C. Mehta:** Sir as I said Rs. 35 Crores is what we have invested in the Ratnagiri, company is one, Unison, there we have invested Rs.35 Crores what will happen is the first tranche of Morgan Stanley also will come of Rs.35 Crores and then once that is Rs.70 Crores we invested, we will keep up for this existing three projects, we will invest approximately Rs.200 odd Crores of equity and new projects when they will come we will keep on investing.
- Jiten Rushi:** So basically it is Rs.35 Crores we expect from Morgan Stanley this year and then the balance of Rs.200 Crores would be invested in next two?
- Paresh C. Mehta:** In next two to three years time.
- Jiten Rushi:** And sir one more question on the equity investment at Kharar-Ludhiana and Ranalsthanam what is the total equity we have to invest and what have been invested so far Sir?
- Paresh C. Mehta:** On the Kharar-Ludhiana, we have already invested total investment to be made was approximately Rs.180 Crores, and in the Ranalsthanam approximately Rs.120 Crores.
- Jiten Rushi:** So what is the investment Sir, so far?
- Paresh C. Mehta:** Out of it only in Kharar-Ludhiana and Ranalsthanam we have to invest Rs.80 Crores.
- Jiten Rushi:** That is the combined you are talking about, right Sir?
- Paresh C. Mehta:** Rs.48 Crores in Kharar and Rs.34 Crores in Ranalsthanam

- Jiten Rushi:** So this will happen this year only, right sir?
- Paresh C. Mehta:** This will happen next year, this year investments have all been made.
- Jiten Rushi:** This year what we have invested in total including at Kharar-Ludhiana, CGD and the five HAM projects Sir?
- Paresh C. Mehta:** Rs.328 Crores approximately.
- Jiten Rushi:** So Rs.328 Crores that means you have done with this year now?
- Paresh C. Mehta:** Yes.
- Paresh C. Mehta:** Sir in terms of the revenue guidance I think we have maintained the guidance, but Sir in the fourth quarter do not we see any run off in the revenue or it will be lower than the Q3 numbers Sir?
- Paresh C. Mehta:** We believe that it will definitely maintain a Q3 number.
- Jiten Rushi:** In terms of margins do we see 13% or 14%?
- Paresh C. Mehta:** I think so we will maintain 12.5% guidance.
- Jiten Rushi:** For Q4?
- Paresh C. Mehta:** Yes.
- Jiten Rushi:** In FY2020 and FY2021 what would be the guidance for margins sir, FY2020 if I may ask?
- Paresh C. Mehta:** I think similar 12, 12.5% not more than that.
- Jiten Rushi:** That is it from my side. Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Viral Shah from Emkay Global. Please go ahead.
- Viral Shah:** Thank you Sir, congratulation on a good set of numbers, my most of the questions are answered just one, in terms of power revenue what was the revenue last year as well because this quarter was Rs.248 if I am not wrong?
- Paresh C. Mehta:** Last year for the same quarter?
- Viral Shah:** Yes, for the same quarter.
- Paresh C. Mehta:** For the same quarter it was Rs.338 Crores.

- Viral Shah:** So there has been a decline.
- Paresh C. Mehta:** For the same quarter it was Rs.128 Crores.
- Viral Shah:** Last quarter was Rs.338 right?
- Paresh C. Mehta:** Yes.
- Viral Shah:** And this does not include any income or revenue from rail segment right?
- Paresh C. Mehta:** No, not yet.
- Viral Shah:** Thank you so much Sir.
- Moderator:** Thank you. Next question is from Parvez Akhtar from Edelweiss. Please go ahead.
- Parvez Akhtar:** Congratulations for a great set of numbers. Couple of questions from my side. First we have seen a sharp jump in a standalone debt over the last couple of quarters I think it was from Rs.100, Rs.110 odd Crores in Q1, which is now Rs.600 odd Crores, so how do we see the future trajectory of this and where will this number be FY2019 and FY2020?
- Paresh C. Mehta:** For FY2019 we will probably have a similar number, which approximately Rs.590 odd Crores, which we have indicated. FY2020 also I think fairly these numbers will be in that range somewhere.
- Parvez Akhtar:** On four of our projects, which is Jaora, Bhandara, Belgaum-Dharwad and Durg projects on a Y-o-Y basis I think the traffic growth is negative even in the other two projects, which have been doing well we have seen some moderation in traffic growths so you said there is no particular reason, but I am just kind of wondering what could happen that traffic growth moderate so sharply in like almost all our projects.
- Paresh C. Mehta:** So Jaora-Nayagaon, lot of construction activities going at various points that may be which have started in a years' time, it will go back on normal that is what our belief is and also an impact of bit slow down the economic activity I believe post six months that could be one of the reasons, otherwise we do not see any specific reason on other projects, which we have stated like Bhandara and Durg.
- Parvez Akhtar:** Sure Sir and lastly we did not receive any toll hike in this quarter, right on any project?
- Paresh C. Mehta:** No, not in this quarter.
- Parvez Akhtar:** What was the toll that we have in Wainganga project this year?
- Paresh C. Mehta:** Approximately 3.5.

- Parvez Akhtar:** Thanks. That is from my side and all the best Sir.
- Moderator:** Thank you. Next, we have a followup question from the line of line of Parikshit Kandpal from HDFC Securities. Please go ahead.
- Parikshit Kandpal:** Sir just on this arbitration, so when do we expect to receive the money?
- Satish Parakh:** For this award will be approaching the NHAI for reconciliation, so they have a reconciliation committee in place and then if we are able to settle with them, then we will get the money immediately. If we do not agree on settlement terms then it will go for a court. It will first go to district court and then high court and it will go on.
- Parikshit Kandpal:** Because of late we have been seen lot of arbitration awards coming in favor of contractors, but what is the precedence now is NHAI ready and agreeing to do the settlement or they are still in that mood of going and again challenging it and go to court and...?
- Satish Parakh:** The last award which we have had for Chittorgarh Bypass was settled by NHAI. So normally some hair cut has to be agreed on interest payment that has been the practice still now. So we will have to wait and see.
- Parikshit Kandpal:** In the Chittorgarh project Sir?
- Satish Parakh:** Chittorgarh, we could get settlement done.
- Parikshit Kandpal:** How much amount which has come on your favor and how much was the hair cut which finally you took, if you have the numbers handy?
- Paresh C. Mehta:** Around Rs.22 Crores what we got, Rs.1.5 Crores of some hair cut I feel like we have taken.
- Parikshit Kandpal:** So just on the new EPC the projects of I think we have not bid in this last six projects, which were bid out early in January, so how we are approaching this now, are we going to bid for the upcoming pipelines so what is your view on that?
- Satish Parakh:** Yes, we are definitely bidding for EPC as well as HAM. So if this February and March if they throw up good awards we are participating to the tune of Rs.50,000 Crores.
- Parikshit Kandpal:** But for any reason we did not participate in first six?
- Satish Parakh:** These were going beyond our like these were going very high compared to their estimate. So we felt anyway they would not award this.
- Parikshit Kandpal:** So you are saying the bids have been like much higher than expectations, NHAI may not go ahead and award these?

- Satish Parakh:** Our estimates are so much higher.
- Parikshit Kandpal:** No your estimates were much higher. Okay Sir. That is all from my side. Thank You.
- Moderator:** Thank you. The next question is from the line of line of Pranav Mehta from Equirus Securities Securities. Please go ahead.
- Pranav Mehta:** Hello Sir, Thank you for taking my question. Sir just wanted to understand what was the revenue from power T&D in this quarter?
- Paresh C. Mehta:** Rs.248 Crores.
- Pranav Mehta:** Okay and Sir going forward are you seeing for the upcoming projects, only EPC coming in or you are saying that HAM will also be coming in from NHAIs table?
- Paresh C. Mehta:** Almost 50:50 whatever the projects they have lined up now. Almost 50% are HAM project, and 50% are EPC.
- Pranav Mehta:** Okay right. Thank you Sir.
- Moderator:** Thank you. Next, we have a followup question from the line of Ashish Shah from IDFC Securities. Please go ahead.
- Ashish Shah:** Sir have we commercially operationalized the Ratnagiri CGD project?
- Satish Parakh:** Yes we have started sale of gas for transportation sector, we have installed three substation for disbursing gas there and that we have started, no we will keep on growing that and also addressing the industrial use as well as domestic.
- Ashish Shah:** Sir any preliminary numbers you can highlight for Q3 or what would we expect for Q4 revenue some PAT?
- Satish Parakh:** For the year, it will be smaller number, but once we enter 2019-20, 2019-20 we would probably touch Rs.75 Crores. Then in 2020-21 around Rs. 200 Crores and we will keep on growing by Rs. 100 Crores every year, as we keep on commissioning all the 3Gs.
- Ashish Shah:** Sir we are saying Rs. 75 Crores should be the revenue for FY2020 should be Rs.75 Crores. Sure I understand any indication on the profitability any range of profitability that you are looking at the EBITDA or PAT level anything that you can share?
- Paresh C. Mehta:** Yes, what will happen is around at the kind of optimum level in say, 2022-23, we would be selling approximately 3 lakh scmd of gas and at that levels our EBITDAs would be good in the range of 20% to 23%

- Ashish Shah:** So which is corresponding to the Rs. 200 Crores of revenue. So in 2023, it would be around Rs. 400 Crores. Right okay, so on Rs.400 Crores of revenue at that scale you expect a 20%-23% sort of a margin in the EBITDA level. Sure, lastly do you think that there is any adverse impact, I mean you would have seen the mix of traffic for the last one or two quarters, would you say that the relaxation in the axle loads, you know has had any impact in terms of the traffic, from whatever mix that you are seeing on your projects. Is that the reason why the growth rates seem to be sort of coming down so sharply?
- Paresh C. Mehta:** That could be one reason also, that is one of the reasons also, may be the impact is not easily calculatable but we are accommodating that data, so we will also claim it from NHAI's changing the law kind of structure.
- Ashish Shah:** Sure, fair enough Sir, Thank you.
- Moderator:** Thank you. Next question is from the line of Nitin Arora from Axis Mutual Fund. Please go ahead.
- Nitin Arora:** Sir just one question about this additional tax demand, which has come on account of subcontractor payments, is there a similar notice being issued in subcontractors or the subcontractor itself has filed to the IT department regarding this issue, so just need one clarification where this had come from because right now what you have been filing would be the similar subcontractors right in terms of taxation alone?
- Paresh C. Mehta:** I did not follow the basic question. Can you repeat the question?
- Nitin Arora:** So when this additional tax demand has come for you the subcontractor payments, was it a similar tax department has given the notice to your subcontractors as well to show the bills and all?
- Paresh C. Mehta:** No I do not think so, there must have been question before when the assessments of all happened but otherwise we are not aware of any department demands to them.
- Nitin Arora:** Sir I just want to know where this arises from. This demand where this arises from and exiting is audited and everything is closed, the books of accounts are closed any which ways?
- Paresh C. Mehta:** Yes, you are absolutely right.
- Nitin Arora:** How the FY2011 to FY2015 demand has come back?
- Paresh C. Mehta:** See you are absolutely right, the books are audited every supporting document is available with a company. The department believes that there are certain expenses which are not genuine and on that basis they have reassessed the years and raise the demand. We have filed an appeal on these orders and we are quite confident that these orders will be squashed.

- Nitin Arora:** Okay got it. Thank you.
- Moderator:** Thank you. Next question we have a followup question from Vibhor Singhal from Phillip Capital. Please go ahead.
- Vibhor Singhal:** Thanks, Sir my question was on a toll connection again, sorry I missed the remarks, did you mention any specific reason for the weak toll connection in Durg and Bhandara projects or was it just because of let us say as you mentioned may be relaxation axle load or slow down in the economy?
- Paresh C. Mehta:** Yes, no specific other reasons.
- Vibhor Singhal:** No specific other reasons, sure Sir and although Sir in the ABL we have seen a sharp decline in the other projects which are basically the short term toll projects and foot overbridges. So I understand that couple of projects had closed down over the past couple of years, which has gradually led to this decline. So is this a new run rate that we will say around Rs.60 lakhs is what we tolled in this quarter. This is what this has come down to for all these remaining projects in ABL?
- Paresh C. Mehta:** So the reduction in the toll revenue is mainly on account of toll collection contracts which are yearly contracts so these have now, they are no more there now, so whatever in our toll collection contracts are there, these are long term contracts which will continue for years to come.
- Vibhor Singhal:** Right in this quarter this segment shows around Rs. 62 lakhs of toll collection, this is what the toll collection that we have for the next years to come, all the short-term toll contracts have been completed and are we looking to get into short-term toll contracts as of now?
- Paresh C. Mehta:** Yes these are small contracts, which comes up from NHAI and we will keep on bidding for that, one year subcontracts.
- Vibhor Singhal:** Sure. But as of now the projects that we have in hand, featured in the quarter is the run rate, just lastly on the CGD projects, so as of now you mentioned that three projects that we have in the CGD division their total equity requirement is Rs.200 Crores, we have invested Rs.35 Crores, Morgan Stanley will invest Rs.35 Crores more and the remaining Rs.140 Crores will be invested over the next year and that will be also in the ratio of 51:49 whatever our partnership is and the remaining commitment from Morgan Stanley will come in, keep coming in as we win more and more projects?
- Paresh C. Mehta:** Right Sir.
- Vibhor Singhal:** Sir, Thanks a lot for the clarification and wish you all the best.

- Moderator:** Thank you. Next question, we have a followup from Jiten Rushi from Bank of Baroda. Please go ahead.
- Jiten Rushi:** Thank you Sir. Sir my question is regarding the EPC outstanding order backlog for other projects which is Rs.386 Crores. Can you just give us a breakup of projects in this part, like the Arunachal Pradesh project and others, can you just help me with that?
- Paresh C. Mehta:** Actually it is in the part of the presentation already.
- Jiten Rushi:** Yes in the presentation we have mentioned it as others, so I am just know what could be the breakup otherwise you can give it to me offline also?
- Paresh C. Mehta:** Okay, you can give it offline.
- Jiten Rushi:** Thank you Sir.
- Moderator:** Thank you. Next question is from Anupam Gupta from IIFL. Please go ahead.
- Anupam Gupta:** Sir just want to know the current land status for the four HAM projects where appointed date has not come?
- Paresh C. Mehta:** See if you see Belgaum-Khanapur here 90% plus 3G has already done, but 3H is still balance, 3H they have done is only 36%. If you see package I of Tumkur-Shivamogga 70% 3G is done and 36% of 3H is done. Then package II of Shivamogga-Tumkur is 91% of 3G is done and 29% of 3H is done, basically these payments are already made to state authorities and they are in process of distribution. The fourth one is Khairatunda Barwa Adda Road here 89% of 3G is done and 63% of 3H is done.
- Anupam Gupta:** Okay so basically because the payment you are saying to state is done next one month...?
- Paresh C. Mehta:** Yes, all payment distribution is done by the state authorities so they do take some time to distribute the payment.
- Anupam Gupta:** Okay, are you also following it up in terms of payment from the state to the...?
- Paresh C. Mehta:** Yes we do facilitate. We do all the facilitation.
- Anupam Gupta:** Okay I understand. Thank you.
- Moderator:** Thank you. Next question is from Pritha Sharma from HDFC Securities. Please go ahead.
- Litha Sharma:** Sir just wanted to understand is there any specific reason for the decline in Jaora-Nayagaon project Sir.

Paresh C. Mehta: There could be because there are a couple of projects North of Joara–Nayagaon where certain four laning are going on which is resulting into a slightly drop in this. I think with in a 9 to 12 months these things should be reinstated. Once the substantial work is done by IRV may be 30 to 45% then I think the traffic will flow back.

Litha Sharma: All right Sir, Thank you so much and all the best.

Moderator: Thank you very much. That was the last question in queue. I would now like to hand conference back to the management team for closing comments.

Paresh C. Mehta: We thank all the participants for joining this call. If you have any further queries, you may contact us or Stellar Investor Relations will be glad to help you. Thank you.

Moderator: Thank you very much. On behalf of Anand Rathi Shares & Stockbrokers that concludes this conference. Thank you for joining us Ladies and Gentlemen. You may now disconnect your lines.