# "Ashoka Buildcon Q3 FY2021 Earnings Conference Call"

February 08, 2021

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| **MANAGEMENT:** | **MR. SATISH PARAKH – MANAGING DIRECTOR – ASHOKA BUILDCON**<br>**MR. PARESH MEHTA – CHIEF FINANCIAL OFFICER – ASHOKA BUILDCON** |
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**Moderator**: Ladies and gentlemen, good day and welcome to the Ashoka Buildcon Q3 FY2021 Earnings Conference Call hosted by Centrum Broking 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 "*" and then "0" on your touchtone phone. I now hand the conference over to Mr. Ashish Shah from Centrum Broking Limited. Thank you and over to you, Sir!

**Ashish Shah**: Very good afternoon to everyone. On behalf of Centrum Broking, I welcome everyone for the Q3 FY2021 results conference call of Ashoka Buildcon. We have from the management Mr. Satish Parakh - Managing Director, Mr. Paresh Mehta – Chief Financial Officer of the company and we also have the Stellar IR Agency on the call. Over to you Sir to begin with the opening remarks!

**Satish Parakh**: Thank you Ashish. Good afternoon everyone. We welcome you to all earnings conference call for quarter ended December 31, 2020. I have with me Mr. Paresh Mehta, our CFO.

To start with, I will initially brief you on the industry updates followed by the company's performance during the quarter gone by. The overall business environment is on the path of recovery aided by government expenditure, resumption of private investment and faster pick up in consumption. The roll out of COVID-19 vaccine, followed by growth-oriented Union Budget to further accelerate the economic growth. Infrastructure being the foremost pillar for economic growth received a massive push in Union Budget 2021; Road sector is leading the way. In Union Budget 2021, the government has announced an enhanced outlay of Rs. 1.18 lakh crores for MoRTH, of which Rs. 1.08 lakh crores will be for capital expenditure; this is the highest ever allocation to MoRTH; signaling strong awarding activity in years to come by.

The NHAI has stepped-up its project award target for the current fiscal year to 5,200 kms; till December 2020, authorities have awarded 4,000 km projects. This indicates the strong activity in the current quarter. The order pipeline of FY2022 remain buoyant with the government's target of awarding 8,500 km in next fiscal, providing visibility for higher order outflow going forward.

To support the funding of the robust infrastructure pipeline in the budget government announced to set up a development financial institutional with a sum of Rs.20,000 Crores and will extend funding support of Rs. 5 lakh crores to the infrastructure sector. Additionally, government will emphasize on asset monetization to aid financing for new projects. Presently, NHAI is working on an Invit for five projects valuing around 5,000 Crores. With the government stepping up towards project financing and we will continue to see a positive frame towards project awarding.

On construction front despite disruption caused due to COVID-19 and extended monsoon, the highway construction stood at 8,169 km during the period of April 22, 2020 to January 15, 2021 translating into 28.16 km per day as against 26.11 km per day in the corresponding period last year; uptick in road construction is emblematic of the government's focus on infrastructure creation. The pace of construction is expected to increase further in the remaining months of the current financial year.

Now coming to the company's performance. With progressive unlocking and migrant labor coming back, we have witnessed month-on-month improvement in business operations. We continue to focus on ramping our execution and deliver better performance going forward. Looking at our order book during the quarter, we have won an order from NTPC renewable energy worth Rs. 503 Crores for EPC package in Rajasthan. The project entails operation and maintenance of solar power plant for the period of three years, with this our total order book stands at Rs. 9,152 Crores. The breakup of the order book is as follows: road project compromise around Rs. 6,912 Crores which is 76% of our total order book. Among the road projects, HAM projects are around Rs. 3,923 Crores and EPC projects are around Rs. 2,988 Crores. Power T&D and others comprises of around Rs. 1,466 Crores which is total 16% of our total order book. Railways contributed Rs. 692 Crores which is approximately 8% of our order book. CGD business compromise of balance Rs. 82 Crores.

Now coming on toll collection front. With gradual recovery in economic activity, toll collections have picked up significantly over the last three months thereby surpassing the pre-COVID levels. During the quarter, we have recorded a strong toll collection across the state. With further improvement in the economy, we believe the collections would be further improved.

That is all from my side. I would now request Mr. Paresh Mehta to present the financial performance for Q3 FY2021.

**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 ended December 31, 2020.

Starting with the consolidated results, the total income of Q3 FY2021 stood at Rs. 1,331 Crores as compared to Rs. 1,303 Crores in Q3 FY2020. EBITDA stood at Rs. 442 Crores in Q3 FY2021 with a margin of 33% a growth of 10% year-on-year. Profit after tax is at Rs. 87 Crores in Q3 FY2021 as against Rs. 25 Crores in the corresponding period last year. PAT margin is at 6.6%.

Coming to the standalone numbers, the total income for Q3 FY2021 stands at Rs. 1,028 Crores as compared to Rs. 1,021 Crores in the corresponding quarter last fiscal. EBITDA for the quarter was at Rs. 153 Crores as compared to Rs. 161 Crores in the corresponding quarter last year. EBITDA margins were approximately 14.9% for Q3 FY2021. The company reported profit after tax of Rs.86 Crores for Q3 FY2021 with a margin of 8.3%.

During Q3 FY2021, the BOT division recorded at toll collection of Rs. 260 Crores recorded a growth of 16% Q-o-Q over Rs. 224 Crores in Q2 FY2021 and 12% in year-on-year as against Rs.231 Crores in Q3 FY2020.

Total consolidated debt as on December 31, 2020 is at Rs. 5,976 Crores of which project debt is Rs. 5,627 Crores which includes Rs. 150 Crores of NCDs of ACL level. The standalone debt is at Rs.350 Crores which comprises of Rs.173 Crores of equipment loan and Rs.177 Crores of working capital loan.

With this, we now open the floor for Q&A. Thank you.

**Moderator**: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Mohit Kumar from DAM Capital. Please go ahead.

**Mohit Kumar**: Good morning Sir and congratulation on good set of number. My first question is we have been guiding for a while on the asset monetization, is there something which you can update now, is it something which we can expect in this quarter and secondly on this guidance for FY2021 we have maintained that we will be able to do the numbers FY2020 given that our revenue is slightly on the weaker side in Q3, can we expect to maintain the guidance for FY2021 and thirdly, on the solar EPC contracts which we have won, can I expect the similar margin like we do in our other contracts or should we expect slightly muted margin?

**Paresh Mehta**: Your first question relating to the monetization of assets. As we have already indicated in our last quarter call that we are in a process of due diligence for the monetization of assets of ACL and few investors were already looking at it. The present status is that substantial diligence is already over. We have already received binding offers from our potential investors and we are in the process of evaluating the offer which is from the potential investors and we expect to soon close on that and start documentation, so we are quite hopeful of getting outcome in the near future. On the execution side, we continue to maintain that we would try to achieve 1x revenue for this year in spite of the pandemic and this will typically be contributed by our three projects which will start giving additional contribution to our execution that is the Kandi Project and the two Bihar projects which are yet to start, so Kandi project has already started but the two Bihar project is yet to start appointed date will expect any time, so from that perspective, we still maintain that the execution levels will be achieved and we will achieve the target of FY2020. Third?

**Mohit Kumar**: Margin for the solar EPC contract which you won in this quarter?

**Paresh Mehta**: Solar project is like on a larger scale we have taken up for first time. We have done a few smaller projects of approximately 3-4 megawatts in the past and we believe that we should be able to take up at least 10% EBITDA margins in this, 10% to 11% EBITDA margins in the solar project and quite hopeful to grow this EPC arm also. It is a purely EPC contract.

**Mohit Kumar**: Understood Sir. Thank you.

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

**Parikshit Kandpal**: Congratulations on decent set of numbers. Now you said that for the asset monetization you have received the binding offer but have you entered into the exclusivity or still you have not reached that stage?

**Paresh Mehta**: As I said we have received during the diligent stage, we were under the analysis process where a few of the investors were looking at the portfolio with the binding offer is at a non-exclusive stage and we are negotiating on that, once we do that then it could get into an exclusive phrase for documentation and final conclusion.

**Parikshit Kandpal**: The timeline you are looking at concluding this negotiation and reaching binding offer and exclusivity?

**Paresh Mehta**: We are targeting documentation to get over by March that means negotiation in the coming couple of weeks and probably then get into documentation.

**Parikshit Kandpal**: My second question was on the funding for the portfolio how much do you think in FY2021 and FY2022, FY2023 how much is the funding requirement for the portfolio?

**Paresh Mehta**: Presently for these HAM projects where investment is still pending. We have a total outlay of at present outstanding of 164 Crores for 2020-2021 and 160 Crores for 2021-2022. This is the total outlay for HAM projects outstanding.

**Parikshit Kandpal**: I am not asking about liquidity requirement, I am asking how much you did a short fall servicing interest and for the initial BOT portfolio?

**Paresh Mehta**: We have a shortfall of funding for basically only Sambalpur projects where after seeing the kind of revival at the toll revenue we should be in the range of around 35 Crores to 40 Crores for Sambalpur project funding and a few assets for marginal funding for 45 Crores to 50 Crores for major maintenance for a couple of projects.

**Parikshit Kandpal**: For FY2021 you are saying?

**Paresh Mehta**: FY2022. FY2021 nothing major I mean FY2021 balance would be in the range of around say 15 Crores.

**Parikshit Kandpal**: Total about 90 Crores you are saying for FY2022 possibility including MMR?

**Paresh Mehta**: Right.

**Parikshit Kandpal**: My last question on the building segment and the diversification part, last call you touched upon that you have started building a team for the building segment and also for the water you are looking to bid out, have you submitted any bids for this segment and at what stage our teams are I mean how does ramp up the manpower for these segments if could throw some light on I mean non-road segment ramp up?....

**Satish Parakh:** We are looking at various segments like building water and solar, EPC and all EPC basically, so focus will of course remain on highways, but parallelly we are also developing other EPC sectors. So, we have been participating in this like solar in the first success we have got, buildings are also we are participating may be a quarter or two we will start these segment.

**Parikshit Kandpal**: Okay Sir. Thank you and all the best.

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

**Vibhor Singhal**: Thanks for taking my question. My question was on the performance in this quarter, execution seems to be on the weaker side in this quarter given that we are only flat Y-o-Y, so was it due to some of let us say labor or supply side issues that we face in our portfolio or do you think there are some other reason behind it?

**Satish Parakh**: Basically, Kandi projects started late and Bihar projects which were awarded also started late. We could not actually start in last quarter; they have now started in this quarter. So, this quarter we will be able to make up.

**Vibhor Singhal**: Okay but there are no labor or supply chain issues that we have faced, right?

**Satish Parakh**: Almost these all-labor issues have been sorted out now. Complete normal environment of working is now restored.

**Vibhor Singhal**: Right. My related question is on the order book, so if you look at the order book right now which is almost around 2.5 times approximately the sales I mean giving us slightly this does gives visibility of around two years but I am sure I think we would have loved to have it slightly on the higher side giving us more comfort and so that because of one project getting late like Kandi, we were not able to execute this quarter, higher order book would have probably meant that others projects might have compensated for that, so what is our outlook on this, what is the kind of ordering that we are looking it, this year has not been that great for us in terms of order inflow, so is it that like that the competitive intensity seems to be higher on the EPC or HAM projects in NHAI or we have not bid out some of the projects that we wanted to, so what is your take on that and how do you look at the order inflow for the remaining two months in this year and in FY2022?

**Satish Parakh**: If we are looking at the bidding part that is going to be much better than what we had this year and if we talk about competitive, yes competition is there particularly NHAI and MORTH project because there has been dilution in the qualification norms and we are seeing lot of new players coming in, so we are playing very safe and we definitely are confident of building of our order book going ahead because we have now become a complete full range EPC player that is one and also our participation and increased in states as well as national highways. National highways also bidding pipeline now almost getting doubled, so going ahead I do not feel any challenge in building a good order book.

**Vibhor Singhal**: Sir any guidance that you would be able to provide for the inflow that we are targeting for the remaining part of this year and in FY2022?

**Satish Parakh**: Remaining part of this year we should be able to bag around 2,000 Crores 3,000 Crores of orders and next year definitely around 5,000 to 6,000 Crores.

**Vibhor Singhal**: So, next year we look at on 5,000 to 6,000 Crores of order inflow for the full year?

**Satish Parakh**: Yes.

**Vibhor Singhal**: Right Sir. Thanks for taking my question. I will get back in the queue.

**Moderator**: Thank you. The next question is from the line of Anubhav Agarwal from AUM Advisors. Please go ahead.

**Anubhav Agarwal:** Good afternoon Sir. Congratulation for the excellent results. If you compare on year-on-year basis and also on quarter-on-quarter basis, there has been a substantial increase in the profit, for the sake of repetition, my question again the same for the coming two months it is left for the current financial year, what is the new order we are expecting from the government, number one, and number two again for the next year also. Third, post budget if you see the sentiment in the market, there has been substantial increase in the infra sentiments in the market, so what is your feeling about that, we want to know?

**Paresh Mehta:** As Mr. Parakh has already commented that for this year for the balance two months which we are yet to see go through, we expect around 2,500 Crores of order book intake and for 2021-2022, we expect around 5,000 Crores to 6,000 Crores of order book intake in the following year and as you rightly said with the sentiment being very high on the infrastructure, we will continue to concentrate on EPC book build up and see that we get orders at the right price and we are in the frame.

**Anubhav Agarwal:** Okay, fine Sir. Thank you so much.

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

**Jiten Rushi**: Good afternoon Sir, thanks for taking my question. First question would be on the revenue break up for Q3 for roads, power, railway and CGD?

**Paresh Mehta:** For Q3, the revenue on the road EPC was 715 Crores, on the railway around 89 Crores, for the power and others it is around 127 Crores and that is the breakup typically.

**Jiten Rushi**: Railways is 89, right?

**Paresh Mehta:** Railway is 89, yes.

**Jiten Rushi**: And CGD here?

**Paresh Mehta:** CGD is approximately 12 Crores.

**Jiten Rushi**: And Sir if you can give us for the same period last time if it is possible?

**Paresh Mehta:** Same that is Q3 FY2020?

**Jiten Rushi**: FY2020, yes.

**Paresh Mehta:** So that was, for the road it was 742 Crores, for the power and others, it was approximately 120 Crores, railway it was 24 Crores.

**Jiten Rushi**: And CGD?

**Paresh Mehta:** 4.

**Jiten Rushi**: 4 Crores, okay and on the HAM projects of Tumkur, Shivamogga, the two projects, when is the appointed date expected and have you completed the financial closure?

**Paresh Mehta:** For the two projects Tumkur, 3 and 4 and Shivamogga 3 that is package 3. We are almost at last stage of completion. We have already received sanction from the bank and documents are with NHAI for approval, so that should be done anytime this month we should get the FC as well as appointed date. Tumkur-Shivamogga 4 is under financial closure, there is a challenge of land approximately land available is around 60%, so we are trying to see how fast both things land availability, and the FC can be done.

**Jiten Rushi**: So, in the third package almost we have got 80% plus that?

**Paresh Mehta:** Yes, 80% plus.

**Jiten Rushi**: On the financial numbers if you can provide, what is the capex done so far and likely capex for the balance period of this year and next year the outstanding mobilization advance, retention money and unbilled revenues?

**Satish Parakh:** On the capex for the year, it is approximately on the EPC front is approximately 14 Crores to 15 Crores only, it is a small number because during the pandemic no major capitalization took place, as far as the trade receivables are concerned, the trade receivables remain almost similar in the range of 1447 Crores for all verticals put together and unbilled revenue is to the extent of 88 Crores.

**Jiten Rushi**: And mobilization advance and retention rate is?

**Paresh Mehta:** Mobilization advance outstanding as of date is 291 Crores all projects together.

**Jiten Rushi**: Okay and any retention money and creditors number?

**Paresh Mehta:** I think on retention receivable is included in the 1,447 Crores**.**

**Jiten Rushi**: Any number for breakup.

**Paresh Mehta:** Typically, if you ask me the non-current debtor typically is that approximately 188 Crores.

**Jiten Rushi**: Creditor what is the outstanding number?

**Paresh Mehta:** 781 Crores approximately.

**Jiten Rushi**: Capex you said 14 Crores or 15 Crores for 2021, so far, next year how much it will be?

**Paresh Mehta:** Next year based on order book another I think so we generally have target of around 80 Crores to 85 Crores of capex, it will all depend on how order books also built up.

**Jiten Rushi**: Okay, thanks a lot for answering my questions. I will come back in the queue. Thank you.

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

**Parvez Akhtar Qazi**: Good afternoon Sir. Couple of questions from my side. First, just wanted to get our sense on what is the kind of margin trajectory that we see going ahead considering the recent hike in commodity prices that we have seen also what is the kind of tax rate that we envisage in FY2021 and 2022 and lastly, in Q3, did we include equity in our projects and if yes, what was the quantum for that?

**Paresh Mehta:** On the margins estimate**,** we expect approximately blended EBITDA margins of around 11% to 11.5% going forward considering whatever inflation which is already factored in this margin, so this is our expected EPC margins. On equity funded for this in Q3 was approximately 10 Crores and in between the end of Q3 till date approximately 32 Crores, so total till date post Q2 we have funded 42 Crores.

**Parvez Akhtar Qazi**: And tax rate?

**Paresh Mehta:** On the tax rate we will be continue to be in the range of 24.5%, we have opted for the revised new tax regime where we will be in the range of 24-25%.

**Parvez Akhtar Qazi**: Sure Sir, thanks. That is, it from my side and all the best.

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

**Prem Khurana:** Good afternoon Sir, thanks for taking my questions. I have two questions from my side, so first one was on the asset monetization effort that are underway as of now, was wondering if you could help us understand this little bit. I mean I understand you spoke about some offer have really come to you but internally how are we approaching it is essentially you want to exit the entire portfolio including HAM or is it only for the operational assets and you want to wait for the hybrid to of attain COD and then close, and if it is a complete exit, or we would still retain a stake in the portfolio?

**Paresh Mehta:** Based on the offers we see then whatever discussions is going on of course our target is to monetize all the completed projects on the under-construction project generally there would be an understanding of takeover as the concession is over. So, that is how our thought process is that we would intend to hive off all the completed projects and the un-completed projects we will retain till COD date or whatever conditions are there under the concession agreement.

**Prem Khurana:** Sure, and Kharar Ludhiana where is which again would be a part of the transaction, I mean if you were to decide to kind monetize that because COD is already come for Khararas alright?

**Paresh Mehta:** Kharar Ludhiana, Ranastalam these are two projects which go well so there would like to invite investors for a 100% take over.

**Prem Khurana:** Sure, and Sir last call you spoke about some delays in recoveries from some power T&D projects in Bihar and UP and how is the status now, whether we have stated seeing these payments or still it is little slow?

**Paresh Mehta:** In the UP slight improvement is there in this month so, January and February we have received some money some larger chunk of money. Bihar, there are certain challenges on recovery, but I think so by February end we should get substantial amount that is the target. I think so states are also now in a better position, their revenues are also improving so we will get collection.

**Prem Khurana:** Sure, and were there any incremental orders in power T&D segment this quarter in UP specially because when I look at the movement in our UP exposure and power T&D there appears to be some increase there?

**Paresh Mehta:** Yes, we have received smaller contracts in UP of approximately Rs.180 Crores odd, and in Bihar approximately Rs.140 Crores.

**Prem Khurana:** Sure, and just one last from my side if I my may. Sir, margins are under pressure during the quarter so any specific reason because last two quarters the margins were extraordinary because of the write backs and sadly the number has come down substantially, so any reason in particular or it is only seasonality and some activities that would have done during the quarter was these kind of low margins and which is why the margins were under due for this quarter below our guided is that you spoke about 11% on the lower side?

**Paresh Mehta:** Last quarter we have seen couple of projects which have not achieved threshold recognition of profitability from the point of construction activity generally below 5% we do not consider any margins. So, there are couple of contracts where threshold and profit has not been recognized and also project mix is compared to slightly different from what in certain contracts the margins are lower, in certain are higher. So, based on an average we will continue to be in the range of 11% - 11.5% going forward.

**Prem Khurana:** Sure Sir, thank you. I have few more I will come back in the queue.

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

**Ashish Shah:** Thank you. Sir, first question is on the TOT EPC that we have, that does not seem to be progressing at that rate at which we probably expected earlier. So, any views on that and when do we expect that to get over?

**Satish Parakh:** On the TOT EPC we see lot of challenges in terms of having lands from the toll plaza's and some structures. This is getting delayed beyond the timelines; we expect it to get sorted out in another couple of quarters.

**Ashish Shah:** Okay, so we expect the project to be completed in a couple of quarters or the issues will take a couple of quarters to solve and may be by the end of 2022 we will be able to close?

**Paresh Mehta:** Yes, may be by the end of 2022 we will close, or we may foreclose at if the land is not made available in time so, at the end of another two quarters to make it available if it is not made available then we descope it.

**Ashish Shah:** Okay, what could descoped value if it is possible to give any digits?

**Paresh Mehta:** Should be around Rs.150 Crores to Rs.200 Crores.

**Ashish Shah:** Okay, fair so that will move in a couple quarters, right. Secondly on the CGD businesses we can briefly just talk about how we are progressing in our commercially operating areas of Ratnagiri as well as the newer areas. What is the capital expenditure incurred so far, any debt drawdown and how is it generally progressing and how is that business progressing?

**Paresh Mehta:** We have already invested approximately Rs.130 Crores we expect to close this year by doing a revenue of around Rs.26 Crores which is typically a lower side revenue collection because capitalization and all being processed. We expect by 2024-2025 to achieve almost substantial portion of capex by which we should be in the range of around Rs.350 Crores plus turnover. So, this is how we reach next year probably we will be in the range of around Rs.90 Crores of revenues.

**Ashish Shah:** Okay, so what is the total capex that we are talking about here you said we have invested Rs.130 Crores so far?

**Paresh Mehta:** Yes, total expected is approximately for the full project is around Rs.800 Crores we expect over the next three year to four years' time now.

**Ashish Shah:** Right, and this would funded roughly let us say Rs.300 Crores by equity and Rs.500 Crores or so by debt rate?

**Paresh Mehta:** Rs.550 Crores of debt have already been approved they are in the process of documentation where we should release of the debt from this month onwards.

**Ashish Shah:** Right, sure Sir thank you.

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

**Anupam Gupta:** Sir, two questions. First, on the debt, we have seen a sharp hike in debt in the last quarter from around Rs.120 Crores net debt stand alone level to Rs.280 Crores. What has driven that increase in debt in a single quarter?

**Paresh Mehta:** This is basically as execution picks up debt will probably increase and as we have already indicated in our previous calls the working capital debts will be in the range Rs.200 Crores though in last three quarter or last three quarter to four quarters generally we have been showing very low debt and another reason for the high debt as of 31st December is certain receivables which were to be received in December got received somewhere in the second week of January otherwise it would have continued to show a similar trend in the last three quarters. But what we estimate is that going on with pick up in execution certain working capital funding will continue to remain in the range of Rs.250 Crores.

**Anupam Gupta:** So, current level of debt will sustain for a few quarters?

**Paresh Mehta:** Yes.

**Anupam Gupta:** Okay.

**Paresh Mehta:** That is a typical working capital cycle probably it is fully covered by the working capital margins.

**Anupam Gupta:** Okay, and secondly Sir, just looking at your margin guidance which has come down from earlier 12% - 13% to 11% - 11.5% what has changed in a quarter to lower the guidance, is it because your diversification into newer areas and since there are competition in the road space or what is basically driving the margin guidance?

**Paresh Mehta:** Basically, the older projects had slightly higher margins and also another is that certain projects margins get released later on that impacts the overall margin but based on a conservative contingency policy we expect the remaining contracts and the new contracts in the range of 11% - 11.5%.

**Anupam Gupta:** But in terms of bidding are you seeing at the bidding stage itself you are able to bid at a lower margin because of increased competition is that the case?

**Paresh Mehta:** That is margin level it is not a significant drop in the expected margins may from 12% to a percentage or more not more.

**Anupam Gupta:** Okay, understand Sir. Thank you.

**Moderator:** Thank you. The next question is from the line of Mahendrapal Rathore, an Individual Investor. Please go ahead.

**Mahendrapal Rathod:** Good afternoon. I have two questions, first in this December quarter we had almost nil order inflows only we got one it is from NTPC and what is our future expectations of the new orders and second question is regarding that SBI Macquarie's stake sell where we stand on that?

**Paresh Mehta:** As already explained in the last quarter we had certain small order intake in the power sector and also one order intake of the solar power EPC contract of Rs.501 Crores. The expectation is in the coming two months we expect certain road projects to tick in and roads plus railways put together the expectation is Rs.2000 Crores to Rs.2500 Crores of order intake in the coming two months. Bidding activities expect to go up so, from that perspective we have that expectation. As explained also on the SBI Macquarie exit status we are already under negotiations with the potential investors who have given their offers and that we expect by March we should complete documentation and get to procedural part to complete the deal.

**Mahendrapal Rathod:** Okay, any projects for which have bided, and we are waiting for the bids to open?

**Paresh Mehta:** Nothing very significant.

**Mahendrapal Rathod:** Okay, thank you Sir.

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

**Parikshit Kandpal:** Thank you, Sir. My question was you said that the completed projects are getting monetized, so as of December how much would be the equity invested in all these completed projects which are going to get monetized?

**Paresh Mehta:** As of December, on the HAM projects as we said we have invested approximately Rs.700 Crores odd including the Rs.150 Crores put in the ABL projects. So, if you ask me approximate Rs.600 Crores in the HAM projects and other completed projects is in the range of Rs.1800 Crores and overall equity invested in all projects put together under construction and completed would be in the range of Rs.2700 Crores.

**Parikshit Kandpal:** So, there is quite a cash which may come to us given this March time end and from us how much time you feel if everything goes on track by when can we target the cash to come in post NHAI and enter NOC. So, do you think by next year in FY2022 by December we can get the money, or it will go to at March-2022?

**Paresh Mehta:** Yes, we are expecting Q2 as the receipt quarter.

**Parikshit Kandpal:** For the receipt of the fund inflows?

**Paresh Mehta:** Yes.

**Parikshit Kandpal:** Sir, any plans as of now what will be the utilization because this may run into lot of Rs.100 Crores I can see that I do not know the valuation I do not think I will ask you right now because it is still under negotiation, but quite a large sum of money coming in so have we plans as of now how are you going to deploy it and have you decided anything on that?

**Paresh Mehta:** We have a thought, but we will take right when exactly we see good visibility of the amount as well as the timing.

**Parikshit Kandpal:** But is you going to build any alternative portfolio or is it when you deployed somewhere else into non-roads which getting some of the investment in some other segments or any TOT, so anything related to any other assets that this money comes in and then we deploy it somewhere into again some other assets or non-related road asset. So, at least any thought on that?

**Paresh Mehta:** Presently we do not expect much to put in any developmental projects. So, we see how to use that money better in the EPC contracts how we can improve that or some other alternatives.

**Parikshit Kandpal:** Mostly for EPC growth so that large part will go towards the equity business growth, right. Is this understanding correct Sir?

**Paresh Mehta:** Right.

**Parikshit Kandpal:** Okay, Sir thank you for that.

**Moderator:** Thank you. The next question is from the line of Rachit Kamath from Anand Rathi. Please go ahead.

**Rachit Kamath:** Good morning Sir and thank you for taking my question. My question pertains to the fact that is to guide last quarter that you would be looking at inflows of almost around Rs.4000 Crores odd in H2 and we also had a healthy bid pattern at that time. The healthy bid time flying in is still there in the market, but we are fighting right now to have 2000 to 3000 Crores but at the same time, we have lowered the margin threshold we used say EPC margins of almost from 12% to 13% before and now we are seeing 11% to 11.5%. So, basically my question is whether is this higher competition in the market because of which we are having such a bad phase we are having to lower our margins as such, as to what is the scenario on the ground?

**Paresh Mehta:** So, competition is one of the factors determining pricing, but we have a mix of projects under power as under roads, roads are generally slightly higher and power and other sectors are generally lower because there is not much capex in those projects. So, if you see the EBITDA margins would be because the projects mix the components of roads will be slightly lower. So, this range would be in the range of 11.5% may be marginal decrease in the margins due to competition, but not major setback.

**Rachit Kamath:** Okay, basically you are saying that we have higher competition because of which we are losing our projects while taking key in terms of you are targeting Rs.4000 Crores of inflows but inflows are still being soft in H2 till date at least. So, there is a higher level of competition that we are seeing in the market, is that understanding correct, Sir?

**Paresh Mehta:** So, what we were typically doing is we are trying to ensure that even the EBITDA is slightly lower, but we will ensure that our PBT and PAT margins are remained intact they do not go below, so, more improve on the working capital and maintain the profitability.

**Rachit Kamath:** Sure. Sir, my second question pertains to the fact, if you have a breakup of the total receivables that you have given Rs.1440 Crores odd in terms of segmental break up?

**Paresh Mehta:** Major receivables would be around Rs.796 Crores in roads and Rs.486 Crores in power and balance is in other sectors like railways Rs.43 Crores and miscellaneous others.

**Rachit Kamath:** But you said during the call that post quarter we received some healthy money from the power sector especially in the state of UP what would that amount be Sir, if I have any color?

**Paresh Mehta:** That would be approximately all put together we must have received latest by 31st December almost around Rs.135 Crores to Rs.140 Crores.

**Rachit Kamath:** That is for all segments put together.

**Paresh Mehta:** Yes.

**Rachit Kamath:** Okay, and this amount at least we got net of mobilization advances?

**Paresh Mehta:** No, this is gross, I am sorry what did you say, which amount?

**Rachit Kamath:** This trade receivable amount for this net of mobilization advances or it was just the gross receivables?

**Paresh Mehta:** No, this gross.

**Rachit Kamath:** Sure Sir, and my last question pertains to you said the debt would for this time you would likely close it around Rs.400 Crores odd right, you said that working capital limits you might utilize more we might take it as a Rs.250 Crores odd?

**Paresh Mehta:** We may close may be at the same level or slightly more by Rs.50 Crores odd but same levels as it is in December.

**Rachit Kamath:** Sure Sir. Of that Rs.130 Crores that you have put in that is totally our own money or it is including of the partners?

**Paresh Mehta:** It is 49-51, partner and us that is the gross numbers.

**Rachit Kamath:** That is the gross number sure so, we will only be done almost on Rs.65 Crores – Rs.64 Crores odd over there.

**Paresh Mehta:** Yes.

**Rachit Kamath:** Sure. I do not think I have further questions Sir. Thanks a lot and best of luck for this coming quarter. Thank you.

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

**Jiten Rushi:** Thank you for taking my question. Sir, on the solar project it is a pure EPC project, but we shall be importing the panels so, with the increasing custom duties how do we see this project phasing out because this project would include almost 70% commodity and that should be the saving of. How the O&M part would be included or excluded in this order backlog of 500 Crores plus?

**Paresh Mehta:** So, I think this order is including O&M participate O&M money will be paid separately first, secondly on the cost there is already building for contingencies in this cost and we also expect that there will be claims of the change in duties and otherwise. So, both put together should not put any difficulty to execute a project at expected margins.

**Jiten Rushi:** So, what would be the O&M portion in this?

**Paresh Mehta:** I would not have off hand.

**Jiten Rushi:** Okay. So, you mean to say at least DT we are building so we should not find any difficulties on 10% to 11% margins at stake, and the revenue guidance can you throw some light for this year and next year?

**Paresh Mehta:** As we said this year, we are targeting to close at last years revenues of around Rs.4000 Crores plus and we expect that we should based on this order book and the coming order book we should at least grow by 20% to 25% in FY2021- FY2022 in the EPC sector.

**Jiten Rushi:** Can you update on the bank limits non-fund and fund limit and utilization levels, and the outstanding bid pipeline if any bid for any projects?

**Paresh Mehta:** Nothing significant in projects bid and on the financial limits which we have as we have said we have working capital limits of around Rs.350 Crores and non-fund based of around Rs.3800 Crores and on the working capital we are generally in the range of in the last one year it has been quite significantly low but, on an average, we should be around 60% utilization and on the BG utilization we are around 55% to 60% utilization.

**Jiten Rushi:** One last question on the arbitration, any pending arbitration?

**Paresh Mehta:** At the BOT projects we have claims pending.

**Jiten Rushi:** Okay. The total number which we can tell and when we expect to what is the status as on date something like that?

**Paresh Mehta:** May be in the range of Rs.1500 Crores odd is the claims which are under arbitration and other stages so, it will take its own time to realize those.

**Jiten Rushi:** These are SPV level right Sir?

**Paresh Mehta:** But generally, on account of EPC business majorly.

**Jiten Rushi:** That is, it from my side and wish you all the best for the future. Thank you.

**Moderator:** Thank you. The next question is from line of Vibhor Singhal from Phillip Capital. Please go ahead.

**Vibhor Singhal:** Hello Sir, thanks for taking my question again. Sir, just one last bookkeeping question from my side. What is the equity requirement for our HAM project for FY2021- FY2022 according to you?

**Paresh Mehta:** For 2021 balance requirement would be approximately Rs.164 Crores and for FY2021-FY2022 around Rs.160 Crores.

**Vibhor Singhal:** Okay, and this does not include that two packages which are not being closed financially? Right Sir.

**Paresh Mehta:** This includes both, till date order backlog.

**Vibhor Singhal:** All the projects. Okay. Great Sir. Thank you so much for taking my question and wish you all the best.

**Moderator:** Thank you. The next question is from the line of Sushant Verma an Individual Investor. Please go ahead.

**Sushant Verma:** Hello! Mr. Parekh and Mr. Mehta, as a retail investor I am slightly concerned with the tone of your future guidance. Till now I actually was assuming that the company is on the right path and probably it would be among the top companies executing the infra projects. But somehow unfortunately, I am not getting that comfort factor. So, are you being conservative or has the landscape changed for you?

**Paresh Mehta:** I think from a guidance purpose what we stated for 2021 – 2022 a proximity of growth of around 25% to 30% growth is more based on what visibility of order book we see and execution. The moment the order book visibility is higher, and the competition is not very high and still we get projects we could throw up a larger performance, but I think so 25% - 30% is something which is achievable and doable in the coming 2021 – 2022.

**Sushant Verma:** No, that is definitely a very good number. What I am checking is probably are you being more conservative than let say last quarter, because that is how I am actually sensing till now I never had that doubt, but unfortunately sorry to say, but as a retail investor I am still being uncomfortable. So, I just need assurance from you that things are good and would improve in future as long as you make that statement, I will definitely take your words that is the only reason I am asking.

**Paresh Mehta:** We are very confident of taking projects at the right margins and we want to ensure that we deliver the top line as well as the bottom line as required and vis-à-vis last quarter and this quarter probably you may feel that whether orders are not being picked up or bidding activity are slightly slower the last quarters, lot of bids got postponed. We believe that once the order book picks up the execution also will accordingly and then projects will add on because as already indicated for three of our projects appointed date were shifted to this quarter like the Kandi project in December, we got the appointed date and for the two Bihar projects we expect any time now. So, the execution which was expected to start in Q3 has got shifted to Q4, but otherwise the order book is there it is not gone so that execution will come in and the order intake which will again give new business, new execution will now come in this coming two months or the next quarter. So, we continue to believe that we will keep on chasing good orders and continue to grow with minimum 25% to 30%.

**Sushant Verma:** Okay Sir. Thank you very much I remain invested. Thank you.

**Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Ashish Shah from Centrum Broking Limited, for closing comments.

**Ashish Shah:** A very big thank you to all the participants for attending the call and a special thank you to the management for giving us the opportunity to host the call. Thank you, Sir.

**Moderator:** Thank you. On behalf of Centrum Broking Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.