"Ashoka Buildcon Limited Q3 FY 2017 Results Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Ashoka Buildcon Q3 FY2017 earnings conference call hosted by Kotak Institutional Equities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Aditya Mongia from Kotak Institutional Equities. Thank you and over to you Sir!

Aditya Mongia: Good morning everyone. I am pleased to welcome you all to Ashoka Buildcon results conference call. From the company we have Mr. Satish Parakh – Managing Director and Mr. Paresh Mehta – CFO. I would now want to hand over the call to the management for the initial remarks. Over to you Sir!

Satish Parakh: Thank you Aditya. Good morning everyone. A very warm welcome to our earnings call for Q3 FY2017. I have with me Mr. Paresh Mehta, our CFO, and Stellar Investor Relations, our IR Advisors.

Let me start with the industry update then we will move to the Company related matters. As you all are aware, the toll collection was suspended across all national highways in the country for demonetization of Rs.500 and Rs.1000 currency notes from November 8th for 23 days up to December 2nd. Though NHAI has proposed to pay of Rs.922 Crores to private highway operators for loss of toll revenue, the proposal still needs a nod of cabinet committee on economic affairs for the fund to be released; however, there is still no clarity on whether there will be one time payment or extension of toll period to compensate the developers.

For December toll collections have seen back to normal, we have installed POS machines at all our toll plaza and electric collections have been to the tune of 15% to 20%. Though the traffic was impacted slightly in the month of December, we are seeing at returning back to normal in January 2017.

On awarding front NHAI is facing challenges mostly on the land acquisition front to meet its target for awarding the road projects. MoRTH has announced a target of awarding 25000 kilometers projects in FY2017 of which 15000 would be under NHAI as against this 15000 kilometer NHAI is guided that it will close the year somewhere near 5000 to 5200 kilometer which is slightly more than the last year.

Now coming to the developmental Ashoka Buildcon. I am happy to share that this has been a very good year for us in terms of order inflow. We have already won orders to the tune of Rs.2800 Crores, the highest order in flow in any year. This quarter we received an EPC, T&D orders in the state of Bihar for rural electrification amounting to Rs.950 Crores. Currently our order backlog is Rs.6200 Crores again the highest there were backlog for us. This clearly gives us a revenue visibility over the next couple of years.

In terms of breakup of order book, road projects are Rs.4540 Crores, which is 73% of the order book and Rs.1680 Crores are power T&D projects. Among the road order book, EPC projects are Rs.2760 Crores and rest is BOT, which is Rs.1780 Crores.

Please note that all of our orders in our order book are moving smoothy except Islampur Bypass of Rs.276 Crores. We are waiting for another two months before we take a final call on this project.

A bigger EPC order including Eastern Periphery and JNPT have picked up well. For BOT projects under construction, we would be completing the Chennai ORR and Modhul Nipani before the March end that is in Q4; the work is progressing well in Bagewadi and Hungund annuity projects. For the hybrid annuity projects in Punjab, we are expecting financial closure by end of February and already started mobilization on this project.

We are also glad to inform that we have declared interim dividend of 0.80 paise per share of Rs.5 each. That is also my side. I would now request Paresh Mehta to present the results of Q3 FY2017.

Paresh Mehta: Thank you Sir. Good morning everyone. I am sure you have had an opportunity to look at the presentation of the results update, which have already been circulated and uploaded on our website. I would now present the results for the quarter ended December 31, 2016. Please note that we have declared standalone results in this quarter. We are taking opinion and making decisions on few points for giving effect of the Ind AS implications and will be declaring consolidated results from the next quarter onwards.

On the standalone results, the total income including other incomes for Q3 FY2017 stood at Rs.536 Crores as compared to Rs.554 Crores in Q3 FY2016. During Q3 FY2017 BOT division recorded a toll collection of Rs.178 Crores down from Rs.231 Crores of Q3 FY2016, the decline in toll revenues was mainly due to the suspension of toll collection for about 23 days.

NHAI has made a purpose for compensatory development for the same and we are waiting to final outcome.

Our EBITDA for Q3 FY2017 is Rs.74 Crores compared to Rs.62 Crores in the corresponding quarter last year. The EBITDA margin for the quarter is at 13.7%.

Net profit Rs.2242.7 Crores in Q3 FY2017 compared to 19.9 Crores in Q2 FY2016, the increase has been driven mainly due to lower interest cost, lower tax and lower depreciation. Reduction in interest cost on account of improvement in working capital and lower tax in the current quarter as the company has claimed deduction under 80-IA of Income Tax Act for a EPC contracts with the government.

The cash profit of Q3 FY2017 stood at 53.4 Crores. The consolidated debt as per I-GAAP stood at Rs.3880 Crores of which project debt is Rs.3736 Crores. The standalone debt is Rs.144 Crores, which comprises of Rs.54 Crores on equipment loans and Rs.90 Crores on working capital loan. As communicated by Mr. Parakh, we ended December 2016 with order book backlog of Rs.6220 Crores, which we believe will enable us to achieve healthy growth rates over the next couple of years. With this, we now open the floor for question and answers. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. We have the first question from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal: Congratulations on a good set of numbers. You highlighted that Islampur bypass project is a slow moving project, so what is the update on the Jharkhand project. There are three Jharkhand projects?

Satish Parakh: Jharkhand projects also not started NH4 32, so this project also, but it has time of another two months. We are likely to start Jharkand, because Jharkand does not have the similar problem like Islampur bypass. We have some land acquisition and forest clearances are required which I feel will be cleared within two months.

Parikshit Kandpal: The next financial year Q1 we expect to start?

Satish Parakh: We should be able to start Jharkand.

Parikshit Kandpal: Sir just wanted to know the status on Lucknow-Ballia Expressway, so what I understand that bids were opened, so any update on that as of now?

Satish Parakh: Bids were opened and we are L1 in one of the stretch and there is a process of negotiation in UP, softer negotiation they will declare the final winners.

Parikshit Kandpal: This is the standalone or we have been in JV with someone?

Satish Parakh: This is JV, joint venture project with 50,50 JV. The project size is around 1800 Crores.

Parikshit Kandpal: So our share will be around 900?

Satish Parakh: Our share will be Rs.900 Crores.

Parikshit Kandpal: I was just wondering in our order book of Rs.6200 Crores and with this L1 of another Rs.900 Crores, so bulk of our projects though we have based in Rashtravad bulk of our projects are outside Maharashtra leaving the JNPT, and with so many projects coming in Mumbai and surroundings where do we stand in terms of big opportunities that lie in our home state?

Satish Parakh: Definitely we are participating all across, but what we have seen Maharasthra is coming up with projects, which are less than 500 Crores.

Parikshit Kandpal: What about the coastal roads?

Satish Parakh: Coastal roads are typically projects where we are not qualified individually and we will be bidding only where are specializing and where we have complete control.

Parikshit Kandpal: So we would not be bidding for these projects, but what about the 3000 km projects through the MoRTH that are being done by MSRDC so are we participating in any of these projects?

Satish Parakh: Definitely, we will be participating in some of the projects, selected some of the projects, but still we were like to bid for a higher sized projects particularly hybrid annuity and pure EPC more than 1000 Crores.

Parikshit Kandpal: What will be then Lucknow-Ballia? What will be payment term nuances and what is the status of the land acquisition if the project already achieved financial closure, so what is the funded status of the project, what kind of challenges you will be facing while executing if the scale of this project is big so what are the challenges your are going to face if you can address some of the issues?

Satish Parakh: They are in very much advanced stage of acquisition of land, most of the lands has been fully acquired and particularly the experience of earlier Lucknow-Agra stretch they have done a fabulous job of acquiring entire land stretch in six months, so the same government did land acquisition initiation for this Lucknow-Ballia and most of them already acquired, so I do not see much of challenge. The payment, which the farmers are getting are also more than their expectations are more than the market rate. The acquisition is becoming quite easier and simpler.

Parikshit Kandpal: But for your own package what is the status of the land acquisition as of now, what is the availability of the aggregate I mean vicinity, I mean how far are you?

Satish Parakh: Availability is enough, they have a good source of quarries nearby and most of the acquisition has been done in the stretch where I am L1.

Parikshit Kandpal: Any early completion provision in the contract?

Satish Parakh: Yes, this is a pure EPC contract they have early completion bonuses.

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

Moderator: Thank you. The next question is from the line of Amit Sinha from Macquarie. Please go ahead.

Amit Sinha: Thanks for the opportunities. Congratulations for good set of numbers. Sir my first question is on your December toll revenue numbers and now you have reported average daily toll collection of I mean basically a decline of 1% compared to last year December number, just wanted to understand what is the corresponding traffic growth number for the same?

Paresh Mehta: If you what you call adjust the traffic numbers for the 23 days last based on October number, we are generally for the Q3 we are almost flat. The Belgaum and Dankuni project show a better growth almost to the tune of 4% to 5%, more than 5%, but for the other projects they are either flat or slightly negative. So on an overall basis we are flat vis-à-vis traffic growth.

Amit Sinha: What could be the reason for that I mean because we were doing much better before that and I am basically assuming that you know there would be some disruption in the toll collection because of the cash trench in some area I mean that is at least what we are hearing from some of the other companies, so the number which you are giving is basically the toll collection number or the actual traffic also went down significantly?

Paresh Mehta: Toll collection number, but the expected growth in the traffic has not been achieved and definitely due to the demonetization effect because throughout 8th November to 2nd December we have considered traffic based on October number. What generally happens in the quarter is since October the traffic started ramping up, which has not happened due to this demonetization impact, which will I believe will cover up in the next two, three months of course depending also on the economic activity, which should start picking up.

Amit Sinha: How is the traffic growth before demonetization in the quarter October and first few days of November?

Paresh Mehta: October reasonably in the range of 4% to 5% then the impact is more on November and December.

Amit Sinha: How is January looking like?

Paresh Mehta: Almost flattish till date.

Amit Sinha: My second bit is on the EPC part of the business and what is the revenue breakup for the quarter?

Paresh Mehta: Revenue would be in the roads we have been able to do turnover of around 390 Crores and in the power around 80 Crores.

Amit Sinha: What is the reason for such a sharp reduction in the depreciation?

Paresh Mehta: So in one of our projects Nagar-Aurangabad project, which is a toll project we were amortizing that asset up to last quarter and now the asset as of Q2. In Q2 there is no depreciation charged for that project and there is still toll collection for other six months left out. So amortization is totally over on the asset, so that is approximately 4 Crores that hit is not there on the P&L.

Amit Sinha: But the reduction is more than 4 Crores?

Paresh Mehta: There are two reasons, one is the 4.5 Crores on account of Nagar-Aurangabad and the change in the life of asset, which was effective from April 1, 2016 onwards that impact also has been factored into this and third is the written down value.

Amit Sinha: That is it from my side. Thank you very much.

Moderator: Thank you. The next question is from the line of Nitin Arora from Aviva Life. Please go ahead.

Nitin Arora: Sir in terms of the toll collections, which you stated full number of 922 Crores the NHAI proposed to pay can you break it for us for how much have claimed in terms of revenue, also if you can give us a breakup in terms of interest and O&M plus how will you be accounting now going forward once we get the CCA clearances, so because a lot of our projects we must be assuming the extension already let say Belgaum, Sambalpur, Dhankuni so how you are going to account it going forward in these three areas?

Paresh Mehta: As far as our component of in this 922 Crores what it could be. Our general expectation on the toll is around 40 Crores is what we believe that toll composition over there, which is of course 40 Crores for the whole ACL portfolio. If you reduce Jaora-Nayagaon, which is actually going to be in the form of extension of time, it would be around 30 Crores, which we expect from the NHAI and on the interest and expenses, we still yet to understand what exactly NHAI is finally going to pay of, interest would be to the tune of approximately 30 odd Crores and O&M will have to asset and so we are just keeping our fingers crossed when they actually come to the stage of giving that and what actually they will consider because it is dependant on FC as well as on the actual expenditure incurred.

Nitin Arora: Sir you said toll collection you have claimed up to 40 Crores?

Paresh Mehta: 30 Crores for the NHAI projects.

Nitin Arora: 30 Crores for the NHAI projects?

Paresh Mehta: 10 Crores for Jaora-Nayagaon. For the Indore-Edalabad we have already got an extension for this, 23-day time loss, which we have started collecting toll because the Indore-Edalabad project was to end in January now we have got an extension up to February 2017.

Nitin Arora: Sir over and above you are saying the interest you have claimed is up to the amount of 30 Crores?

Paresh Mehta: Yes.

Nitin Arora: Sir the draft paper what they came out with they were more focusing towards the extension of the concession period. Now any which ways I mean across for the developers not for our portfolio we have seen the target date is never achieved the traffic on that target date and normally people go for that extension. Is there any lobbying or is there any stands by the developers being shown to the NHAI that rather than paying the extension part, which either would not distort the valuation as such for our road assets, but is it something to pay upfront, is it something they are thinking at this point in terms of putting the approval before the cabinet?

Paresh Mehta: See basically upfront is typically required by every infra player because it takes care of the cash flows. Today the cash flows are more relevant vis-à-vis anything in this composition of extension of period, so even our forum NHBF is representing for a toll collection reimbursement, which will then put us to the date, which was before the demonetization impact had.

Nitin Arora: Debt is not a part of this compensation part right I mean NHAI is not considering that?

Paresh Mehta: At present things are very hazy. What we hear is they put up for toll reimbursement to the cabinet, but the circular typically talks about extension of time and compensation for the expenses, so unless we cross the bridge I think so we still guessing.

Nitin Arora: With respect to your debt reduction on a standalone balance sheet is there some advances that help you do that because any which ways your cash flow was good in this quarter, but also there were some advances with respect to your road assets?

Paresh Mehta: No, they are typically for the EPC contracts advances we have taken and also billing has started in the EP project so that has helped in reducing the debt number.

Nitin Arora: Once your power T&D picks up let say by next quarter or in the next two quarters where do you see your standalone debt?

Paresh Mehta: Here also we should be better because Bihar typically has very good payment mechanism in advance as well as part payment so from that perspective we do not expect the utilization of working capital going too much, will be in the average range of around 150 to 200 once power picks up.

Nitin Arora: Last two questions can you just tell us how much is 80-IA we are left with at this point in terms of claiming for the future quarters?

Paresh Mehta: This would be based on 80-IA for the projects already started, so these EPC contracts, which we have started they will be eligible for 80-IA benefit, and the BOT projects as it is we will continue, I think so we are not looking at any stoppages for the existing 80-IA benefits.

Nitin Arora: Can you tell us with respect to someone asked this question earlier, but just want to get a sense on the traffic numbers, let us say for Dhankuni we were doing somewhere in the range of 73 lakhs you know before demonetization 72 to 73 lakhs, is that number looks feasible to you in the Jan to March quarter something and similarly let us say for Indore-Edalabad we were there at 34, Bandara we were at 17-18?

Paresh Mehta: Based on the current trends we definitely will achieve these numbers. What we generally expect is the growth in the last quarter that we will have to see actually when it happens, but otherwise the things will definitely maintain the numbers, which we have already achieved.

Nitin Arora: Any tariff can you state indeed September, October to December across projects?

Paresh Mehta: No, none.

Nitin Arora: Thank you very much, Paresh Sir!

Moderator: Thank you. The next question is from the line of Mr. Aditya Mongia from the Kotak Institutional Equities. Please go ahead.

Aditya Mongia: Sir I had a few questions. The first one was on the refinancing that you are doing projects and the rates that which these have been stuck on the lending side for your projects?

Paresh Mehta: Most of the refinancing was already done in Q2. Our next refinancing is due in Q1, which we will be doing in the month of April or May where two projects we will definitively target for refinancing and we also have an impact on the reduction MCLR in the month of April and May because of the reduction, which has recently happened by most of the bankers, impact will come by April and May and on the Kharar-Ludhiana project also we have been able to tie up the debt, which is sub-10.

Aditya Mongia: So 9.5 also is where you have reached?

Paresh Mehta: Slightly lower than that.

Aditya Mongia: Slightly lower than 9.5. Secondly on the 80-IA benefits that you are accounting for are only applicable to the third party projects from NHAI right or are they also applicable for the power projects that you are doing?

Paresh Mehta: For the road projects only.

Aditya Mongia: For the road projects. When you say third party EPC is?

Paresh Mehta: Direct EPC contract from government third party.

Aditya Mongia: On which you assume 0% rate or how is it Sir when you are calculating tax?

Paresh Mehta: It is a mix of MAT or 0%. We generally carried it with a 0% and depending on overall profitability and tax rate, which we end up paying 20% MAT on the overall profitability. So we have a mix of profitability on account of non-80-IA projects and 80-IA projects, so for all practicality it is 0.

Aditya Mongia: So let us say 30% of your execution, which may be of coming from roads, EPC, which is carrying 0% and everything else would be carrying a normal rate?

Paresh Mehta: Correct.

Aditya Mongia: And that is going to continue for sometime because we have already built up a large backlog?

Paresh Mehta: Correct.

Aditya Mongia: So it is fair to assume that 20% odd rate would continue for some more time?

Paresh Mehta: For at least four and half years more.

Aditya Mongia: Next question is on margins and I think this is a good quarter because power is less so in the mix right now about 11.5% is the EBITDA margin number this quarter taking out the BOT part it will be a small part more than 11.5% or so would have been the number, so this is to you a sustainable number or can there be more downside to this?

Paresh Mehta: No, it would be slightly more because there are a couple of projects where we have not recognized margins project like Kharar-Ludhiana project where we have done a bit of mobilization and other activity where they have been captured in the turnover, but margins yet to be recognized because it is a threshold.

Aditya Mongia: Sir coming to the guidance for FY2018 now since we are close to FY2017 end and we already have a backlog for sometime now, is it fair to assume a fairly good number in the vicinity of 30% or so next year from an execution perspective the growth, which can happen?

Paresh Mehta: Yes we will target at least 20% to 25% growth definitely based on these numbers. It could be better based on all other conditions of execution.

Aditya Mongia: Why I am asking you this is because the backlog is already 50% YOY and most of the backlog is moving at this point of time right?

Paresh Mehta: Right.

Aditya Mongia: About 90% to 95% would be moving or 90% will be moving?

Paresh Mehta: Right, so from that perspective what you say is right. We will have to achieve at a higher rate.

Aditya Mongia: Sir last question from my side. This is on the SBI-Macquarie exit, which is planned to happen over the next one year. Just wanted to get a status update from you in terms of where things are at this point of time and how soon can they be closed?

Paresh Mehta: Still our bankers are working on the diligence and other aspects of the deal, so still sometime or may be couple of months at least away from doing any dealing of any kind.

Aditya Mongia: But are there enough interested parties?

Paresh Mehta: Historical from the last one and one-and-a-half year what we have observed is there is a lot is interest for portfolio of projects either as a minority holder or as a majority, so the interest is substantial in the sector.

Aditya Mongia: And the valuation would be more than 12% IRR on committed to SBI and Macquarie would warrant?

Paresh Mehta: We strongly believe it will be substantially higher.

Aditya Mongia: Thank you Sir! That will be it from my side.

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

Barni Dhar: Good afternoon Sir. Congratulations on good set of numbers. My first question is on the EPC revenues, can you give me a split of this 524 Crores or 517 Crores EPC revenues based on BOT road or EPC and power T&D, I think it was given, but I kind of missed it?

Paresh Mehta: Yes, so as I said it is approximately 395 Crores on the road sector, 80 Crores on the power sector and approximately 30 Crores on the RMC business.

Barni Dhar: Understood and so when I was back calculating the EPC revenues from the roads and the BOT side from the order book position in the second quarter and now I am not able to get the 390 Crores, are there any wins in the road side?

Paresh Mehta: Yes, that is not wins**,** but there is some increase in the order book level like some utilities have been released by EP on the EP project, so that has contributed to the increase in the overall workout size, so that is the reason you are finding a gap.

Barni Dhar: Understood, that should be the problem and last question Sir, what is the status of these two annuity projects in Karnataka because one-year back the order book position was about 530 Crores and now it is around 490 Crores, only about 40 Crores of movement, is it slowly moving or is it a kind of pace at which it will move?

Satish Parakh: Yes initially place it is slowly picking up, but should see a good pace from next quarter.

Barni Dhar: What is the likely completion dates here Sir?

Satish Parakh: These are two-year high annuity projects, we should be completing in time.

Barni Dhar: Thank you so much and all the best Sir.

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

Adhidev C: Good afternoon. Thanks for taking my questions. Sir first is housekeeping question on this ACL so till date from Ashoka standalone how much total equity infused in that Company?

Satish Parakh: Approximately 1050.

Adhidev C: Sir then any cash losses in Sambalpur project, how is it being funded currently?

Satish Parakh: Presently funded from the cash available at ACL level.

Adhidev C: So at Ashoka we have standalone entity no further cash infusion has been done in that entity.

Satish Parakh: As and when required, we will be done for up to say probably March and we should be sufficient enough to fund from ACL itself.

Adhidev C: Just to continue in this question I asked earlier on this SBM-Macquarie exit, so Punjab have also become part of the deal whenever it comes into the picture?

Satish Parakh: Yes it has been bid under ACL portfolio so definitely it will be part of that deal.

Adhidev C: Sir and then going on the bidding strategy, are you looking more HAM projects or more EPC projects now next year?

Satish Parakh: We are looking at both the sectors equally interested so whatever opportunities do come up we will bid with equal interest both HAM and EPC.

Adhidev C: Sir on SBM-Macquarie what is the thought process. Do you want to go for an IPO or an InVIT like any thoughts on that or is that first thing you are trying to get another investor into the portfolio like what is your preference among the two options?

Satish Parakh: Presently we are looking at a replacement of an investor. Definitely we are looking at that model and we are comfortable with that. Otherwise the next options could be either an InVIT or an IPO but we will have to have to see as it when comes. Give us some time.

Adhidev C: Sure. Next one is Chennai what are projects Sir, when is now the first annuity payment when is that expected?

Satish Parakh: Annuity would come in I think Q1 or Q2, but if the project will get COD by Q4, so I think Q2 should be the time and we will get our first annuity it is six months post COD.

Adhidev C: Sir next question on this Lucknow Ballia project, could you just help us understand who is funding this project, do you have an idea whether money is going to come from because it is going to be a pure EPC contract right?

Paresh Mehta: These are state funded projects.

Adhidev C: Sir that is fine we are aware. In the state there was a lot of talk in media you will require funds from the central government and now you are going into the elections and if there is some talk that is the present government changes then there would be some lack of clarity on the funding part so what is your take on this entire whatever has been said in the media?

Paresh Mehta: Basically state is well placed to fund it by itself though they were trying for central funding. Even if central funding does not happen it was not going to affect the fate of this project.

Adhidev C: What is the technicality means the project can still be awarded and even if the government changes also there is nothing to stop the execution or stop the execution or what are the conditions over there?

Paresh Mehta: Once awarded no state government normally withdraws. Historically, we have not seen any withdrawal of an EPC project.

Adhidev C: Again reading that only 40%-50% of the land is tied up. This is again as per media reports so do not you think it is a risky project to take up?

Paresh Mehta: Basically there has been no resistance of handing over lands from the farmers what we have seen in Lucknow, Agra. As the compensations are very high people are more than willing to give their land. Land acquisition is not going to be challenge in this.

Adhidev C: What are the sorts of margins you are expecting from the project like higher or like on the normal average?

Paresh Mehta: Normal average margins.

Adhidev C: That is it from my side. Thanks a lot for answering my questions.

Moderator: Thank you. We have the next question from the line of Vibhor Singhal from Phillip Capital. Please go ahead.

Vibhor Singhal: Good afternoon Sir. Thanks for taking my question and congrats on a great set of numbers. Sir, just a couple of questions, one is on the BOT projects, so as you mentioned that we have raised the demand for the loss in toll correction in the month of November, so what is to understand in this quarter for the 23 days in which we have not collected a toll we have not booked any basically number either be it related to the toll collection or to the interest expense or O&M nothing?

Satish Parakh: See basically all these projects were NHAI is going to compensate is under the SPVs under ACL. Because we have not given out of CFS rightly we are not disclosing any, so from that perspective we are not taking any stand on that. We have not forwarded the accounts of a consolidated number.

Vibhor Singhal: But just in case let us say by the end of this year, we would anywhere be we would have to release the consolidated numbers, so would the recognition of those line items be contingent on NHAI reimbursing or NHAI giving the clarity or we would still be booking part of it and then probably showing them as account receivables?

Satish Parakh: We believe that the compensation should come before March so definitely then it will be very clear what we account for. Otherwise as you said we will at least provide for the receivables in the accounts side.

Vibhor Singhal: But that will be at a consolidated level of course when the year ends and for ABL loan projects basically?

Satish Parakh: We have only one project Nagar-Aurangabad project where at present we have not recognized because a small quantum, but by the end of March we will take a visible call of what we will be doing.

Vibhor Singhal: Fair enough and secondly Sir you mentioned that the Indore-Edalabad project was supposed to get completed in January this year, which has been extended to February now, so any other projects in the ABL portfolio, which are expected to basically complete their concession period over the next 12 months?

Satish Parakh: It would be Nagar-Aurangabad project one more.

Vibhor Singhal: When would that be getting completed?

Satish Parakh: By August.

Vibhor Singhal: And apart from that Sir all the foot-over-bridges, all the other projects, Wainganga Katni they all have two to three years of life left?

Satish Parakh: In the foot-over-bridges there is only one bridge out of six bridges we have one bridge we have a longer concession. Others have already stopped, so revenues have already dropped.

Vibhor Singhal: So only one foot-over-bridge is remaining in the overall portfolio and Wainganga Katni will continue for next two-and-a-half years I suppose?

Satish Parakh: Up to 2019.

Vibhor Singhal: Fair enough Sir! In terms of your basically on the EPC side what is the kind of strategy that we are looking forward going forward and now that we have a strong order book and around 25% of the order book is also power T&D so going forward we will have focus more on the roadside or are we going to be choosy about the projects since have a decent backlog?

Paresh Mehta: We have been throughout choosy about the projects. We have never gone aggressive. Same strategy would continue going ahead.

Vibhor Singhal: Basically preference for road or power T&D projects or the mix could continue as and when we get the opportunity?

Paresh Mehta: It will be completely opportunity base.

Vibhor Singhal: Completely opportunity basis. Lastly Sir what is the update on the gas project that we had bid the gas distribution network project that we had bid on the BOT basis what is the status of bid on that, the kind of money that you have invested already and when do we expect work to start on that?

Paresh Mehta: Work would start from Q1 of next year. No investments have been made till date except some small mobilization. Work will start in Q1 of next year.

Vibhor Singhal: Fair enough Sir! Fine Sir! Thanks a lot for taking my questions and all the best.

Moderator: Thank you. The next question is from the line of Ankush Mahajan from Edelweiss Broking. Please go ahead.

Ankush Mahajan: Sir would you throw some light on about the NHAI that NHAI is facing challenges to acquire the land. What are reasons for it and how do you see next awarding activities either NHAI will more focus on the EPC side or the HAM side because we are seeing in the HAM there are only 10 projects out of the 30 they have received a financial closure?

Paresh Mehta: NHAI is still aggressive on HAM project and we will see good amount of bidding in the last quarter on HAM as well as EPC. Focus on HAM is not reduced to any extent by NHAI.

Ankush Mahajan: Sir what are the reasons NHAI is facing challenges to acquire a land?

Paresh Mehta: See land acquisition, there was an overlap period of old earlier the land acquisition was done under the old act and under the new act the compensation is more so those who have already got the old act compensation, they want a difference because they are acquiring it today so they want compensation at current rates so that dispute has been there in most of the projects and NHAI has been addressing it to a great extent.

Ankush Mahajan: So how much time it will take Sir?

Paresh Mehta: What we have seen in this overlap period it has taken a little more than nine months, but now going ahead everything is going to be under the new land acquisition act, so it will be much easier to acquire those lands because compensation is fairly tuned to the market value.

Ankush Mahajan: Another one is related to this Lucknow-Ballia project Sir who is the L2 and what is the difference?

Paresh Mehta: L2 difference is to the tune of 2% to 3% and I exactly do not have a name of the person.

Ankush Mahajan: Sir who are other players who have received the other packages?

Paresh Mehta: I am not aware because he participated only in two packages.

Ankush Mahajan: Thank you Sir. That is it from my side.

Moderator: Thank you. The next question is from the line of Abhijit Vara from Sundaram Mutual Fund. Please go ahead.

Abhijit Vara: Thanks for taking my question. Sir my first question is on order flow. You have clarified between Q2 and Q3, but if I look at year till date, so your opening order book was 4100 Crores that has increased to 6200 Crores, so 2100 Crores increased there. You seem to have executed 1300 Crores, total order flow suggest like 3400 Crores of order flow Sir, but you have declared only 2900 Crores so gap of 500 Crores?

Satish Parakh: There are certain increase in the order books of the JNPT and EP projects, which have almost to the tune of around say 100 Crores then there are UP projects where there is increase in order book like Faizabad 60 Crores and one more project of around 200 Crores in UP so if we total all the order books small and big they do add up to that.

Abhijit Vara: My second question is on the appointed date. Just want to clarify that Jharkhand three projects and Islampur project these are the only projects, which do not have appointed date as of now plus hybrid annuity?

Paresh Mehta: Jharkhand we have three projects out of which two projects have already started work, only NHAI project is yet to get the appointed date.

Abhijit Vara: Only the Jharkhand-Chas, 480 Crores of order?

Paresh Mehta: Those have started already. Work is in progress.

Abhijit Vara: Then only Islampur and hybrid annuity are waiting for appointed date?

Paresh Mehta: Only Islampur and one EPC project in Jharkhand, which is Chas, NH-4 32 that is yet to start. So this would start in another two months Jharkhand one. Islampur bypass is a little difficult to guess when it will start.

Abhijit Vara: Sure and hybrid annuity you said mobilization will start?

Paresh Mehta: Mobilization has already started on Kharar-Ludhiana and we should get appointed date by March end.

Abhijit Vara: Second question is on this EBITDA margins. Once you said the threshold could not be achieved, so the revenues have been booked, but margins have not been booked, so once the work will start as per schedule then will the margins again go back to about 14%?

Satish Parakh: They would be in the range of 12.5-13, which we already been sticking to.

Abhijit Vara: Last question if you could give the guidance on the order book for the end of the book year? How much do you expect to bag in Q4?

Satish Parakh: We will bid for projects in this left out two months and may be we will target around 2000 odd Crores, 1000 each in EPC and HAM, let see how the bidding pans out.

Abhijit Vara: Nothing in T&D Sir?

Satish Parakh: T&D is not anything significant, which we will be getting, but small orders could be there.

Abhijit Vara: Right, so this 2000 will be apart from the L1 position?

Satish Parakh: Yes.

Abhijit Vara: Thank you. All the best Sir!

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

Parikshit Kandpal: Good afternoon. Just to wanted to know the standalone cash and network?

Satish Parakh: On the cash balance we have debt of around 143 Crores and on the networth we are in around 1880 odd Crores.

Parikshit Kandpal: And cash?

Satish Parakh: Cash would be, I do not have the numbers, around 20 odd Crores. Cash would be to the tune of around 14 Crores.

Parikshit Kandpal: What is the total pending requirement for BOT equity requirement?

Satish Parakh: Kharar-Ludhiana 150 Crores and both Badami and this Karnataka BOT projects around 50 Crores.

Parikshit Kandpal: Last couple of quarters, we have not seen any movement on real estate monetization, the HAM which the company owns, have we stopped looking at monetization in your term or still we look at?

Satish Parakh: We are waiting for a good opportunity so we will definitely monetize as whenever the good opportunity will come up.

Parikshit Kandpal: Sir lastly on the PNG any update on the claims?

Satish Parakh: No we are still waiting for the claims order to come from NHAI.

Parikshit Kandpal: We have submitted the claims and we are waiting to hear from them?

Satish Parakh: Right.

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

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

Akhilesh: This is Akhilesh from JM Financial. I have a small question with respect to your new projects the Dhule-Maharashtra, Bagewadi-Saundatti, and Hugund-Talikot. They are coming as part of ABL or in Ashoka Concessions?

Satish Parakh: They are part of ABL.

Akhilesh: That is all. Thanks.

Moderator: Thank you. The next question is from the line of Rita Tahil Ramani from Edelweiss. Please go ahead.

Rita Tahil Ramani: Congratulation on good set of numbers. My question is in the sale of goods we have seen there is an increase of almost 45% from almost 22 Crores to 32 Crores. On the sale of goods there has been increase from almost 22 Crores to 32 Crores Q3 FY2016-2017, what is this?

Paresh Mehta: Basically sale of goods represents ready mix concrete sale where there is a good demand in this quarter.

Rita Tahil Ramani: Second question is on Nagar-Aurangabad project ideally it was supposed to get completed this year, so that has been postponed to August right?

Paresh Mehta: Right there is an extension.

Rita Tahil Ramani: I missed the number there on Nagar-Aurangabad where you mentioned the set has been return also how much was the asset value there?

Paresh Mehta: Asset value as of to the Q2 end was 0 because concession was already supposed to end on normal so we were amortizing on the normal base. Q2 end was 0 so there is no charge in Q3 for Nagar-Aurangabad on the amortization part.

Rita Tahil Ramani: I was just going to the traffic numbers, so ideally if we assume the same traffic remains for the remaining 23 days also there is a toll traffic drop of almost 5% and mainly contributing from the Indore- Edalabad projects, so other than the demonetization effect is there any other thing, which is responsible for a decline in traffic in Indore project?

Satish Parakh: There is no specific any other reason for this. It is either economic activity or mainly will contribute to demonetization, but if you see for Q1, Q2 also the numbers have been slightly subdued in Indore-Edalabad.

Rita Tahil Ramani: So that is why I was asking, so otherwise, there is no other thing, right?

Satish Parakh: No.

Rita Tahil Ramani: On this Dhankuni project you are doing almost 65 lakhs per day, so what do you expect maybe next year it would rise to, may be 75 lakhs kinds or…?

Satish Parakh: I think so we already average out for something like 70 number by the end of the year, and in next year we should be in the range of 75 to 77 lakhs.

Rita Tahil Ramani: Indore how much would that turnout to be?

Satish Parakh: Indore will get over in February so we will not be having any revenues in the next year. So that will stop.

Rita Tahil Ramani: 950 Crores order Bihar order, the electrification order when do we expect the work on these projects?

Satish Parakh: We have already started on this project. We have already executed the EPC contract and we have started work on that.

Rita Tahil Ramani: That is it from my end. Good luck for future. Thank you.

Moderator: Thank you. Next we have a follow up question from the line of Aditya Mongia from Kotak Institutional Equities. Please go ahead.

Aditya Mongia: The question was more on refinancing again. So MCLR linked benefit should have started flowing in after TTO. I just wanted to get a sense why is it being thought of to come in 1QFY2018?

Paresh Mehta: What happens is MCLR is they are all MCLR one-year linked interest rates? So the anniversary for MCLR reset comes in May. It is a reset every to pay on the one-year MCLR. So once a rate is set for on one-year MCLR then it will be reviewed again only after one year. It is not like the base rate. The base rate was average moving on day-to-day basis. MCLR does not go that way.

Aditya Mongia: If most of the project debt of 3700 Crores linked to MCLR or how is it?

Paresh Mehta: Almost most are linked to MCLR except for one or two which are in the process of getting shifted to MCLR.

Aditya Mongia: So recent refinancing would have happened on that basis?

Paresh Mehta: MCLR yes.

Aditya Mongia: What will be the decline in interest cost then that you would envisage in May versus right now?

Paresh Mehta: I think it should be at least most of the bankers have reduced to the tune of 75-basis points, 65 to 75 basis points in case of SBI almost 90%, so I think the average impact should be 60-basis points at least provided they continue to stick to MCLR. If the MCLR moves up and on the date of the anniversary the MCLR is going up, it would be based on that MCLR. So today MCLRs have moved down by 90-basis point to 75 basis point and if there is any correction in March end that MCLR would be considered. Actually we have to see on the anniversary date what is the impact. We believe at least 50 to 60 basis point could be the benefit, which will pass on immediately, minimum that much.

Aditya Mongia: Understand Sir. Those were the questions from my side. Thank you.

Moderator: Thank you. The next question is from the line of Subramanyam Yadav from Subhkam Ventures. Please go ahead.

Subramanyam Yadav: Sir just wanted an update on the HAM project. Sir the financial closure is to be done, right?

Satish Parakh: We have tied up with the bankers and we have signed the documents. We are in the process of submitting to NHAI and in due time we should get our financial closure done and appointed date declared.

Subramanyam Yadav: What would be the rate there Sir?

Satish Parakh: Sub-9.5.

Subramanyam Yadav: Sub-9.5?

Satish Parakh: As of date.

Subramanyam Yadav: Sir, what is the land acquisition status in that project? How much percentage of the land has been acquired?

Satish Parakh: Almost 80% is already acquired. It is that over a period of time everything will be available.

Subramanyam Yadav: You are expected to start within two months?

Satish Parakh: Once appointed date is received we will definitely start full-fledged on that.

Subramanyam Yadav: How much is the loss pending till date we have done in Sambalpur project?

Paresh Mehta: Sambalpur almost for the last two and a half years around 120 –odd Crores.

Subramanyam Yadav: 120-odd Crores, and this includes this year’s number also that you are talking about 120-odd Crores?

Paresh Mehta: Yes.

Subramanyam Yadav: 40 Crores totally included in this?

Paresh Mehta: Yes.

Subramanyam Yadav: Sir the equity infusion of 1050 Crores in ACL does this 120 Crores included in that?

Paresh Mehta: Yes it is part of that.

Subramanyam Yadav: Great Sir. Thank you.

Moderator: Thank you very much. That was the last question, ladies and gentlemen. As there are no further questions, I would like to hand the conference back to the management for any closing comments.

Satish Parakh: We thank everybody for participating for this Q3 FY2017 earnings call. As said, we have already uploaded the analyst presentation for our Company on our website. In case, any further queries are there, you may always get in touch with us or our Stellar Investor Relations. We would be glad to give the information. We thank you again for participating. Thank you.

Moderator: Thank you very much. On behalf of Kotak Institutional Equities that concludes this conference. Thank you for joining us. You may now disconnect your lines.