



“Ashoka Buildcon Limited Q3 FY18  
Earnings Conference Call”

**January 31, 2018**



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**MODERATOR:** MR. ASHISH SHAH – IDFC SECURITIES LIMITED

**Moderator:** Ladies and gentlemen, good day and welcome to the Ashoka Buildcon Limited Q3 FY18 Earnings Conference Call hosted by IDFC Securities. 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 would now like to hand the conference over to Mr. Ashish Shah from IDFC Securities. Thank you and over to you, sir.

**Ashish Shah:** I welcome all the participants for the Ashoka Buildcon’s Q3 FY18 Earnings Call. Today we have from the management Mr. Satish Parakh who is the Managing Director of the company and Mr. Paresh Mehta, who is the CFO of the company.

We also have with us Stellar IR who is connected on the call. Now I would request Mr. Parakh to give an initial comment which can be followed by detailed financial results from Mr. Mehta. Sir, please go on.

**Satish Parakh:** Thank you, Ashish. Good afternoon everyone. On behalf of Ashoka Buildcon Limited, I welcome all the participants for taking out their time to participate at our earnings call for the third quarter and nine months of FY18.

I have with me Mr. Paresh Mehta, our CFO and Stellar Investor Relations, our IR Advisors. Let me start with the industry update. The development of the road infrastructure in India is witnessing a great momentum. Road infrastructure is one of the major priorities of the Central Government and has been receiving a strong budgetary support over the years.

The recent awards in the road sector has shifted from BOT that is Build Operate and Transfer on Toll basis to EPC and HAM projects basically by NHAI and MORTH. Meanwhile the offer to roll out TOT (toll-operate-transfer) model for maintenance of existing highways is yet another opportunity opened up for the companies like us.

Bharatmala, a centrally sponsored and funded road highways project had earmarked around 7 lakhs force with a target of constructing 83,677 kilometers of roads. This ambitious umbrella project will definitely be excellent for existing highway players like us. As per NHAI, under Bharatmala, for a four year period they have to complete around 30,000 kilometers which will be 10,000 kilometers per year they will be rolling out.

Now coming to the recent developments of the company.

One of the projects of the company Mudhol-Nipani has received completion certificate for the entire work of Mudhol-Nipani with COD (commercial operation date) as 11 December 2016 entitling it to right to receive the annuity payment. The project is executed on DBFOMT Annuity basis so it is like a HAM model where company will get annuity for 10 years. This is a state project by Karnataka State.

We are witnessing strong execution on our EPC project which has recorded a decent revenue growth of around 25%. Our adjusted toll revenue grew by 18% year-on-year during the quarter; with key projects witnessing a traffic growth to the tune of 15%.

There was an order addition of around Rs. 450 crores and this is basically due to increase in the scope of work of road project and maintenance contracts from various projects and SPV to the tune of Rs. 325 crores. And Rs. 125 crores orders is received at our CGD project which we have backed long back.

Currently our order backlog is Rs. 5,943 crores. The road projects contributes around Rs. 4,227 crores which is 71% of our total order book. Power T&D contributes around Rs. 1,716 crores which is around 29% of the order book. Among road projects order book, EPC projects are to the tune of Rs. 1,921 crores and rest is BOT projects which is Rs. 2,306 crores.

We are participating in various bids invited by NHAI, MORTH and various state governments and are hopeful to see decent order book inflows in

coming months. This is all from my side. I will now request Mr. Paresh Mehta to present the results of Q3 FY18.

**Paresh Mehta:** Thank you very much, Sir.

Good afternoon everyone. I am sure you must have had a chance to go through the result presentation and the media release uploaded on the stock exchanges and also on the company's website. I would now present the results of the quarter ended December 31, 2017.

Please note that we have declared standalone results for the quarter. Total income including other income for Q3 FY18 is at Rs. 676 crores as compared to Rs. 538 crores in Q3 FY17. We have witnessed a strong execution during the quarter on our EPC projects resulting in 25% YoY growth in revenues.

We expect the strong execution momentum to continue going forward. Toll collection was also strong as key large projects recorded traffic growths of around 15% during Q3 FY18. During the Q3 FY18 BOT division recorded a toll collection of Rs. 253 crores up from Rs. 161 crores in Q3 FY17. Toll collection figure for Q3 FY17 as adjusted for toll loss for 23 days due to demonetization would have been around Rs. 215 crores.

EBITDA for Q3 FY18 was at Rs. 96 crores as compared to Rs. 76 crores in the corresponding quarter last year. The EBITDA margin for the quarter is at 14.2%. The company reported a net profit of Rs. 52 crores during the quarter as compared to Rs. 43 crores in Q3 FY17, strong growth of around 22% YoY.

Consolidated debt at present is at Rs. 4,797 crores out of which project debt is Rs. 4,542 crores. The standalone debt is Rs. 255 crores which comprises of Rs. 82 crores of equipment loans and Rs. 173 crores on working capital loans. We currently have an order book backlog of Rs. 5,943 crores which gives us a visibility of next couple of years.

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

**Moderator:** Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session.

We take the first question from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

**Parikshit Kandpal:** We have been hearing that lot of bids are out in the market and the opening is still pending so can you just highlight like how much Ashoka would have as of now what is the status of unopened bids you have submitted?

**Satish Parakh:** As of now only two bids are to be opened up, otherwise most of the bids have been opened up. We have submitted, two are yet to open up.

**Parikshit Kandpal:** And value wise this will be how big?

**Satish Parakh:** This will be around Rs. 1,500 crores.

**Parikshit Kandpal:** And this will be HAM or like?

**Satish Parakh:** HAM and both EPC.

**Parikshit Kandpal:** Sir, but what kind of order inflows now we are looking at the balance of the year because the order inflows have been very lackluster; only Rs. 400 crores this year till now. And we were earlier looking to clock in anywhere close to Rs. 4,000 crores to Rs. 4,500 crores. So what is your guidance on order intake?

**Satish Parakh:** Yes what we have seen in last around ten months, though 4,000 kilometers of project have been bid out, and we did participate in most of the projects maybe to the tune of 1,000 kilometers we participated but we could not bag anything. Going ahead till March now again we are participating in another 4,000 kilometers which is projecting of Rs. 60,000 crores. And other than this we also will be participating in states.

So definitely going ahead in a few months we will be bagging good set of orders. There is a huge opportunity in highway sector. Lots of deals have

already been declared and only Rs. 60,000 crores of works is being bidded out only by MORTH and NHAI.

**Parikshit Kandpal:** Okay but these 1,000 kilometers which we have bid for so why we did not get any; I mean is it the competitive intensity has become very high that we are not able to bag or?

**Satish Parakh:** Yes, competitive intensity according to us is quite high. Of late we had seen what we were losing with a very high marginal difference. Initially it was very high.

**Parikshit Kandpal:** And sir just last question I want to ask we have seen a very sharp jump in the toll collection, so if you can just highlight was there any tariff hike during this quarter and you can give a split like between the volume and the tariff growth?

**Paresh Mehta:** On the tariff hike, there are no tariff hike in this quarter after 1<sup>st</sup> October 2017. What we have observed is definitely there is a good spike in the traffic growth in our major projects which has majorly driven basically by the low base in the past two years. Second also pick up of activity post GST we believe that there are certain tractions. Then there are pocket based growth triggers also like in Sambalpur and Belgaum we see a bit of mining activity picking up and contributing to traffic.

In the Dhankuni project we are seeing traffic emerging from the Haldia port which some time back also the PWD minister also declared that they have made it easier for use. So the profit from Calcutta port is also shifting to the Haldia port which uses our highway. So even due to GST change the check post those have stopped, so people trying to avoid certain roads they have come back to our Road. So Jaora also has picked up because the original traffic presence initially is diverted for some time and now it is back on track. So these are all trigger points for the high growth. We believe that over the next quarter also we will see the same and maybe over a period of time it will stabilize.

- Parikshit Kandpal:** Okay so that will give a better visibility for the SBIM at exit if this toll traffic picks up, so any update on that?
- Paresh Mehta:** So we are talking definitely it will give a better valuations for the exit but Macquarie is taking their own time in the exit so they are not in a hurry.
- Moderator:** Thank you. We will take the next question from the line of Ankita Shah from Elara Capital. Please go ahead.
- Ankita Shah:** Sir, I wanted to understand in terms of construction work on your other projects like Ranastalam HAM project, Chaas project and Islampur project what is the status there in terms of pick up in construction activity?
- Satish Parakh:** Yes, Ranastalam has started very well so the pace of construction will be good at Ranastalam. Chaas also had picked up they have handed over the entire project to us. So 90% of land is already now handed over to us, so Chaas also work has started in full swing. Islampur, though we have started work but it is not picking up to the expectations yet. Still we are having some problems with locals.
- Ankita Shah:** Any plans on terminating the project or are we going ahead?
- Satish Parakh:** Now we and NHAI together have decided to go ahead and we are not terminating both these projects.
- Ankita Shah:** Okay and similarly on CGD and MIAL when are we expected to start these projects?
- Paresh Mehta:** On CGD the progress is on. We will probably clock our turnover by March end but we were supposed to do it by December, we will be doing it by March end but major thrust of work will happen in the year 2018-19.
- Ankita Shah:** Okay, and sir we understand there is huge opportunity in the road space, but in order to translate it into our inflows how do we see our order pipeline for balance period of this year current fiscal and for the next year in terms of your order inflows target and any word on revision if any on our earlier guidance of Rs. 3,000 crores, Rs. 4,000 crores of inflows for this year?

- Satish Parakh:** See, order as I explained you we are participating, by March end we will be participating in around Rs. 60,000 crores of work. I think and other than this we will also be participating some of the state works. So this may materialize in Q4 or it will be Q1. So quarter here and there can happen but definitely we have been very aggressive in bidding though we have not been matching the expectations of the market.
- Ankita Shah:** Okay and just a book keeping question. Can you share the revenue mix between roads and or power T&D in terms of?
- Satish Parakh:** Power T&D is around 29% and roads is around 71% and this may become like 75%, 25%, because roads we see lots of huge opportunities coming up, Power T&D of late we are not seeing any new orders coming in.
- Ankita Shah:** Sir, this is the revenue mix for the quarter, right?
- Paresh Mehta:** No, this is I think for the intent.
- Satish Parakh:** Going ahead.
- Paresh Mehta:** Going ahead, for the quarter around 20%, 21% is power and balance is road.
- Ankita Shah:** Okay sure. And one last one how much has been the equity invested so far in this year and any change in plan going forward that we have highlighted earlier?
- Paresh Mehta:** So in this year our basic equity which has been invested only is in Ranastharam of Rs. 40 crores and going ahead we expect in this year monies to be invested in by March 2018 only approximately Rs. 20 crores to Rs. 25 crores and balance will be in the 2018-19.
- Moderator:** Thank you. We will take the next question from the line of Vibhor Singhal from Phillip Capital. Please go ahead.
- Vibhor Singhal:** Sir, just two questions from my side. Both on Chas and Islampur project, you mentioned that basically we have started work on that. Now given that these projects have been significantly delayed by more than one, one-and-a-half



years I mean I still do not see there is no revision in the project cost in the order book details that have been given. So is that a mutually agreed term with NHAI that the project cost remains the same or are we eligible for some kind of escalation in the project cost for these projects because of the delay from NHAI side?

**Satish Parakh:** See these are basically EPC projects and they cover for escalation. So major escalation will be passed through though; definitely certain claims company will be raising for idling of resources.

**Vibhor Singhal:** Right, so when you said that the company and the NHAI have agreed not to terminate and take forward these projects are those terms also have been agreed by NHAI or they are still kind of in the approval process?

**Satish Parakh:** Normally these terms are never agreed by any government authority. But if there is an escalation pass through we thought we will go ahead. And in the course of time definitely if there are certain losses they can be claimed and justified through arbitration.

**Vibhor Singhal:** Fair enough, sir. Sir, my second question is on the MIAL project, the airport real estate project so what is the kind of progress on that and when does it look likely that the execution will start on the project, when do we start putting in the money and the timelines?

**Satish Parakh:** Yes, we are expecting certain clarities on this project. So we have not paid any advance to the authorities. So in maybe another one or two months there will be clarity and then it will get started.

**Vibhor Singhal:** Okay. But sir just wanted to take your opinion on this project. So like we were earlier looking to start this project much before December itself last year and now we are in February and we are still looking for another couple of months till we get those clarity and then we can start execution. So I am sure in the initial phases itself there lot of ambiguity regarding this project, and given that it is kind of a non core domain in which we ventured. Is there any possibility of this project actually not happening at all or are we beyond

that stage and we are certainly doing this project irrespective of however delay it might be?

**Satish Parakh:** See this is all a function of the clarity which we are yet to get from the authorities. If they are not able to clarify the usage part of it to the very clear extent then it may get dropped and if usage part as Supreme Court has already decided on certain usage but still authorities have not written to us. So unless authorities write to us and clarify us then only we can go ahead.

**Vibhor Singhal:** And by authorities here we mean the Airport Authority of India?

**Satish Parakh:** Airport Authority of India basically MIAL which is a joint venture of GVK and Airport Authority of India.

**Vibhor Singhal:** Okay right. But the land on which we were allocated this project, that land is in possession of MIAL or is it still part of that?

**Satish Parakh:** Land is very much clear, land is very much in possession it is the usage which they have earlier agreed in the Hyundai agreement between MIAL and Airport Authority and then there has been recent judgments by Supreme Court that they have relaxed usage of space. So this clarity now has to be given by Airport Authority to MIAL and MIAL to us. So the process is on.

**Moderator:** Thank you. We take the next question from the line of Anup Agarwal from Cogencis. Please go ahead.

**Anup Agarwal:** So I just wanted to know what sort of projects are you anticipating particularly from this Bharatmala project, sir?

**Satish Parakh:** See Bharatmala is basically four laning, six laning, EPC as well as HAM projects. So the nature of projects what we have been bidding earlier and what we will be bidding now are same.

**Anup Agarwal:** Sir, and just a clarification. You expect from the Rs. 60,000 crores of projects that are likely by March you are expecting to get about how much out of that?

- Satish Parakh:** See, we will be participating on all these projects. Either Q4 or Q1 we should get around Rs. 4,000 crores to Rs. 5,000 crores of projects.
- Moderator:** Thank you. We take the next question from the line of Prem Khurana from Anand Rathi. Please go ahead.
- Prem Khurana:** Sir, I think in your opening remarks you said that you see BOT as an incremental opportunity for you so does it mean you intend to participate for the projects that could come up on BOT basis and would you want to go solo or would you want to rope in a partner for the same?
- Satish Parakh:** See we are discussing with various partners, so this will be definitely with a partner. Our whole objective is to do O&M for them which will be a substantial part given the size of projects.
- Prem Khurana:** Sure, which means most probably you will be a minority owner and you will not own a significant chunk in the SPV because the idea is to have maintenance or the augmentation part of the project?
- Satish Parakh:** Either minority small stake or nil also. But we can be a co-partner for assessing traffic as well as for taking O&M responsibility.
- Prem Khurana:** And could you please help me with the equity requirement I think when you gave us a number of what you would be requiring pertain to this year in the remaining part of this year, but how much is pending overall?
- Paresh Mehta:** See if you drill down for 2017-18 what equity we will require to be funding for our Kharar-Ludhiana and our CGD project would be to the tune of around Rs. 70 crores and for 2018-19 including all the projects that is Hungud, Bagewadi, Kharar, Ranastalam and the CGD this would be to the tune of Rs. 120 crores. So this is for 2018-19 and then balance for this existing set of projects would be approximately Rs. 45 crores. Now here I am not talking about MIAL at present. At present MIAL is outside, MIAL will entail approximately at Rs. 240 crores of investment spread over two to three years time.

- Prem Khurana:** But when we were looking for a partner for MIAL right or the process was underway so any progress have we finalized any partner there?
- Paresh Mehta:** So we have spoken to agencies and we have freezed on certain people and as soon as the project gets a clarity we definitely rope in the partner and we will get going.
- Prem Khurana:** And sir would these be financial partners or strategic partners as I mean someone who would have some experience in real estate, leasing?
- Paresh Mehta:** I think that is what we suggested last time to be a strategic partner who will use their skills also.
- Moderator:** Thank you. We take the next question from the line of Nitin Arora from Aviva Life. Please go ahead.
- Nitin Arora:** Just one question on this recent tenders which we saw in the Maharashtra State about EPC and we saw one of the tender which got bid out yesterday so the information came today but are these the similar packages what we saw 31 packages of about Rs. 7,000 crores, so are we participating in this which average size project size is Rs. 300 crores to Rs. 200 crores range?
- Satish Parakh:** No, we are not participating in smaller projects, but Maharashtra is coming up with HAM projects also. And we are intending to participate in HAM projects.
- Nitin Arora:** What is the status on that because that tender got published last year in April and then they changed the modus operandi over the last one year, are these tenders now finally out for bidding?
- Satish Parakh:** Yes, tenders are out for bidding and the process is already on.
- Nitin Arora:** Okay and sir my second question is that there were three KSHIP projects where finally the KSHIP Authority agreed for a 75% annuity in the upfront payment on the HAM side. I think we participated in that, are those bid out now?

**Satish Parakh:** No, we did not participate in these projects.

**Nitin Arora:** And second thing sir, with respect to not timing from a quarterly perspective, the order inflows generally given the way we have been in our approach being more conservative because of the competitive intensity, which I think is part and parcel of this sector. Where because competitive intensity is not going to come down, we are seeing more players coming in and bidding out and today I mean if you look at about ten projects has got bid out in the last one month.

I am not saying you have not participated though in every project but there are different players winning every project. So where do we have our intent because if the bump up happens whether in Q4 or Q1 but if we keep on looking a competitive intensity then we may lose out some models. So I just want to know that where you think apart from competitive intensity you will be comfortable in terms of winning the orders?

**Satish Parakh:** See we have not been conservative as understood by the market. But we have been very, very realistic. We believe in doing complete home work and then approaching a project and we understand this business last 30 years. So definitely we have an extraordinary strong team in place as far as bidding is concerned and the execution is concerned, and we understand this business not as of today, but since three decades. So absolutely saying that we are very conservative is absolutely wrong.

We have been the first ones to venture into BOT sector successfully holding good amount of asset, EPC wise we are building record projects in the country. We had been appreciated for our speed and quality everywhere. And we would like to maintain this personality of the company. And looking at the orders coming up, like Rs. 113,000 crores is what NHAI and MORTH along with NSDC wants to bid in next three months. So looking at the opportunity one need not be unrealistic in bidding and just going after building up the order book. At the end of the day it has to throw bottom line.

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

**Ashish Shah:** On the MIAL project again, while we are still awaiting certain clarity, just in case so this is I assume some clarification that we have asked from the authority and based on suppose if there is no response or the response is not favorable and we decide not to go ahead with this project, are there any financial implications like any guarantees given which could be under threat in terms of getting encashed or anything like that?

**Satish Parakh:** No, I do not think there is any threat or any guarantee on any occasion because this clarification I have been asked from day one.

**Ashish Shah:** Right. So this is kind of a pre-bid issue which has got continued even now?

**Satish Parakh:** Correct.

**Ashish Shah:** Also in terms of you spoke about the roads business, highways business. How about T&D are there any material projects that you are bidding right now and is there anything in the pipeline?

**Satish Parakh:** See of late we have not seen much of bidding happening in power distribution sector EPC but we do expect some of the states to throw up large number of projects. Like UP is aggressive in coming up with another set of projects. Bihar is again coming up with another set of projects but they are still not come to the bidding level. Means bids have not been out yet. So programs are there.

**Ashish Shah:** Okay, there has been an increase in the working capital debt in this quarter vis-à-vis the previous one. So is there is it got to do with the normal scale up of revenues which is happened has led to that or there is any specific issue in terms of receivables in the T&D business which could have led to this?

**Paresh Mehta:** No, it is a tiny issue only. Our working capital requirement has not gone up in any way much. In fact on 2<sup>nd</sup> January we received payments to the tune of Rs. 213 crores which was to come actually two weeks back. So otherwise the numbers would have remained as we have been stating in the range of total not more than Rs. 120 crores, Rs. 125 crores.

So I think so it is more of a tiny issue working capital continues to be still under control and not a big challenge because as you said, in power when we are working now in Bihar and UP, payment terms are quite reasonable. So payments are coming in time and advances are factored into the contracts even mobilization was factored into the contracts so not much of a capital being locked up.

**Ashish Shah:** Sure, the last bit. The other income seems too high for the quarter. Is there anything specific in terms of any one off income there?

**Paresh Mehta:** No, basically vis-à-vis December 2016 if you compare interest received from subsidiaries has gone up so it is an internal on a consolidated basis probably it would not have impacted and income from our Maldives project gave some income almost Rs. 4 crores plus from the Maldives project for the quarter. So these are two majors, interest income of Rs. 8 crores and partnership income of Rs. 4 crores.

**Ashish Shah:** So that is essentially reflected in other income Maldives project, our share is getting?

**Paresh Mehta:** Share of profit is generally accounted in the other incomes.

**Moderator:** Thank you. We will take the next question from the line of Ankush Mahajan from JM Financial. Please go ahead.

**Ankush Mahajan:** Sir, my question is related to your T&D business you have already said, how do you see this ordering activity in coming days and how is the payment basically from the government side on these projects, and these are orders on behalf of IPDS and Deen Dayal Upadhyaya Yojana?

**Satish Parakh:** See the payment has been quite consistent as far as Bihar and UP and Jharkhand are concerned and these are all backed by REC PFC funding. So payment wise we have not seen much of issues in this project.

**Ankush Mahajan:** And sir, are there ordering activities?

- Satish Parakh:** Ordering as I said there are programs. Bihar Government is coming up with another set of projects. Jharkhand is also planning something, UP is also coming with large number of project as far as power T&D EPC is concerned. But still big bids have not been declared.
- Ankush Mahajan:** And sir there is an issue that related to GST, GST rates are higher on the contract side as compared to VAT and excise duty. So that is resolved or still going on?
- Satish Parakh:** No, these are still to be resolved by state governments though all the calculations have been submitted and they are under the evaluation stage for compensating the difference of GST.
- Moderator:** Thank you. We will take the next question from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.
- Parikshit Kandpal:** Just a follow up on the MIAL question. So you had sought clarification from AAI so will it become more favorable now after the Supreme Court judgment?
- Satish Parakh:** It will become more favorable, yes. It is favorable and this was the understanding given in the bid documents for which we had asked for the clarification and that clarification is the process which is now.
- Parikshit Kandpal:** Is it more of bureaucratic issue here or is it getting delayed because of this?
- Satish Parakh:** There is no bureaucratic issue. It is a process for which even though the judgment is given but there is Airport Authority which in turn has to give this rights to MIAL and then MIAL can pass it on to us.
- Parikshit Kandpal:** But if the conditions have been relaxed so will it incur?
- Satish Parakh:** This was a clarification actually condition has not been relaxed. But clarification has been given by Supreme Court that this is what is. There was a dispute about understanding of the agreement which has been clarified now.
- Parikshit Kandpal:** But it will anyway?



- Satish Parakh:** But it has still to be clarified by AAI to MIAL and MIAL to us.
- Parikshit Kandpal:** But will it mean that the deal will get revalued or probably AAI may get some more share if the conditions are relaxed?
- Satish Parakh:** See there are various options now that is exactly the process which is going on.
- Parikshit Kandpal:** So it is more about viability of the project after relaxation whether it is acceptable or not for the parties?
- Satish Parakh:** If it is the terms of relaxation then it will becomes a different issue and which is the clarification then it is a different issue and this is all being evaluated now.
- Parikshit Kandpal:** Sir, just coming back on HAM. So at what point of time do you think the fatigue will set in because we already have like Rs. 450 odd crores of pending equity requirements we are bidding for the HAM project. So suppose if we get couple of projects there will be another equity requirement of Rs. 200 crores to Rs. 300 crores. So at what point of time fatigue will set in for bidding for the HAM projects?
- Paresh Mehta:** For HAM project generally we are bidding with an equity requirement in the tune of around 12% to the project cost. And we are bidding under ACL so we definitely we have today or tomorrow we will have a partner will also fund the projects to their extent so almost 30% to 39%. From that perspective I think that we should for executing HAM projects we will never face the challenge on equity perspective. The profits generated from the HAM projects will be sufficient to fund the equity.
- Parikshit Kandpal:** And sir, right now the portfolio is like under construction, the HAM portfolio and if we take two big projects of Rs. 1,000 crores each we have to pump in roughly around Rs. 240 crores over next two years say up to March. We already have a big pipeline of Rs. 450 crores of equity to be invested over next two, two-and-a-half years. So basically and even if I do the cash flow math so there will still a shortfall.

So maybe we have to wait to fund its equity because equity is upfront which we have to bring in. So coming from that point at what point of time we will be comfortable the mix of taking the HAM projects and balancing it out with the EPC?

**Paresh Mehta:** The number of Rs. 450 crores typically includes the MIAL project also. If you are talking of a 100% investment so that will be reduced to half, that is what we have given in our plan. So that is one part. Second part also is in this Rs. 450 crores we have not factored the equity to be put in by the partner under ACL. Today we are already looking at a partner who could bring in equity also fresh equity for ACL.

So from that perspective we will not be stretched even for this Rs. 450 crores of funding to be done. In case there is a timing mismatch you can always borrow for some time and then again replace it with the equity which will come in to ACL for funding of this HAM project.

And as I said along with our HAM projects we also are doing the EPC contracts which are throwing cash profits. So this will also contribute to any equity requirement. So I think from an equity perspective we may not necessarily be very strict.

**Parikshit Kandpal:** And just on the state projects are there two big projects coming up for bidding which is Mumbai-Nagpur and Lucknow-Ballia Expressway. So if you can just give some visibility on these two projects in terms of where we stand as of now?

**Satish Parakh:** See both these projects we have applied for and Lucknow Expressway we are already qualified. And Nagpur also we have been qualified a part of the project like 15 projects are coming we have been qualified for 10 projects.

**Parikshit Kandpal:** And what will be the bid timelines here like when do you expect these projects to be bid out?

**Satish Parakh:** It should be in Q4.

**Parikshit Kandpal:** Okay Q4 both the projects probably will?

- Satish Parakh:** Yes.
- Parikshit Kandpal:** And both have the early completion bonus component here I mean what I understand was that Lucknow-Ballia it is there so?
- Satish Parakh:** No, both have early completion.
- Parikshit Kandpal:** Up to how much like 6% or like how much of the project cost?
- Satish Parakh:** 5%.
- Moderator:** Thank you. We will take the next question from the line of Parvez Akhtar from Edelweiss. Please go ahead.
- Parvez Akhtar:** Sir, one thing. Just wanted to get a guidance about the tax rate going ahead?
- Paresh Mehta:** So for 2017-18 whatever we have indicated around say 22% I think so we will close the CR with the same number. Going ahead 2018-19 probably we will slightly go up because my component or 2018-19 also would be in the range of 22% to 24%. Later on then it will keep on increasing because then most of our ATI projects will close out.
- Parvez Akhtar:** And the second thing is I am sorry if you have spoken about this again but just wanted to know about the status of the Chennai IRR our project?
- Paresh Mehta:** So the Chennai IRR project as we are coming out with a PCOD we believe it has already been given by the department. We are awaiting their formal letter and we believe that before March they should also be processing the annuity. So it is just kind of a it is not breaking time for the whole process to end.
- Moderator:** Thank you. We will take the next question from the line of Rita Tahilramani from SBICAP Securities. Please go ahead.
- Rita Tahilramani:** Sir, two questions from my side. If you could help us with the equity requirement project wise how much you have increased the rate in Kharar and Ranastalam projects and Hungud and Bagewadi projects? And secondly, on the mobilization advance how much we have received in FY18 till date and what is expected going forward?

**Paresh Mehta:** So as far as equity is concerned in Kharar we have to still infuse around Rs. 95 crores which will be infused in 2018, 50%; in 2019 another 50%. So yet to be done. In Ranastalam Rajasthan we have to still infuse Rs. 71 crores which will be infused Rs. 36 crores in 2018-19 and another Rs. 36 crores in 2019-20.

**Rita Tahilramani:** And how much are we infused till date?

**Paresh Mehta:** In Ranastalam we have already infused Rs. 38 crores and in Kharar we have already infused Rs. 68 crores.

**Rita Tahilramani:** And in the Bagewadi and Hungud projects?

**Paresh Mehta:** Bagewadi and Hungud projects in 2018-19 we will infuse Rs. 12 crores and Rs. 13 crores each and then most of the equity will be infused. Total equity to be invested in both the projects was Rs. 100 crores. So we have already invested Rs. 75 crores and Rs. 25 crores yet to be invested.

**Rita Tahilramani:** And in terms of mobilization advance how much have you received in the current year till date?

**Paresh Mehta:** Around Rs. 170 crores which we have received.

**Moderator:** Thank you. We will take the next question from the line of Divyata Dalal from Systematix Shares. Please go ahead.

**Divyata Dalal:** Two questions from my side. One on the traffic growth. We mentioned this quarter the average growth was around 15% and this is likely to continue in 4Q. What would be the view for FY19?

**Paresh Mehta:** I believe having covered certain I think so it should slightly stabilize it will go down may be it will remain if the GDP continues to start moving up then it should be in the range of 8% to 9%. It is kind of a guess. Definitely we will have to see how it pans out.

**Divyata Dalal:** Sir, even when the base effect comes in like since this full year we have seen a higher base?

- Paresh Mehta:** It is still catching up. So the full catch up which was to happen for two years is still fully not over that is what we believe. So some catch up is still pending.
- Divyata Dalal:** And secondly, on the standalone side on the EBITDA margin here we have been guiding around 13% odd and in this quarter there was slight lower margin that reported at around 12%. So was there any one off in this quarter or was there more execution for power distribution?
- Paresh Mehta:** One of the major drivers is one of the Ranastalam project is just started and we are not recognizing profit because up to 5% we do not recognize as a policy. So that is one. Otherwise I think so we will by the end of the year we will continue with our guidance of 12.5% to 13% EBITDA margins at EPC level.
- Moderator:** Thank you. Ladies and gentlemen, as there are no further questions from the participants, I would like to hand the conference over to Mr. Ashish Shah from IDFC Securities for closing comments.
- Ashish Shah:** On behalf of IDFC Securities, I would like to thank the management of Ashoka Buildcon for giving us the opportunity to host this call. Sir, would you like to make any closing remarks?
- Paresh Mehta:** We thank everybody for participating. In case you have any further queries, you may connect us or get in touch with Stellar Investor Relationship, our Investor Relations Advisors. We thank everybody.
- Ashish Shah:** Thank you very much, sir. Thank you, participants.
- Moderator:** Thank you very much, sir. Ladies and gentlemen, on behalf of IDFC Securities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.