



Ashoka Buildcon Ltd.

“Ashoka Buildcon Q4 FY2020
Earnings Conference Call”

June 16, 2020



Ashoka Buildcon Ltd.



MANAGEMENT: **MR. SATISH PARAKH – MANAGING DIRECTOR**
MR. PARESH C. MEHTA – CHIEF FINANCIAL OFFICER

ANALYST: **MR. ROHIT NATARAJAN - ANTIQUE STOCK BROKING LTD.**



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Moderator: Ladies and gentlemen, good day, and welcome to the Ashoka Buildcon Q4 FY2020 Earnings Conference Call, hosted by Antique Stock 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 the 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. Rohit Natarajan of Antique Stock Broking Limited. Thank you and over to you, Sir!

Rohit Natarajan: Thank you Aisha. On behalf of Antique Stock Broking, I welcome you all to the Q4 FY2020 post results earnings conference call of Ashoka Buildcon. We thank the management for giving us the opportunity to host the call. Today, we have with us Mr. Satish Parakh – Managing Director and Mr. Paresh C. Mehta – Chief Financial Officer of Ashoka Buildcon. I would now hand over the call to the management for their opening remarks, post which we can start the Q&A. Over to you Sir!

Satish Parakh: Thank you Rohit. Good afternoon everybody. Welcome you call to our earnings conference call for the quarter and the year ended March 31, 2020. Joining me on the call is Mr. Paresh Mehta, our CFO. I hope you all are staying safe and healthy during these unprecedented times. To start with, I will initially brief you on industry updates followed by company’s performance during the year and other company developments.

The current financial year has been challenging for the infrastructure sector. Delayed appointment dates, due to delay in land acquisition by NHAI coupled with prolonged rains has impacted execution during the year. Further, outbreak of COVID-19 pandemic has created the short term disruption in the sector. Construction activities came to a grinding halt amidst lockdown across the country. It has impacted the business operations of the Company, from the last fortnight of March 2020 by way of disruption in construction activities, closing down of toll plazas, supply chain disruption, unavailability of labor, etc., due to the nationwide lockdown. However, partial resumption of construction activities have commenced at the project sites and tolling activity has been resumed at almost all the toll plazas while ensuring that all safety measures set out by the government are being adhered to.

Presently we are operating at 50% operational efficiency and expect gradual ramp up in coming times. Labor availability at site today is between 50% to 65% of the required work force and expect to reach normalcy in the near future. On BOT projects, within three weeks of resumption of toll, we have reached around 85% pre-COVID toll collection levels. We expect the same to come back to normal in coming months with the overall revival of the

economy. The revenue and profitability to be impacted for Q1 FY2021. We expect business to be near to the normalcy in three to four months. We have made a detail assessment of our liquidity position and do not foresee any challenge in servicing the debt in near term.

During the year, tendering and awarding of projects of NHAI has been subdued primarily, due to lower government spending and delay in land acquisition. With improved scenario, in terms of land acquisition and availability of funds, the awarding activity has started to pick up towards the end of the year. Furthermore, the ordering activity has impacted on account of the nationwide lockdown. Huge order pipeline was deferred due to the outbreak of COVID-19. We expect higher awarding activity in the near future.

With the view to provide require support to the sector during this challenging time, central government has come up with various measures, like allowing three to six months of extension of the project period in addition to the existing contract period, reducing due payments within the stipulated timeframe, releasing pro rata bank guarantees for the value to the extended project work is completed, allowing moratorium period for the repayment of loans and deferment of interest payments, reduction in interest rates, allowing grace period for payment of government duties and taxes to aid liquidity. We believe these measures will provide urgent relief in view of prevailing situation COVID-19.

Over the years, road infrastructure has been a key government priority. To give further impetus and to ease funding issues in the infrastructure sector, the Government of India has introduced national infrastructure pipeline, an investment plan with an outlay of Rs. 111 lakh Crores, wherein, road sector constitutes around 20 lakh Crores, which is the record highest beneficiary in National Infrastructure Pipeline. The NIP outlines around 1,820 projects with the length of ~89,000 km to be implemented by 2025. In the road sector, the projects include construction of new expressways such as Delhi, Mumbai, Bangalore, Chennai and so on. Also to accomplish government ambitious Bharatmala Priyojana phase I in the stipulated time. We expect awarding activity to boost significantly going forward.

Now coming to the company's performance during the quarter. Order intake during the quarter, we won Tumkur-Shivamogga package-III which is a HAM project, worth Rs. 1,036 Crores from NHAI in Karnataka under Bharatmala Priyojana. Also, we have signed the concession agreement for the project. With this, we have signed the concession agreement for all three HAM projects, which we have won in around one year. Currently we are in the process of tying at the debt for the said projects and expect to do the financial closure in near term. The company's total order book as on March 31, 2020 stands at Rs. 8,379 Crores. The order book excludes Tumkur-Shivamogga package-III worth Rs. 602 Crores, EPC agreement for the same was signed in May 2020. Including this order, the order book

stands at Rs. 8,981 Crores. The breakup of the order book is as follows: Road projects comprise around Rs.6,717 Crores, which is 80% of our order book. Among the road projects order book HAM projects are to the tune of Rs. 4,324 Crores and EPC projects Rs. 2,393 Crores. Power T&D and others comprise of around Rs. 699 Crores, which is 8.3% of our order book. Railways contribute around Rs. 903 Crores, which is 10.8% of our order book and our CGD order balances is around Rs.60 Crores.

Moving on to other key developments, I am happy to share that our subsidiary of Ashoka Constructions Limited, SPV Ashoka Kharar Ludhiana road project received the COD on March 31, 2020. The SPV is eligible for receipt of annuity payments from NHAI within the six months from the date of achievement of COD. Also the SPV has issued a provisional completion certificate for completion of 93% length. That is all from my side. I will now request Mr. Paresh Mehta to present the financial performance of Q4 FY2020.

Paresh Mehta:

Thank you Sir. Good afternoon everyone. The result presentation and the press release for the quarter have been uploaded on the stock exchanges and on the company's website. I believe you all had had an opportunity to go through the same. Now I would present you the financial results for the quarter ended March 31, 2020. Starting with the consolidation results, the total income for Q4 FY2020 stands at Rs.1,609 Crores as compared to Rs.1,624 Crores in Q4 FY2019. The revenues which were slightly impacted due to the nationwide lockdown imposed by the government to control COVID-19. EBITDA stood at Rs. 499 Crores in Q4 FY2020 with a margin of around 40%.

Now coming to the standalone numbers, the total income for Q4 FY2020 stands at Rs.1,289 Crores as compared to Rs. 1,345 Crores in corresponding quarter last fiscal. During quarter four FY2020 BOT division recorded a toll collection of Rs.228 Crores. EBITDA for the quarter was at Rs.264 Crores as compared to Rs.220 Crores in corresponding quarter last year. EBITDA margin was at 20% for Q4 FY2020. The company reported profit after tax of Rs.164 Crores in Q4 FY2020. PAT margin stood at 12.7%. Total consolidated debt as of March 31, 2020 stood at Rs.5,676 Crores of which project debt is Rs.5,276 Crores, which includes Rs.150 Crores of NCDs at ACL level. The standalone debt is Rs.400 Crores which comprises of Rs.231 Crores of equipment loan, Rs.169 Crores of working capital loans.

During the quarter, we have made the payment towards redemption of Rs.150 Crores of NCDs. 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. The first question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.

Mohit Kumar: Good afternoon Sir and congratulations on good set of numbers. I understand it is difficult to forecast or give any guidance at this point of time for FY2021, but Sir, can you just comment on how the Q1 is coming up and what is your expectation for the rest of the year and when we expect the normal revenue to come back. Secondly Sir on the asset monetization, is there something which you can guide right now, I do understand this is difficult but having said that is there something which you think can be done over the next five to six months?

Satish Parakh: If you look at Q1, if you see everyone completely entering to lockdown, certain activities have picked up to the level of 30-35% and now activity has gone in June up to 60%. So Q1 we do not expect more than 50% percent of the last Q1 revenue compared and overall year guidance are hopeful that from July onwards entire normalcy should come or maybe in August and we should be able to catch up almost the same numbers as last year. So you may not see any growth this year.

Mohit Kumar: Okay. So we are not expecting any growth? Am I right for the FY2020...?

Satish Parakh: I am not expecting growth in this year because two reasons, one is the balance time include the monsoon. So we will be left with only two quarters to really perform.

Mohit Kumar: Right. Second on the asset monetization, if you can comment Sir.

Satish Parakh: Asset monetization was in advanced stage, but after the lockdown and this COVID-19, it is under hold, so they will come back to us when they see the normalcy and also, we are seeing in toll collection almost 85% of the toll has come back. So maybe another month's time or two months' time, we will restart the negotiations.

Mohit Kumar: Okay. So my last question Sir, how is the work progressing on the UP expressways? Has it picked up, we have heard a lot of positive news in the phrase, is that something which is you said contribute significantly in the H1 FY2021?

Satish Parakh: Yes. On the Bundelkhand expressway the work has began and the pace is also very good. We are almost to the 80-85% of the pace has come back.

Mohit Kumar: Okay. Understood Sir. Thank you, Sir, and best of luck.

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

Parikshit Kandpal: Congratulations on good set of numbers. Sir my question was on the liquidity release which we are expecting you briefly touched upon it earlier in the call on the partial bank guarantees being returned and then there could be possibly a monthly payment on HAM. So what kind of relief on overall bases on the liquidity side we are expecting to get this year? If you can quantify in terms of like...

Satish Parakh: See overall attitude of NHAI is to support the system by paying fast. So whatever dues were there was paid at a very fast pace, we have received payments in April, we have received payments in May and government is very positive on liquidity in the sector. Various responded circulars which have come for releasing of retention money, so we have made applications, but till date we are not received anything.

Parikshit Kandpal: So can you quantify the retention money lying with NHAI as of now and how much we have made the application for it like you have done?

Satish Parakh: These numbers will give you later.

Parikshit Kandpal: Okay.

Satish Parakh: It is at various stages, they look at completion of the project and if substantial completion has done then substantial retention money gets released.

Parikshit Kandpal: Okay and just Paresh Sir if you can touch upon the one-offs because the margin for this quarter looks to be very high, so we can then touch upon any one-off during the quarter and what kind of provisioning we have done in this quarter, so that we can understand the results better?

Paresh Mehta: The margins are looking very robust. One of the contributions are basically quite a few projects in the power as well as Kharar Ludhiana and Anandpuram have come to fag end so there is some release of contingencies, which were provided for got released in the revenue side, so that got accounted and also certain additional items, which are to be executed of good margins has contributed to this, so release of contingencies, release of escalation provisions, and this certain change of scope items, which are executed have contributed to this increased margins.

Parikshit Kandpal: Okay. Sir if you can quantify like how much of the amount should be helpful to understand the margins better.

Paresh Mehta: So these amounts would be in the range of approximately Rs. 100 odd Crores.

Parikshit Kandpal: Okay and just last thing on the liquidity side earlier you said that we have done a detailed assessment of the liquidity and you feel comfortable at this position and even NHAI is supportive. So any reason specific reason why are we looking to raise funds and basically value equity at the current levels?

Paresh Mehta: So the decision of raising funds was made just before the COVID set in like when it was in the project set in, but we believe that already last whole year we had NCD of Rs.150 Crore we thought which we paid off in March and in case whenever required we would raise, so that is one of the reasons of raising any debt instrument in the market depending on cash flows, so in case new projects are coming in if equity is required then if the need is required to fund that equity it is an enabling provision, the resolution is more of enabling, so otherwise liquidity is still comfortable in view of the RBI benefit, which was given for all the toll projects, moratorium and deferment of interest. So that also has helped in probably releasing the liquidity pressure if any.

Parikshit Kandpal: Okay Sir. Thank you. That is all from my side.

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

Ashish Shah: Thank you. Sir a couple of questions. One, what was the exact appointed date for the Bundelkhand Express Sir?

Satish Parakh: I think around 15 years.

Ashish Shah: Around 15 year.

Satish Parakh: Sir secondly on the Tumkur – Shivamogga packages, you can just update on the package three as well as package four, and FC and appointed date, land status, so by when can we expect that we start getting some revenue out of these two packages and the Kandi Ramsanpalle as well, I mean where are we in terms of the land there...

Satish Parakh: Three new HAM projects, basically we are supposed to do the FC by June end, but now it will be done by September end because banks were not functioning all along April and May on any of this financial closure works. So anyway we are getting extension of three months because of COVID. So we should be able to start work in October on all the three and land acquisition position Kandi Ramsanpalle has 93% of land already in place, Package III of Tumkur – Shivamogga has 89% land in place. Only package IV has only 64% but we expect by September end, they should also be 80 plus.

Ashish Shah: Sir all this is 3H, right?

Satish Parakh: Now, these are all 3H, yes.

Ashish Shah: Right. Fair enough. Sir also on the cash balances that I see, so standalone cash balance was about 291 Crores and on the consolidated basis, it is 754 so if I see the difference I think the difference is almost 460 Crores and this is a highest that we have seen, so any particular reason we are holding so much cash in the subsidiaries, is it meant for some capex commitment or something or the cash is actually available to us to be used. If you can just help clarify that?

Paresh Mehta: Out of Rs. 754 Crores which you see in the console number of which Rs. 300 Crores is Ashoka Buildcon standalone cash, which is almost Rs. 240 Crores, almost free cash, Rs., 60 Crores of cash balances which are lean for bank guarantees. FD has leaned for bank guarantees. Now when we come back to the other SPVs which are holding cash, there were payments, which we have received in couple of SPVs like Kharar, Ranastharam and Belgaum where almost Rs.150 Crores of cash was lying as of March 31, 2020, which later on got transferred as EPC payment to Ashoka Buildcon. So from that perspective that cash Rs. 150 Crores has finally come to ABL and then there are cash which was created for projects like Bagewadi, Hungund where requirement of DSRA and MMRA's requirement as per the contract and because these contracts got over last year, this reserve build up is required. These are being created in the form of FDR. So Mudhol Nipani, Bagewadi, Hungund and we have certain cash in Jarora- Nayagaon of approximately around 60 odd Crores, which is cash accumulated over the period of time.

Ashish Shah: Okay. Just lastly given the moratorium that you would have received and given where the toll collections are, any estimate you have of the loss funding that might be required any shortfall funding that might be required this year in the BOT projects?

Paresh Mehta: So as of March we had paid all the interest and principle for the balance six months we will be paying the interest because there is only a deferment of that required and the principal amount of installments have been moratorium for permanently for six months over the additional loan period. From that perspective, we believe that ACL as a holding company, will manage its cash flow internally because we will have certain surplus at Jaora Naygaon, which will take care of any cash shortfall at projects like Sambalpur which generally is still requiring cash. So overall, we should be cash neutral within the portfolio.

Ashish Shah: Sure so no incremental support from Ashoka is what you are saying?

Satish Parakh: Yes effectively low.

- Ashish Shah:** Sure. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Vibhore Singhal from Philip Capital. Please go ahead.
- Vibhore Singhal:** Good afternoon Sir. Thanks for taking my question. Sir so just to harp on where Ashish just left, so basically if I am to understand correctly at this point of time for all the SPVs, we are not availing any waiver or deferment of interest. Only the principle is being deferred, which will add up cumulatively to our debt number at the end of the financial years?
- Paresh Mehta:** The deferment of interest we are availing to the extent of whatever is not payable during the intermittent periods like suppose for month of April, we hardly collected eight days toll. So that is being used for interest payment, but balance is being deferred till whenever cash flow is created so first application of the money will be towards interest payment and then the principle amount will definitely be deferred. So that balance will remain for servicing of the project throughout the year end.
- Vibhore Singhal:** So the interest that we are deferring, so let say the interest that in the month of April that we deferred and also in the month of May. So will that be basically a part of the cumulative that we pay towards the year or are we looking to use the provision to convert that into an FITL as the ministry has said and the increased our debt overall?
- Paresh Mehta:** At this COVID time, no. I think so the cash flows of the FC will be sufficient to pay off the interest and because they will know other application for that money, it will be useful service the debt so we do not want to increase any debt unless it has any alternative use because SPVs are Escrow managed, money will be used for servicing the debt, first interest and then principle, if there would be any extra left.
- Vibhore Singhal:** Sure and all this will as just to mention a repeat, all this will be managed by without any support from the parent company?
- Satish Parakh:** Yes. Because JTCL is already creating surplus.
- Vibhore Singhal:** Right. Sir at the parent company level, are we looking to avail the moratorium either have we availed it or are we looking to avail it at some point of time or now we are happy with the way things are at this point of time?
- Paresh Mehta:** As a parent company we do not have any long debt except for equipment loan where we are not opted because it is small amount and our cash flows are easily supporting it. So we want to remain as disciplined as possible and maintain the cash flows which is required not to

defer anything and cash flows being so comfortable, I think the parent does not require. We do have opted for additional loans 10% of CC loans from the existing bankers, but will be using them only when we required them, presently we are cash surplus.

Vibhore Singhal: Sure Sir. And also on the payments from the debtor side, we saw the debtor numbers in fairly good control, so any place or any specific segment or the state where you are facing some payment delays either in the Q4 or as of now where we stand in Q1?

Paresh Mehta: See most of the sectors, the road sector as our MD has already told that payments have come very comfortably from NHAI or MORTH. On the power side some challenges at the UP project but otherwise there is a reduction in the debtors in the last year.

Vibhore Singhal: Right. Lastly Sir just I think I missed the part, you mentioned something on that Macquarie deal, have the conversations with potential buyers begin again or are they looking to let say wait for the traffic to stabilize and only then the conversation starts?

Paresh Mehta: Yes, basically as Sir said as soon as the traffic comes to normalization the potential investors will start again, we will start discussing with the potential investors again, of course other investors are also interested in looking at the portfolio so options will be kept open but the existing potential investor who has already done diligence, definitely would like to start discussions as soon as he sees comfort in the traffic.

Vibhore Singhal: So as of now there are no discussions which are going on right?

Satish Parakh: Yes. I mean there is a hold now.

Vibhore Singhal: Yes sure. Great Sir. Thank you so much for taking my questions and wish you all the best.

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

Ankita Shah: Thank you. Sir you mentioned that the FC for the three HAM projects to be completed by September so when are you expecting the appointed date to come through for these projects? Will it come in this financial year?

Satish Parakh: Yes. As soon as we complete the FC, so we intend to start the project by October.

Ankita Shah: Okay. So it is delayed only because of the current situation that is the reason?



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- Satish Parakh:** Particularly two projects because of the current situation and Package IV because of land acquisition which will happen up to September.
- Ankita Shah:** So two of the three projects should start by October, right? The third one will still take time, right?
- Satish Parakh:** Third one also we expect to start by October.
- Ankita Shah:** Okay. All three of them, fine and Sir there are a couple of operational projects where you take toll rate hike from first of April. Did we manage to take this time or it is delayed now and will it happen this year?
- Paresh Mehta:** All those toll rates have already been given.
- Ankita Shah:** So you have taken toll rate hikes?
- Paresh Mehta:** Yes.
- Ankita Shah:** In the similar range, what you took last year?
- Paresh Mehta:** Yes. It is around 3.5 to 4%.
- Ankita Shah:** Okay from April 1st?
- Paresh Mehta:** Yes.
- Ankita Shah:** Okay and Sir how was execution on railway projects panning out and are there any more opportunities on that segment?
- Satish Parakh:** Railways pace is now picked up Punjab, Bihar and Jharkhand, all three projects pace has picked up and new projects more clarity at the deferring investment for all projects around Rs. 8,000 Crores of projects were lined up in coming two months, but we are not sure whether they will see the light of the day.
- Ankita Shah:** And payment?
- Satish Parakh:** Payments are being made in time in railways.
- Ankita Shah:** Okay and Sir any equity requirement numbers for this year, next year and how much is total invested in all projects put together?

- Paresh Mehta:** So there is not very much incremental equity requirement in the last quarter, but 2021, overall equity requirement would be approximately Rs.300 Crores and the next year, for 2021-2022 it would be approximately Rs.130 Crores, some deferment would happen for 2021 to 2022. So overall till date we have up to March 20, we have put in the existing HAM projects approximately Rs.650 Crores.
- Ankita Shah:** HAM project?
- Paresh Mehta:** Yes. HAM project.
- Ankita Shah:** Sir you are saying something Sir?
- Paresh Mehta:** Yes. Rs.650 Crores including annuity project also at 140 Crores, so you may take approximately 500 odd Crores for the HAM projects specifically NHAI based.
- Ankita Shah:** Okay. Sure. Thank you so much Sir.
- Moderator:** Thank you. The next question is from the line of Jiten Rushi from Axis Capital. Please go ahead.
- Jiten Rushi:** Thank you and congratulations on good set of numbers. Sir my question is regarding the revenue breakup between road, power and railways for Q4 and FY2020 please?
- Paresh Mehta:** For the Q4, the road revenue was Rs. 980 Crores, power was Rs. 137 Crores, and the railway revenue was Rs. 90 Crores
- Jiten Rushi:** And for the full year Sir?
- Paresh Mehta:** On the cumulative basis, the road revenue was Rs. 2,975 Crores, the power segment was Rs. 475 Crores, and railway sector was Rs.210 Crores.
- Jiten Rushi:** Rs. 210 Crores, for the full year, you are saying that Sir?
- Paresh Mehta:** Then there are some miscellaneous turnover of CGD and others for around Rs. 100 Crores.
- Jiten Rushi:** 100 Crores, so this is for FY2020 right Sir? 2975 Crores is for roads, 475 power and 210 railways, 100 is CGD?
- Paresh Mehta:** Correct.

- Jiten Rushi:** Right and Sir can you give me breakup for the unbilled revenues and the mobilization advance as on March and retention money on March and what is the mobilization advance, we are expecting this year Sir?
- Paresh Mehta:** So mobilization advance for March end was approximately Rs. 390 odd Crores and what is other question which you asked?
- Jiten Rushi:** Sir unbilled revenue and retention money as of March and mobilization advance expected from new projects this year?
- Paresh Mehta:** Unbilled revenue was Rs. 367 Crores.
- Jiten Rushi:** 367 and retention?
- Paresh Mehta:** Retention I would not have it off hand.
- Jiten Rushi:** How much additional mobilization advance we are expecting this year because now three projects are to start.
- Paresh Mehta:** Approximately Rs. 300 Crores.
- Jiten Rushi:** All three put together right Sir.
- Paresh Mehta:** And for Bundelkhand another Rs. 58 Crores.
- Jiten Rushi:** Okay and one is Kandi, so I was asking how much for these three HAM projects together.
- Paresh Mehta:** Together 300 Crores, for Kandi, TS-IV & TS-III.
- Jiten Rushi:** Okay. Got it Sir. Three HAM projects. Okay. Sir last quarter call, you said there was some receivables which were pending for the power T&D projects and that was around big number actually, you said some 500 to 600 was pending from the power T&D projects. So now what is the outstanding over dues from power T&D as on March or anything we have received in Q1 so far?
- Paresh Mehta:** In this two months, we have received around Rs.70 odd Crores, the total outstanding is around Rs.689 Crores in the power sector as of FY2020.
- Jiten Rushi:** And of it we have received 70 Crores so almost 620 Crores is the outstanding.



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- Paresh Mehta:** Yes. Will come in over a period of time and again that there is some advance also received approximately, you had asked for the retention amount that is approximately 195?
- Jiten Rushi:** Yes Sir.
- Paresh Mehta:** 195 Crores.
- Jiten Rushi:** Sir receivables in power T&D, will it take how much time to get light in the normalcy?
- Paresh Mehta:** Because this is a good billing has happened so they should come, post this COVID impact should come by three to four months' time, but this SPVs projects, once they stabilize, I think they should come in.
- Jiten Rushi:** 90 day to 120 days is the billing cycle for power payment cycle.
- Paresh Mehta:** Payment cycle generally is five to six months.
- Jiten Rushi:** Okay Sir. That is it from my side. Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Charanjit Singh from DSP Mutual Fund. Please go ahead.
- Charanjit Singh:** Hello Sir. Thanks for the opportunity. Sir if you can just help us understand on going forward in terms of the working capital, how do you see the requirement, and do you see some kind of elongation in the working capital cycle, what is the view on that?
- Paresh Mehta:** See our major constitute of the order book is 80% is roads, so at the present turnover of 4000 odd Crores which we have achieved this year and next year also as we have indicated the value, we will try to achieve 1x, I think so working capital requirement at this level should be sufficient to take us through this year as well as 2021 as well as 2022.
- Charanjit Singh:** Okay and Sir from the prospect perspective, now there are three different sectors which we will be targeting, one is roads and power T&D and may be railways also come to extent, so how do you see like the tender flow can start coming in or you think that it could be only in the second half that things can only pickup, what could be the scenario on the order inflow perspective pipeline?
- Satish Parakh:** See as far as roads are concerned, NHA MORTH already has bids of around Rs. 70,000 Crores. So this is a good pipeline which we will see in the next quarter. Already dates have been announced for Rs. 70,000 Crores project. Then there are states like UP, which are

coming up with huge mega project of Ganga expressway which is around Rs. 30,000 Crores. So we also expect to participate there and win something. As far as railways is concerned, not much of a clarity around Rs. 8000 to Rs. 10,000 Crores of works were ready but there will be bid out in near future, is not much of clarity. Power distribution also we are not seeing much of bidding activity to happen, maybe in the next one or two quarters. Overall, we expect to bag orders around Rs. 5,000 to Rs. 6000 Crores, state as well as NHAI.

Charanjit Singh: Sir but do not you think that states now with their fiscal position, they may not go in for the new project ordering and already we have seen some reports coming from UP where they want to stop any new project or just focus on the existing project completions?

Satish Parakh: See since they are in very much in advance stage of land acquisition, we feel that they are likely to come out with the Ganga Expressway

Charanjit Singh: Okay.

Satish Parakh: Lot of money is already spent on land acquisition.

Charanjit Singh: How is the funding for this particular project?

Satish Parakh: Presently, we are not seeing any funding shortfall on current Bundelkhand expressway. They have been paying very much in time, and this is all state funding which is healthy.

Charanjit Singh: Okay Sir. Thanks for taking my questions. That is it all from my side.

Moderator: Thank you. The next question is from the line of Dhananjay Mishra from Sunidhi Securities. Please go ahead.

Dhananjay Mishra: Hello Sir. Congratulation on a strong operating performance. You said current activity level across the project is 20% right or 50 to 60% of normal?

Satish Parakh: In June we have almost reached 60%.

Dhananjay Mishra: 60% activity level as well as labour availability, right?

Satish Parakh: Right. Both.

Dhananjay Mishra: And you are expecting things to normalize by August, September maybe...

Satish Parakh: By July we should cross 75% because labour now started returning, there are signals given from them and when transportation is arranged, they are ready to come back. So as soon as little movement starts from state government side, we will start getting the labor pushback. But July again July, August with the monsoon season, so even though labor comes, the activity will remain depressed as it there in industry in Q2, but Q3 & Q4 should be completely normal.

Dhananjay Mishra: Sir regarding this arbitration award, have we received the money of Rs. 200 Crores which we owned or still pending?

Satish Parakh: No. We have not received any arbitration award money.

Dhananjay Mishra: Okay. When can we expect this money to be received in timeline or any indication you have got?

Satish Parakh: We are going for consolation process with NHAI, which will happen in this quarter. So if NHAI is able to reach to certain figure, then monetization will happen fast. Otherwise we will have to approach courts and then it may take some time.

Dhananjay Mishra: This 75% immediate payment will not be happening as such?

Satish Parakh: Room is there, but then banks, this is against bank guarantee and bank guarantee, banks are giving only equal amount of deposit. So it cannot really help the liquidity. So it is better to reconcile and get settled so that money comes in without bank guarantee.

Dhananjay Mishra: Okay Sir. Thank you. That is all from my side. All the best.

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

Anupam Gupta: Sir just wanted some clarity on the monetization deal which you are trying to do, so on two aspects, first is for the BOT projects, are you seeing, do you expect any correction in valuations because of the traffic impact expected because of COVID and secondly on the HAM because of the difference in the interest rates which is hurting the returns, will that also play a role in the overall valuation which you may get for the portfolio?

Paresh Mehta: On the BOT projects, what we understand is we will get compensated for at least the lockdown period and certain project period. So that will not destroy the value for that extent. Second impact of the COVID is probably some growth impact which probably is someone today or tomorrow will get evened out. A small correction could be a possibility

from the potential investor side, but we do not think so, we will probably push for not much correction in the price because everything will get factored as today or tomorrow. It is a matter of time. If you ask from the HAM perspective, the bank rates have definitely gone down by more than a percentage in one year's time, but bankers, the lenders hardly pass on 15 to 20 basis point, but we believe that they will pass it over a period of time, what happens is from a valuation perspective, the valuation of any HAM project sale which are existing in the market, the structures which are available is typically on the date of the COD, what are the bank rates and the lending rates which will define the value of the project so I think we should and today we do not have the freeze on the value. We can freeze in a structure but the value can be defined by the bank rate and lending rate at the time of COD.

Anupam Gupta: Understand. Secondly just a question on EPC business obviously this quarter margins were pretty healthy because of the one off which you mentioned, but let us say next year let us leave April, May when there were no revenues and you still had cost, in a normal scenario will that 13%-14% margins still doable or that is under risk because of the flat revenues??

Satish Parakh: We will be able to achieve 12% to 13% on the EBITDA margins and including other income it would be in the range of 13% to 14%, maybe half a percent because of COVID overall is possible but otherwise ex-COVID I think the impact will continue and obviously there is no impact on that.

Anupam Gupta: Thanks a lot.

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

Chenna Avinash: Sir, can I know the capex that was done in FY2020 and the guidance for the next two years? Capex done in FY2020 and FY2021-2022 guidance, capital investment?

Paresh Mehta: Capex in FY2020 in ABL was around 83 Crores and for FY2021 we will be in the range of around 50-odd Crores.

Chenna Avinash: Will you be paying FY2022?

Paresh Mehta: FY2022 will depend on how the new projects will come in before these project take off.

Chenna Avinash: Sir, next question is you have addressed the order book, I just want to know any active changes that you are pursuing from NHAI which would be in the next one to two months?

Satish Parakh: I just said, by August end we are bidding out around Rs. 72,000 Crores of projects NHAI and MoRTH together. Majority is NHAI, 90% of it is NHAI and we have two EPC as well as HAM projects.

Chenna Avinash: We have any preference over HAM or will continue the same way?

Satish Parakh: Yes. Basically EPC, HAM both are what we bid, we partly play equally it all depends upon selection of a project from site perspective and execution perspective.

Chenna Avinash: Thank you Sir. That is it from my end.

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 question. So I had three questions, first I mean if I were to begin with recently we released our financial results for Ashoka Construction, the disclosures that you gave out as a part of your NCDs which are listed and what I realize that there is an exceptional item around Rs.155 odd Crores and explanation says it is impairment and value of investment that you have done in the set down subsidiary. Would you be able to give us the names and which all subsidiaries who we have provided for and 155 Crores would reflect which all subsidiaries?

Paresh Mehta: How it happens is at the ABL level there is an investment way, based on the amount existed asset wise, this investment had triggered, overall the portfolio does not have trigger, some value are far above the cost of acquisition and another is because the total is around much, majorly contributed by Tamil zone.

Prem Khurana: Major. Sir just to understand that better, I mean we have out our consolidated numbers for Ashoka Buildcon. So why is it not reflecting as a part of our console number or is it that I mean the net worth since net worth is already deteriorated because the losses that we would have booked over all these years which is why you were not required to have it as a part of exceptional item which is because it is already taken care of as a part of your losses that you booked in earlier years.

Satish Parakh: Exactly that is right. These assets have been depreciated on a yearly basis from that perspective and there is no impairment.

Prem Khurana: That 155 would include the impact for the traffic disruption that we would have seen because of COVID right, there would not be any incremental provisioning that you have to do?

Satish Parakh: Yes. As of date we do not believe that there is anything as a quarter is required has been impaired. This is not required every quarter.

Prem Khurana: Sir would be able to give me the break up in terms of the debt breakup in terms of much is it for hybrid annuity and how much is for other operational assets?

Satish Parakh: On the overall site currently I do not have a break up that is Rs.5600 is total debt on the project, it will be higher on hybrid and annuity project something more. Of course, BOT project also, I could give you specific breakup.

Prem Khurana: Sir I will get it offline. Sir just one last if I may, I mean Tumkur–Shivamogga package III our EPC around 600 odd Crores but when I look at a EPC it is around Rs. 1,035 crores, so which gives me number around 60% EPC as a percentage of BPC. When I look at I mean these figures for some of our peers I mean generally we do not get to have this big a difference and at least for us I mean when I look at all the Tumkur–Shivamogga package I mean it has been anywhere between 60 to 67 odd percent of the BPC. So I understand a part of this would be explained by IDC, but what would you attribute the remaining part to?

Satish Parakh: Remaining part of maintenance is also there right now, EPC.

Prem Khurana: Okay. So during the construction the maintenance that you do is again a part of this?

Satish Parakh: Right and it varies from player to player and how they estimate and build.

Prem Khurana: I always thought I mean the O&M that you do during the construction is also given to Ashoka Buildcon so that again a company needs to come as a part of EPC, only right? Or you are keeping it the ACL and which is how you generate some money in ACL to be able to meet obligations there as well.

Paresh Mehta: Yes. So the O&M contract for this project is still not given up to ABL, right. It will be given in due course, the 602 is only the construction cost and this 602 is typically the net cost. So if we add 12% GST, it will cost another say 80-85 Crores, so the margin of 13% is almost 700 Crores.

Prem Khurana: Okay and just one last from my side Sir if you help me with so Kharar Ludhiana is now complete, right I mean we already have PCOD in place and we would soon start receiving annuity, so I am sure you would have always had some dialogues with your bankers to be able to get the re-pricing done so any indicators that you have in mind for the re-pricing that you would be able to manage on the interest rates because it was 9% plus earlier right

during construction I am sure I mean given the taxes asset is operation and then cash flow visibility is better and execution is taken care of the number should ideally come down.

Paresh Mehta: Right. So on the first annuity which will be received we will have a 0.25 automatic step down in the interest rate whatever rate is there at that moment of time and then we will definitely try to refinance it through somebody else with a lower rate. So the ballpark rate would be in the range of 8.5 to 8.75.

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

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

Parvez Akhtar: Couple of questions from my side. Sir considering that we still have to infuse almost like 430 odd Crores equity in our HAM project. What is the kind of order intake that we will be comfortable in the HAM side going there?

Paresh Mehta: Presently, existing equity definitely we are already arranged for 100 Crores with opening cash balance and the execution which has happened that cash will be generated which we will utilize for this project. So keeping a perspective of the profit that will be generated over a period of time, I think so 3000 Crores of HAM project, should be good numbers where we will build and get that as much equity available from our end also and balance would be definitely will bid for EPC contract.

Parvez Akhtar: Sir this quarter, our equity infusion would have been, I think only minimal right, only 15 to 20 odd Crores, is that number right?

Paresh Mehta: It is quite small amount.

Parvez Akhtar: Last Sir, I know it is difficult to comment at this point in time but what is let say our thought process about what could be the kind of debt level at the end of FY2021?

Paresh Mehta: At the end of FY2020 we should be approximately say around Rs. 6,000 Crores.

Parvez Akhtar: Sir at the standalone level? Debt at FY2021 at the standalone level, ABL level?

Paresh Mehta: Debt drawn on the new HAM project, executing HAM projects, also that there will be repayment of debt on our BOT projects. So we believe we should be around 6000 Crores.

Parvez Akhtar: Sir, I was asking about at the standalone level?

- Paresh Mehta:** At the standalone level? I think the standalone level we should be in the range of 500 odd Crores, last year's levels.
- Parvez Akhtar:** Thanks. That is it from my side. All the best.
- Moderator:** Thank you. The next question is from the line of Tejas Shah from Axis Bank. Please go ahead.
- Tejas Shah:** Just wanted to understand what are the nature of impairments that you have booked in standalone and consolidated cash flows of 14 Crores?
- Paresh Mehta:** Impairment in?
- Tejas Shah:** There is an item of impairment allowances of 14 Crores and receivables returns of around 43 Crores. So could you put an elaborate on this?
- Paresh Mehta:** The ACL impairment which happens on debtors along, time cost of money that is the portion of 14 Crores and 43 Crores are certain receivables which we have provided for in a couple of projects which we expect to get return, but this year as per the guidance from the auditors, we have provided that 43 Crores.
- Tejas Shah:** Thank you.
- Moderator:** Thank you. The next question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.
- Mohit Kumar:** Thanks for the opportunity once again. Sir, my question is regarding this force majeure. Is it a political force majeure and your COVID update?
- Satish Parakh:** For BOT projects?
- Mohit Kumar:** In general, is this COVID classified as political force majeure or political force majeure?
- Satish Parakh:** As such NHAI will not do any classification, but whatever release they are guaranteeing is as per force majeure. The circular indicate the relief which indicate that they are considering it as a political force majeure.
- Mohit Kumar:** Will you get the interest cost and the other O&M activity?



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- Satish Parakh:** Various circulars which they have issued we get the interest cost and O&M cost, and extension in period.
- Mohit Kumar:** Sir, do you see any uptick on the CGD side, which you can share with regard to revenue and profits for FY2020 and FY2021? How it is shaping up?
- Paresh Mehta:** For this year we could do a turnover of only 8 Crores. This coming 2020-2021 we expect around 50 Crores of revenue with say around 20% of EBITDA margins in this year. Capitalization in this business could happen to the tune of around say 150-odd Crores during 2020-2021.
- Mohit Kumar:** How is the progress in all the four geographical areas in CGD projects?
- Paresh Mehta:** All the three projects. The initial thrust will be on the transportation segment and then later on we will touch on the domestic as well as the industrial consumption.
- Mohit Kumar:** 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 questions. I want to have the enterprise value for the SBM Macquarie portfolio of seven projects that is equity invested so far, was this soft debt loss funding and the outstanding debt as on date?
- Paresh Mehta:** Can we take it offline because that would be quite a bit of numbers.
- Jiten Rushi:** I do not want project to project, if you can give me the total number is also fine, if it is possible otherwise I will take it offline, no problem Sir.
- Paresh Mehta:** We will take it offline.
- Jiten Rushi:** Sir, the next question is on the arbitration which was going so almost 5.5 billion of arbitration of which 200 Crores as you said will go off for reconciliation. One more project is still in arbitration. So what is the status of that?
- Satish Parakh:** We have applied all four projects for reconciliation.
- Jiten Rushi:** The employee cost for this quarter was down, so if you see sequentially, if you see sequential it has come down, so any reason for that like why it was down because it was Rs.

42 Crores this quarter, it was Rs. 53 Crores in Q3 2020, so just wanted to understand because of the impact or because of the COVID have you brought down the employee cost or something like that and is this the new normal?

Paresh Mehta: In Q3 there were certain provisions for the year where the wage revision was affected in Q3. So, that number looks a bit higher otherwise it is regular. There is no specific reason for up and down in the numbers. It is more of Q1, Q2 revision in salary which had happened in Q3.

Jiten Rushi: Sir, last question on the bank limits, the non-fund limit and the fund limit and the percentage utilized so far?

Paresh Mehta: On the fund based limit, we have around Rs. 350 Crores of which approximately as on the date of the balance sheet on the face of the balance sheet there is a Rs. 40 Crores utilization against which we definitely have cash available, but as on the last date of balance sheet there was a Rs. 40 Crores utilization and on the non-fund based we have a limit of around Rs. 3,550 Crores of which utilization will be to the tune of around 60%.

Jiten Rushi: Fund based 40 Crores is utilized and non-fund based is 60% is utilized, right Sir?

Paresh Mehta: Yes.

Jiten Rushi: 40% is utilized or non-utilized, some confusion.

Paresh Mehta: Which one?

Jiten Rushi: 40 Crores is 40% is utilized or non-utilized, the fund based limit?

Paresh Mehta: It is utilized. That is what is appearing on the CC side on the balance sheet borrowings.

Jiten Rushi: Got it. So, only 310 Crores is non-utilized.

Paresh Mehta: Right.

Jiten Rushi: Thank you. All the best.

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



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- Ashish Shah:** Sir, just wanted to touch upon the distribution business. Can you just briefly update on how the preference is given, UP, Bihar, Jharkhand and any other projects? Based on the values can anyone reasonably expect that these at least the projects in these three states should get completed within FY2021 and hand it over?
- Satish Parakh:** Definitely. Bihar will definitely get over. UP also would 80% to 85% will get over in 2021.
- Ashish Shah:** Also are you seeing any change in the terms for financial closure, the three projects that we are now in discussions with the banks?
- Paresh Mehta:** Similar terms, interest rates and negotiating for a lesser rate because obviously some rates have come down in the past few weeks. So, we are expecting something like sub-9% interest rates, but otherwise same terms.
- Ashish Shah:** No material change in the equity contribution that could be 12% to 15% as it was earlier of the total project cost?
- Paresh Mehta:** 20% of the funded cost. Approximately 11% to 12% of the total project cost.
- Ashish Shah:** Thank you very much.
- Moderator:** Thank you. As there are no further questions, I now hand the conference over to Mr. Rohit Natarajan for closing comments.
- Rohit Natarajan:** Thank you for the management to taking opportunity to host the conference call. Sir, would you want to make any concluding remarks?
- Paresh Mehta:** We thank everybody for attending this conference call. We are available for any queries, which is available on our website, contact numbers of Stellar Investor Relations person as well as I am also available a call away for any queries. Thank you.
- Moderator:** Thank you. On behalf of Antique Stock Broking that concludes this conference. Thank you for joining us. You may now disconnect your lines.