



Ashoka Buildcon Ltd.

“Ashoka Buildcon Q1 FY19  
Earnings Conference Call”

**August 14, 2018**



Ashoka Buildcon Ltd.



**MANAGEMENT:** **MR. SATISH PARAKH – MANAGING DIRECTOR, ASHOKA BUILDCON LIMITED**  
**MR. PARESH C. MEHTA – CFO, ASHOKA BUILDCON LIMITED**

**MODERATOR:** **MR. VIRAL SHAH – EMKAY GLOBAL FINANCIAL SERVICES**



**Moderator:** Ladies and Gentlemen, Good Day and Welcome to the Ashoka Buildcon Q1 FY '19 Earnings Conference Call hosted by Emkay Global Financial Services. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal the operator by pressing '\*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Viral Shah from Emkay Global Financial Services. Thank you and over to you, Sir.

**Viral Shah:** Thank you. Good Afternoon everyone. I Welcome all the participants to 1Q FY '19 results conference call of Ashoka Buildcon. We have with us Mr. Satish Parakh – Managing Director of the company; Mr. Paresh C. Mehta – CFO along with their IR team from Stellar Investor Relations. We would commence the call with the opening remarks with Mr. Parakh to give an overview of the company's performance. This would be followed by an Q&A. Over to you, Sir.

**Satish Parakh:** Thank you, Viral and Good Afternoon to everyone. I Welcome you all to the conference call of Ashoka Buildcon Limited for the quarter ending June 30, 2018. I have with the me our CFO, Mr. Paresh Mehta, and our IR advisors, Stellar Investor Relations. To start with, I will initially share with you key development in terms of order book, industry opportunity followed with other company developments. As on date, order book of the company is at Rs. 10,783 crores including EPC orders worth Rs. 3755 crores placed from recently won five HAM projects. Road projects contributed around 8451 crores, which is 79% of the total order book. Power T&D contributes the balance, which is 2331 crores. Among road projects order book, EPC projects are to the tune of Rs. 2767 crores and the rest is HAM projects, which is 5685 crores. This is our highest ever order book and we are confident for a strong order intake in current financial year as well based on the Government's focus on roads project and looking at the strong award pipeline. Project award is expected to remain robust with MoRTH setting an ambitious target of 20,000 kilometers during the Financial Year '18-19. The constructions of highways have reached 9829 kilometers during the Financial Year '17-18, with an all-time high average of 27 kilometers a day. This represents 18% growth over the last year. For Financial Year '18-19, 45 kilometers per day of road construction has been targeted by the MoRTH. With the current order backlog and looking at the average execution of the projects, we are confident to deliver robust standalone revenue growth for the next couple of years.

Now, coming to other developments for the company. We have received around Rs. 23 crores, an settlement agreement executed with NHAI as an outcome of conciliation process for the resolution of disputes for the project of Chittorgarh bypass in Rajasthan. In our City Gas distribution project, we are making a very important progress gradually. I am very happy to say that we have received LOI for laying, building, operating, and expanding City Gas or local natural gas distribution network for following geographical areas with concession period of 25 years:

- (i) Chitradurga and Devangere districts in the state of Karnataka
- (ii) Latur and Osmanabad districts in the state of Maharashtra.

That is all from my side, I would now request Mr. Paresh Mehta to present the results for Q1 FY '19.

**Paresh C. Mehta:**

Thank you, Sir. Good Afternoon everyone. We have uploaded the result presentation and the press release has been also uploaded on the stock exchanges and the company's website, I am sure you must have had a chance to look at the same. I would now present the results for the quarter ended June 30, 2018. Total income including other income for Q1 FY '19 stands at 720 crores as compared to Rs. 717 crores in Q1 FY '18. As mentioned by Mr. Parakh, looking at our current order book of 10,783 crores, we expect strong revenue growth for next couple of years. Toll collection at key large projects recorded growth of over 15% during Q1 FY '19. During the Q1 FY '19, BOT division recorded a toll collection of 253 crores up from 238 crores in Q1 FY '18. EBITDA for Q1 FY '19 was at 118 crores as compared to 102 crores in corresponding quarter last year, the EBITDA margin for the quarter is at 16.4%. Company reported a net profit of 64 crores during the quarter as compared to 57 crores in Q1 FY '18, a growth of 12% year-on-year. Consolidated debt at present is at 4,769 crores of which project debt is 4654 crores. The standalone debt is 115 crores, which comprises of Rs. 110 crores on equipment loans and Rs. 5 crores of working capital loans. With regards to the status of the financial closure of our recently won five HAM projects, we have tied up debt for all three projects in Karnataka and one in Jharkhand, and the financial closure documentation work is in progress. For Ankleshwar-Manubar HAM project in Gujarat, the term sheets are under negotiation. We are confident of the project attaining financial closure around the timeline prescribed. With this, we now open the floor for question and answers. Thank you.

**Moderator:**

Thank you. Ladies and Gentlemen, we will now begin the question and answer session. The first question is from the line of Bharti Jain from BC Securities. Please go ahead.

**Bharti Jain:**

I would like to ask first, in last con call you had put tax rate as around 22% to 24% because of some 80IA benefit, my question is how long this rate would continue and this 80IA are we claiming as a contractor or as a developer? The second question is this 22.5 crores settlement amount, is it included in other income or it is part of revenue from operation?

**Paresh C. Mehta:**

On the first question which you have said which is relating to tax rate, the tax rate for '18-19 was to the tune of around 24%, which now has gone up to 26% for this year. This is definitely is lower vis-a-vis the regular corporate tax rate of 34.64% because of 80IA benefit which we take on EPC contracts which are awarded from the Government directly, so these projects will continue up to another one year, somewhere up to 2019 midway they will get all over, so from that perspective, the tax rate for this year would be in the range of 26% to 27% and next year it will again go up slightly by around 29% to 30% would be the tax rate for '19, and then it will be regular tax. The second question of the 20 crores of arbitration award, there would be in other income and that only 50% of it because the total award of 23 crores was received by Ashoka Buildcon 50% of it and 50% by one of our 100% subsidiary, Viva Highways, so that is under Viva Highways which is a subsidiary, so at present not visible in the standalone accounts, it will be available in the CFS account.

- Bharti Jain:** So in standalone accounts only 12 crores is included is what you are saying?
- Paresh C. Mehta:** Right.
- Bharti Jain:** And that is in other accounts?
- Paresh C. Mehta:** Yes.
- Bharti Jain:** Lastly Sir, one question on this CCD what is the impact of that FVTPL gain or loss in the current quarter, is that 5 crores if my understanding is right?
- Paresh C. Mehta:** Yes, that CCD and FVTPL is 5.25 crores.
- Moderator:** Thank you. The next question is from the line of Ashish Shah from IDFC Securities. Please go ahead.
- Ashish Shah:** Sir, first on the guidance part for the year, so given where the execution has been for the first quarter and how would you expect the whole year to pan out in terms of revenue?
- Satish Parakh:** Q1 has been flat, Q2 also will see a slight jump, but Q3 and Q4 when all our six projects would start, five HAM projects and TOT, so Q3 and Q4 will be a good ramp up, so overall our guidance would be still above 30%.
- Ashish Shah:** Sir, if you could speak a little about the new LOIs you have got for the CGD business as well as what is the status of the current circle that we have in Ratnagiri, where are we in terms of the commissioning because somehow the sense that we had is that by now it could have been operational already, some part of it at least, but we are probably yet to see any numbers on that?
- Satish Parakh:** Ratnagiri will start commercial operations by Q3, there are certain NOC issues like Petroleum Explosion and Safety Organization also, PESO has to give some NOCs, these have taken little more time than our estimated time, so Q2 onwards we will start seeing the commercial operations at Ratnagiri.
- Ashish Shah:** So would we see revenues in Q2?
- Satish Parakh:** Yes, Q2 will start showing revenues.
- Ashish Shah:** How much investment we would have already incurred for this particular area?
- Paresh C. Mehta:** We would have incurred around 35 to 40 crores at present, which we will then ramp over a period of time, total invest amount cost is approximately 140 to 145 crores, which will happen over a period of time, another couple of years.

- Ashish Shah:** Sir, also if you can just talk a bit about the newer areas as in what is the kind of timeframe you are looking at for starting the operations there and some bit on the investments, what are your basic commitments there in terms of the minimum households you need to connect, if there is anything you can share on that front?
- Paresh C. Mehta:** The new projects which we have got on Latur project, this we entail approximately 100 crores investment CAPEX for the project. The project expenditure has to be done over eight years' time and the total license available is for 25 years. We have committed approximately 10,000 odd houses for domestic connections for this project and we will start work on this project in five to six months' time after doing all the other surveys. On the Chitradurga and Devangere project, this entails approximately a cost of 250 crores wherein we have committed approximately a lakh of crores to be domestically connected by gas pipeline and as I said over a period of eight years.
- Ashish Shah:** Sir, you said one lakh households?
- Paresh C. Mehta:** Yes.
- Ashish Shah:** Sir, lastly can you just spell out the terms on which you got the sanctions for the financial closure for the three Karnataka and one Jharkhand project, broadly in terms of what would be the rate of interest, how much would be the equity component there?
- Paresh C. Mehta:** All the four projects which we have already mentioned which is on the way, the debt equity is at 80:20 at which it has been closed. Second, on the interest rate will be in the range of, we started with 9.35 as the effective rate; today, it will be in the range of 9.45 the way the MCLR will move, so this is the indicative rate at which it will probably start off with and the processing fee in the range of 0.45.
- Ashish Shah:** Any special conditions attached to disbursements like minimum threshold of land required before they start disbursing or how much equity you need to put before the banks disburse?
- Paresh C. Mehta:** Equity requirement is around 35% upfront when we do the FC, Financial Closure, and land stipulation is in the range of 70% to 80% when they start disbursement. The disbursements typically start in the eight month or ninth month after the appointed date.
- Moderator:** Thank you. The next question is from the line of Vibhor Singhal from PhillipCapital. Please go ahead.
- Vibhor Singhal:** Sir, I had two questions, one is if I look at the HAM projects for which we have announced the financial, I mean we have announced that we have tied up with it, if I look at the BPC cost, the share of debt to the BPC cost appears to be quite low in the sense if I look at the Khairatunda to Barwa project, the BPC cost was around 860 crores and we have tied up debt of around 270 crores, that is from 31% of basically BPC cost. Now, assuming 40% comes as grant would that mean that

around 25% to 30% of the project cost would have to be invested as equity or am I getting the Math wrong in terms of the cost of which the financial process is being done?

**Paresh C. Mehta:** The 40% is grant, which is the grant related to the BPC, so that effectively becomes more than 40% to the project cost, one. Second is 20% is equity and 48% will be debt, and on overall project cost around 12% will be equity.

**Vibhor Singhal:** So would you be able to share with us the numbers for which the financial closure, so like let us say 60 crores is the BPC, but what is the cost for which we are doing the financial closure?

**Paresh C. Mehta:** I think you will have to just add up the, we have given the debt amount, the grant amount is there in the BPC and equity is typically 20% of, it is in the ratio of 20 to 80 for the debt.

**Vibhor Singhal:** So one-fourth of the debt will probably be the equity portion and that is what we are looking at in terms of the financial closure?

**Paresh C. Mehta:** Right.

**Vibhor Singhal:** So what I wanted to basically arrive at is that there are no conditions from the bank that they would be financing only 30% to 35% of the project cost in terms of financing or any other requirements from their side?

**Paresh C. Mehta:** No, other covenant is there.

**Vibhor Singhal:** Sir, just one quick thing, I am not sure if I missed that part, our revenue this quarter if you look at, I know it is basically including other income is flat YOY, but excluding other income there is a decline in revenues, I know it is the GST impact, but other than that any specific reason for revenue being soft in this quarter, any projects in which we are facing some kind of troubles in terms of land acquisition right of the way or any other thing that we see in this quarter which might spill over to the next quarter as well?

**Paresh C. Mehta:** No, major reason, actually the estimated revenue which has been achieved is almost in tune with the expected projections for the year, so whatever guidelines we have given stays in place, but for Q1 that was what was budgeted and we have able to achieve it substantially.

**Vibhor Singhal:** So the margins are expected at around 12%?

**Paresh C. Mehta:** Yes.

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

- Anup Agarwal:** One I wanted to know what is the amount of projects that you are going to bid for in this quarter and the next and just wanted to confirm you are maintaining your 30% revenue guidance for the full year?
- Satish Parakh:** Bidding pipeline actually is very good going ahead, so we will see some good bids coming up in September and next Q3 and Q4 also will throw up lot of opportunities, so we will be bidding for more than 25,000 crores of projects and...
- Paresh C. Mehta:** On the guidance of 30% I think so that remains based on the fixed projects which will start work post October 1st.
- Anup Agarwal:** Sir, my next question is about the gas distribution, I mean in this segment how are you going to go forward in the sense is it going to be these two distribution network first and then the others or are you simultaneously looking at other gas projects as well?
- Satish Parakh:** Basic focus is going to be highways as I told you.
- Moderator:** Thank you. The next question is from the line of Abhijit Vara from Sundaram Mutual Fund. Please go ahead.
- Abhijit Vara:** Sir, first question is on what is the total equity requirement now for all the HAM projects, and second, if you also can talk about the land availability for each of the project, whether any dealers in terms of starting of the project execution is envisaged at the current point in time?
- Paresh C. Mehta:** On the first question, the total equity for the...
- Abhijit Vara:** Including the recent CGD projects which have been won, Sir?
- Paresh C. Mehta:** For the recent CGD projects as I said our CAPEX would be around 350 crores, so equity committed would be in the tune of around 120 crores and for the previous project which we had in Ratnagiri we are already working on is around 50 crores, so total equity for CGD business would be around 170 odd crores. For the new HAM projects, total equity would be around 470 crores of which in this year we will be investing 188 crores and equity required to be funded for the past two projects, that is, Kharar-Ludhiana and Ranalsthanam which has already started, balance equity to be infused is 130 crores and small equity to be funded for additive projects in Karnataka, these are under ABL directly, the Hungund and Bagewadi projects around 22 crores, so all put together we have a total equity requirement of 700 crores of which 170 crores is CGD and balance are road projects.
- Abhijit Vara:** 700 crores majorly to be invested over next two-and-a-half years, right?
- Paresh C. Mehta:** No, three to five years is the average because the CGD equity has to be funded over say five to seven years, that is more elongated.

- Abhijit Vara:** Removing CGD, 530 crores is to be funded over next two-and-a-half years?
- Paresh C. Mehta:** Two-and-a-half years rather I would say, '18-19, '19-20, '20-21.
- Abhijit Vara:** How will you fund this equity?
- Paresh C. Mehta:** Internal resources should take care of our funding.
- Abhijit Vara:** So can you give a breakup, Sir, broadly out of 500 crores how much will be internal accrual, much debt you plan to?
- Paresh C. Mehta:** Presuming of turnaround of around whatever we will achieve, we will have cash margins of 8% approximately which will take care of funding of these equities.
- Abhijit Vara:** There is no debt envisaged to be taken to fund this equity requirement is it?
- Paresh C. Mehta:** At this moment, we do not have any update for funding equity.
- Abhijit Vara:** Broadly, what will be the CAPEX requirement, Sir, for next two to three years on an annual basis?
- Paresh C. Mehta:** For this year, probably around 170 odd crores is the CAPEX envisaged, next year is depending on projects to be won. It may be in the range of 100 to 250 crores.
- Abhijit Vara:** So, even there you are running at about 350 crores for next two to two-and-a-half years of CAPEX?
- Paresh C. Mehta:** Yes, but then that is almost 100% is funded for, so the challenge will not be there and the cost of it is already considered in our cost of construction, the amortization of the debt is already considered in the cost of construction.
- Abhijit Vara:** Sir, second question if you can talk about land acquisition of each of the HAM project?
- Satish Parakh:** Currently, the Ranastalam-Anandpuram around 98% of the land is available, Kharar-Ludhiana 96% is available, and if you see the balance five HAM projects, Belgaum-Khanapur which is in Karnataka, 100% of 3H has been done, and only at Tumkur-Shimoga, we feel 80% will be available by the appointed date and Ankleshwar-Manubar will be by appointed date almost 90% will be available.
- Abhijit Vara:** This should be within next quarter, right?
- Satish Parakh:** Yes, appointed date we are expecting between September 15<sup>th</sup> to first week of October, by that time all the five projects will be able to start with 80% plus land acquisition in that.
- Abhijit Vara:** So there is no execution delay envisaged at current point in time because of land acquisition?



- Satish Parakh:** I do not think, we will be able to start in time all these five projects. BOT also would start in time
- Moderator:** Thank you. The next question is from the line of Parvez Akhtar from Edelweiss. Please go ahead.
- Parvez Akhtar:** Sir, just wanted some more clarity about our CGD business so now that we are already going to be present in three cities, how do we see our growth plan in this business, are we contend with being present in three cities at this time or are we going to bid for more projects as we go ahead?
- Satish Parakh:** These are basically three projects and five districts, so five districts we are there and according to us this is a good business model which our team has developed. We have a very independent and robust team in place, and going ahead if we get at our hurdle rates, definitely we will be participating in these projects.
- Parvez Akhtar:** Sir, just wanted to get your views about the order intake that we are targeting in this year?
- Satish Parakh:** We would target another 5000 to 7000 crores of HAM projects going ahead.
- Moderator:** Thank you. The next question is from the line of Aditya Mongia from Kotak securities. Please go ahead.
- Aditya Mongia:** Sir, I wanted to focus more on the execution part of your business. Now, as you were suggesting by September or October maybe 50% of your backlog will start moving and that by itself is a large number and then you are aiming to add another similar 5000 to 7000 crores for closing in the year, as you kind of think through second half and next year in terms of execution scale up, just wanted to get a sense from you as far as the planning part of it is concerned on how to scale up execution meaningfully in the second half of this year and then in FY '20?
- Satish Parakh:** Basic hurdle in execution is always land acquisition, otherwise, we do not see any other challenges in execution, so if these five projects we are able to start by September and October then definitely our second half would ramp up and whatever we bag in Q3 and Q4, the execution will come in Q1 and Q2 of next year.
- Aditya Mongia:** Sir, just want to get some more sense when we are doing construction, is it 100% done by us or do we rely on other subcontractors also over here?
- Satish Parakh:** Normally, 80% is done by us and 20% is what we rely on some local strength, execution is not a challenge for the company, we have a very good team in place and we are like very strong EPC base, Eastern peripheral also which we have completed, we are expecting a bonus which was much ahead of schedule, so given the work front, execution will not be a challenge for the company and execution capability in place is very high.
- Aditya Mongia:** Sir, second question is on the joint-venture just wanted to get a sense from you that if we were to be thinking about projects at hand and the way things are moving today that all the projects now

coming in are being 100% funded by Ashoka Buildcon, what would be the approximate shareholding that you would envisage for yourself and ACL at this point of time?

**Paresh C. Mehta:** We based on the valuations probably and money which we will put in the ratio will be determined, we have not worked out specifically as of date, as of date ABL is funded as a debt to ACL and ACL is funding the money, so today there is a debt at a carry cost to ABL, so whenever slight exit of SBI Macquarie, we will re-arrive at the percentage, presently we have not worked it out because still equity is not yet invested, once equity will be invested we will probably work that out.

**Aditya Mongia:** Is the number like 70%-80% appear in out of way or broadly in the range that numbers would work out to be assuming all these projects that you have one recently obviously you have funded through the debt that you give to ACL and that is converted into equity eventually?

**Paresh C. Mehta:** That impact would be approximately 10% if you are talking of 500 crore equity to be invested.

**Moderator:** Thank you. The next question is from the line of Bharti Jain from BC Securities. Please go ahead.

**Bharti Jain:** On this debt tie-up that you have done, Sir, with respect to new HAM projects, are they sort of backed by any parent support in terms of guarantee or any support letter for this new HAM project or they are on their own?

**Paresh C. Mehta:** No, they are on their own, they are not guaranteed by Ashoka Buildcon.

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

**Vibhor Singhal:** Sir, just I wanted one clarification, if I am not wrong in the last quarter we had guided to a top line growth of around 40%, so now that we are saying that we will do around 30%, are we kind of trending down our guidance, if yes, what would be the reasons behind it?

**Satish Parakh:** Basically, we are assuming that we will get land for all five projects. Once we get 80%, we will be doing 30% plus I said not around 30, but it will be between 30% to 40% anyway.

**Vibhor Singhal:** The quantum would depend on when we get the land and how much of the land we get for this these HAM projects?

**Satish Parakh:** It is basically all about work front.

**Vibhor Singhal:** Sir, also I missed that number about how much is the total equity that we require in this project, around 500 crores?

**Paresh C. Mehta:** For the HAM project that is around 470 crores and five HAM projects.

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

- Anup Agarwal:** Sir, I just wanted to see there is a change of guard at NHAI, so is there some differentiation you are seeing in the way in the amount of orders that are being awarded, is there some staggering manner in which the orders are being awarded now given the fact that the Government already has placed ambitious target for the financial year?
- Satish Parakh:** I think change of guard does not affect NHAI much and then ambitious plans still remains in place. Basic NHAI of not awarding in Q1 and Q2 is land acquisition in hand.
- Anup Agarwal:** Okay, so those issues still remain the land acquisition the main?
- Satish Parakh:** They take their own time for, where you cannot be matched quarter on quarter.
- Moderator:** Thank you. The next question is from the line of Ashish Shah from IDFC securities. Please go ahead.
- Ashish Shah:** On the SBI Macquarie TOT project, by when do we expect the EPC construction to start because they have already signed the concession and I believe the financial closure was in progress?
- Satish Parakh:** We will start seeing in Q3 and Q4.
- Ashish Shah:** In Q3 and Q4 you would start seeing revenues from there?
- Paresh C. Mehta:** In Q3, the work could start, EPC of TOT projects.
- Ashish Shah:** This entire roughly about 900 crores of scope has to be done?
- Satish Parakh:** No, 1025 crores to be done in 18 months.
- Ashish Shah:** Sir, also when one looks at the order book, in the Dhankuni project there has been some small 71 crores of pending order book which has been there for a long time now, is it something which has got stuck and will probably not get executed or de-scoped or something there?
- Satish Parakh:** Yes, part of it may get de-scoped and part of it may be executed, which will happen by this year end.
- Ashish Shah:** But that would not affect our toll rate of collection or anything of that sort?
- Satish Parakh:** It does not affect toll rate or anything, maybe some we may have to deposit some cash against that.
- Ashish Shah:** Also have we received the annuities from the Chennai ORR and Mudhol-Nipani project, have they actually paid out the cash?
- Paresh C. Mehta:** Yes, they have, first annuity for Chennai ORR was received in March end and Mudhol-Nipani possibly we have received annuities.

- Satish Parakh:** Mudhol-Nipani we have received two annuities and second annuity for Chennai ORR is also due.
- Ashish Shah:** So, there is nothing overdue or nothing delayed from the authority side in these two projects?
- Satish Parakh:** Some delay was there in initial one or two annuities, it is always there. Mudhol-Nipani annuity onwards we feel it should catch up.
- Ashish Shah:** Lastly, in the T&D projects in the Maharashtra projects we have not seen any progress in this quarter, the outstanding order book has remained sort of unchanged, so anything which has got held up there?
- Paresh C. Mehta:** In which projects?
- Ashish Shah:** Sir, in Maharashtra T&D projects, the outstanding order book value has remained at roughly 194-195 crores, so there has not been any progress from March to June, so just wanted to check if something has got stuck there and there is some issue there?
- Satish Parakh:** Most of it has been reduction in scope, so this all will get finalized via final bill, so Maharashtra not much of work is left.
- Ashish Shah:** Right, because I see some 194 crores of work selected?
- Satish Parakh:** This effects would be given in the final bills now, so there is not much of execution left, this will be reduction in scope.
- Ashish Shah:** You are saying this will get reduced out of the scope actually, so you will have to eventually remove it out of the order?
- Satish Parakh:** Eventually, we will remove on finalization year.
- Moderator:** Thank you. The next question is from the line of Jatin Nayak from ICICI Prudential Mutual Fund. Please go ahead.
- Jatin Nayak:** Sir, I joined the call a little later, so I would have missed if it is covered, has there been any booking from the Ratnagiri CGD project in this quarter?
- Satish Parakh:** In Q1, we could not book anything, we hope to start by end of Q2.
- Jatin Nayak:** Sir, because we were expecting some booking in March, so what has been the issue?
- Satish Parakh:** Basically, there has been a new business. The licenses have taken a little more, the NOCs which we require from petroleum, an exclusive organization, this has taken a little more time.
- Jatin Nayak:** Okay, otherwise it is fairly?

- Satish Parakh:** Otherwise, execution wise what was planned has been done.
- Moderator:** Thank you. The next question is from the line of Anupam Gupta from India Infoline. Please go ahead.
- Anupam Gupta:** Sir, first on the funding which you are doing for the HAM project, which is going as debt to ACL right now, so are you receiving any interest on that till it is converted to equity or what is the status?
- Paresh C. Mehta:** We have a carry cost, yes, we do receive.
- Anupam Gupta:** What is the carry cost?
- Paresh C. Mehta:** That is in the range of around 13%.
- Anupam Gupta:** Secondly, the EPC work orders which you get for these HAM projects from ACL, are these fixed cost or we have a pass through for raw material?
- Paresh C. Mehta:** It is a fixed cost.
- Anupam Gupta:** Is that the reason why you are guiding to a slightly lower margin of 12% versus 12.5 earlier or is there something else to it?
- Paresh C. Mehta:** That is not the reason, generally our pricing is done on the same basis, so 12% to 12.5% is the range which will move, it is not a specific 12% or 12.5%.
- Moderator:** Thank you. The next question is from the line of Parvez Akhtar from Edelweiss. Please go ahead.
- Parvez Akhtar:** Sir, just needed a couple of data points, did we infuse any equity in Q1?
- Paresh C. Mehta:** Yes, I think so, there was some small infusion in one of the projects, we will come back to you later.
- Parvez Akhtar:** Sir, what is the pending equity that you require in FY '19?
- Paresh C. Mehta:** Approximately 340 crores.
- Parvez Akhtar:** Sir, secondly, did we get any toll hike in any of this project this quarter in Q2?
- Paresh C. Mehta:** In Q2, yes, we will receive toll hike in our Bhandara and Durg project from September 1<sup>st</sup>. In Q1, there was a toll hike in all the projects from April 1<sup>st</sup> most of the projects.
- Moderator:** Thank you. The next question is from the line of Alok Deora from IIFL. Please go ahead.

- Alok Deora:** Sir, just couple of questions, one was on the order pipeline and what kind of orders we are targeting in FY '19, actually I have missed that point?
- Satish Parakh:** Yes, as I said we are targeting around 5000 to 7000 crores of orders going ahead.
- Alok Deora:** The TOT bundle which is now for bidding, are we also looking to participate in that?
- Satish Parakh:** We would clear the EPC partners.
- Alok Deora:** So how big opportunity could that be?
- Satish Parakh:** It is similar to what we have won like 1000 crores.
- Moderator:** Thank you. The next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.
- Parikshit Kandpal:** Sir, just wanted other income is a bit higher, I understand that 12-13 crores we have booked from that claim, but what is the balance like have you got any dividend from any highways or any divestment?
- Paresh C. Mehta:** I will just rectify that 12 crores of Chittorgarh bonus is not in other income, it is actually in operations. Now, to explain about the higher other incomes in this quarter vis-à-vis Q1 June '17, the major contributors are as you rightly said, dividend from our Wainganga project, that is, Abhijeet-Ashoka Wainganga project where there is an dividend income of 5.4 crores. There is also share of income from our Maldives project of 8.5 crores, this is substantially compared to a very small number in June FY '17 and also it includes interest from funding which we have done for our ACL and Chennai ORR project in the last year where interest has accrued, so the major contributors for extra revenues are coming from these three items.
- Parikshit Kandpal:** How much was the interest on that?
- Paresh C. Mehta:** This could be to the tune of around 4.5 to 5 crores.
- Parikshit Kandpal:** Still like Rs. 36 crores balance is all like what interest, balance is like interest on FD?
- Paresh C. Mehta:** Yes, basically interest on FDs or interest from subsidiaries where we have given loans to our subsidiaries interest free due to IndAS, we have booked interest on that.
- Parikshit Kandpal:** Recurring other income could be in the range of 20 crores each quarter?
- Paresh C. Mehta:** I think so that would be fair to presume, 20 to 22 crores.
- Parikshit Kandpal:** Sir, on T&D projects any update on the claims what is the stage right now?

- Satish Parakh:** We are discussing with the authorities, L&T is still under dispute resolution.
- Parikshit Kandpal:** Sir, on the EBITDA margin, I mean other companies like have said that the HAM projects typically are 100 to 250 basis point higher margin and as these projects move into execution, EBITDA margin should improve, so what is the scale I mean second half onwards, do you see substantial contribution coming in from the HAM project, so is there any chance like that is getting upgraded from the current 12%?
- Paresh C. Mehta:** I think so the margins all are HAM projects would continue in the range of 12% to 12.5%, how the variation will be there with peer comes will all depend on how CAPEX has been made and may be other reasons also, we believe CAPEX would be one of important reason for variation in the EBITDA margins.
- Parikshit Kandpal:** Sir, lastly on the SBI, any update like any timelines now we expect that to happen, so what is the stage right now?
- Paresh C. Mehta:** On the SBI Macquarie, they are comfortable being invested with us, we still have some time to exit, so at an opportune time, they will start looking for a proper suitor.
- Parikshit Kandpal:** There is no such deal in the offing as of now?
- Paresh C. Mehta:** No, not now.
- Moderator:** Thank you. The next question is from the line of Divyata Dalal from Systematix Shares & Stocks. Please go ahead.
- Divyata Dalal:** Sir, my question was pertaining to the distribution business, are we looking to add more orders in the distribution side of the business, you mentioned 5000 to 7000 crores were HAM projects in terms of order inflow, but anything on the distribution side, power distribution?
- Satish Parakh:** We do intend to add some order book there, maybe to the tune of 1000 to 1500 crores.
- Divyata Dalal:** This will be for FY '19 is it?
- Satish Parakh:** Yes, it will be for FY '19.
- Divyata Dalal:** What is the current bid pipeline or which are the States where you are seeing this opportunities coming in?
- Satish Parakh:** We are not seeing much distribution opportunity, but we have entered into railways electrification, we have entered into some transmission substation pickup, though the States may throw up some opportunity, but we have expanded our base to railways and transmission.
- Divyata Dalal:** So these would be, transmission would be State orders or would be bidding for?

- Satish Parakh:** These are all state orders, centrally funded normally.
- Divyata Dalal:** Sir, in terms of profitability how would it be for these orders that we are targeting?
- Satish Parakh:** It will be similar to what we have been doing, the EBITDA will range between 10 to 12.
- Divyata Dalal:** Okay, and this would be more of civil work or it would be any product supply?
- Satish Parakh:** Partially, it is product supply and partially civil work.
- Divyata Dalal:** We are expecting 10% to 12% of EBITDA is it?
- Satish Parakh:** Yes.
- Divyata Dalal:** By when can we see some orders coming in here?
- Satish Parakh:** We have already picked up some orders and this will go on, we expect in '19 we should pick up 1000 to 1500 crores.
- Divyata Dalal:** Sir, on the working capital side, how would it be for these particular orders, will it be in line with what we are currently seeing for our road projects?
- Paresh C. Mehta:** I think they will pan out, because these projects have got good payment terms, so the work capital cycle would be similar to what have been happening in the past one year to one-and-a-half years.
- Moderator:** Thank you. The next question is from the line of Anupam Gupta from India Infoline. Please go ahead.
- Anupam Gupta:** Sir, you mentioned that the 12 crore claim was part of the normal revenues, in that case, if you exclude that first your revenue is a larger decline, and secondly, your margins is much lower at 10.3 for the standalone entity, so why is it so low then?
- Paresh C. Mehta:** It is lower mainly because of all components being slightly more than what was previous and I think so there is no more specific reason for this.
- Anupam Gupta:** 10.5 is not a margin which you have done in the last many quarters, so that was actually a surprise because, your 12-12.5 is a normalized margin where you include all this further equipments supplies in power T&D whatever balance order book is there, right?
- Paresh C. Mehta:** I think so it has stabilized throughout the year, there should not be any major concern further, it will stabilize, I do not think there should be any worry on that account.
- Moderator:** Thank you. The next question is from the line of Jatin Nayak from ICICI Prudential Mutual Fund. Please go ahead.





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August 14, 2018*

- Jatin Nayak:** Sir, just wanted to check whether any plans on bidding for real estate projects again?
- Satish Parakh:** Nothing as of now.
- Moderator:** Thank you. The next question is from the line of Ankita Shah from Elara Capital. Please go ahead.
- Ankita Shah:** Sir, just one question from my end, can you give the revenue breakup between road and Power T&D for the quarter?
- Paresh C. Mehta:** That would be approximately 490 crores in roads and 130 crores in power.
- Ankita Shah:** What was the similar number in the same quarter last year?
- Paresh C. Mehta:** That was approximately 541 and 111.
- Moderator:** Thank you. Ladies and Gentlemen, that was the last question. I now hand the conference over to the management for their closing comments.
- Paresh C. Mehta:** We thank all the participants for joining this call. We are excited about the future outlook of the sector and the company and are confident of creating significant value for our shareholders. In case, if you have any further queries, you may connect with us or get in touch with our Stellar Investor Relations. Thank you.
- Satish Parakh:** Thank you all the investors.
- Moderator:** Thank you. Ladies and Gentlemen, on behalf of Emkay Global Financial Services, that concludes today's conference. Thank you for joining us and you may now disconnect your lines.