

## Transcript

### “Ashoka Buildcon Limited 4QFY16 Earnings Conference Call”



**EVENT DATE / TIME : 23RD MAY 2016, 11.30 AM IST**

**EVENT DURATION : 60 MINUTES**

#### **PRESENTATION SESSION**

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**Moderator:** Ladies and gentlemen, good day and welcome to the Q4 FY2016 Ashoka Buildcon results conference call hosted by SBICAP Securities Limited. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "\*" then "0" on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Viral Shah of SBICAP Securities. Thank you and over to you Sir!

**Viral Shah:** Thank you. Good morning everyone. I welcome all the participants to the 4Q and FY2016 results conference call of Ashok Buildcon. We have with us Mr. Satish Parakh, Managing Director of the company, Mr. Paresh Mehta, CFO of the company. Along with them we have Stellar IR as well. We would commence the call with opening remarks from Mr. Satish Parakh to give an overview of the company's performance. Now I would request Mr. Satish Parakh to start with the overview of the company. Over to you Sir!

**Satish Parakh:** Thank you Mr. Shah. Good morning everyone. A very warm welcome to our earnings call of fourth quarter of FY2016 and I have with me Mr. Paresh Mehta, our CFO and Stellar Investor Relations our IR Advisor.

The budget 2016 aimed at giving a boost for highway sector with an enhanced allocation and the steps aimed at solving problems of private concessioners. The total allocation in budget of roads and highways at Rs.97000 Crores is quite large compared to last two years. The Ministry of Road and Surface Transport had a target of 10000 kilometers against which they have awarded 9000 plus kilometers, which is a good number compared to 3067 kilometers in 2014-2015 and 4300 kilometers in 2015-2016.

Now coming to development at Ashoka this has been a good year for us in terms of order flow. We have received Rs.2800 Crores of projects in this fiscal. As mentioned earlier, we are actively participating in the bidding process of EPC, BOT and hybrid annuity projects that fit our investment metrics. In Q4 we received EPC contracts of 402 Crores in Jharkhand. The scope of work includes two-laning of going Govindpur-Tundi-Giridih road and Dumka-Hansidha roads in Jharkhand. These projects should be funded fully by Asian Development Bank.

We also received 156 Crores order from NHAI. The scope of work includes two-laning of Pasighat to Bomjur Road in Himachal Pradesh on EPC basis; however, in this quarter Q4 FY2016 we saw slower execution of EPC projects largely due to land position challenges. Some of the projects such as Eastern Peripheral Expressway and JNPT Port, which we won in Q2 and Q3, could not kick off in Q4 due to land possession challenges. This has impacted our EPC topline but now these challenges have been addressed and we have started work on both these projects. Therefore FY2017 should see a considerable pickup in EPC revenue as well as we execute these projects.

On our current order book, our current order book position is 4100 Crores of these roads, is 3300 Crores and Rs.8000 Crores is our distribution projects. As mentioned earlier order book of roads has now reached over 80% of the order book, which is in line with our focus and preference for roads. Also of the roads EPC order book is 2600 and rest BOT is around 700. In addition to the order book of 4100 Crores we are recently declared L1 in state of Jharkhand for NHAI project worth 486 Crores.

Now I would like to give other developments. In PNG project during this quarter terminated the services of the concession contract after giving notice to NHAI and as claimed compensation from NHAI. We have made necessary provision in the books of account at this point of time. On execution front we currently have two projects under construction. All of which have progressing as per schedule. The company has completed 90% in Chennai overall and 85% in Mudhol-Nipani project. The two annuity projects, which we won Hungund and Bagewadi, we are working onto the achieving financial closure in time.

Now I will update on the traffic. We have continued to witness consistent traffic growth over the last few quarters. The growth is at average 7% to 8% ranges and it ranges from 6.5% in West Bengal to 15% in some states in Madhya Pradesh. At this point, I would also like to touch upon the recent search proceedings by Income Tax Authorities at premises of the company and certain officials under the section 132 of the Income Tax Act 1961. We would like to assure you through this communication that the above proceedings do not impact routine operations or the working of the company. We would like to reiterate and reaffirm that we at Ashoka conduct our business in due compliance of law and maintain highest standards of corporate governance. I would now request Mr. Paresh Mehta to present the results of Q4 FY2016.

**Paresh Mehta:**

Thank you Sir. Good morning everybody. I am sure you had an opportunity to look at presentation of the results update which has already been circulated and updated on our website and websites of BSE and NSE.

I would now present the results for the quarter ended March 31, 2016. As mentioned by Mr. Parakh, I am happy to share that this has been a very good year for us so far in terms of order wins. In roads we have achieved projects to the tune of 2800 Crores in FY2016 and in addition to this recently we have been declared lowest bidders in the Jharkhand project worth Rs.486 Crores of NHAI.

Moving to the financial numbers for the quarter our consolidated total income including other income for Q4 FY2016 is 751 Crores as compared to 810 Crores in Q4 FY2015. Revenue is 561 Crores compared to 684 Crores in the corresponding previous period. This has been largely due to delayed commencement of three EPC road projects as mentioned by Mr. Parakh.

The toll revenues, is Rs.191 Crores in Q4 FY2016 as compared to Rs.126 Crores in Q4 FY2015 Y-on-Y growth of 51%. During Q4 FY2016 BOT division recorded a toll collection of 265 Crores of which Rs.191 Crores is recognized as toll revenue and Rs.75 Crores is from associate companies. This includes toll collected in Katni project under High Court order but not recognized as revenue. Toll collection in Dewas, project stopped from August 24, 2015. We have been collecting toll on all our projects in the portfolio except for annuities, which are yet to be started, which is namely Chennai Outer Ring Road project and the Mudhol-Nipani project with KSHIP. Also for BOT projects of Bagewadi and Hungund these are under financial closure processes and expected to be completed in short time.

Our EBITDA for Q4 FY2016 is Rs.227 Crores compared to 178 Crores in corresponding quarter last year a growth of 27%. Interest cost for Q4 FY2016 is Rs.114 Crores compared to Rs.94 Crores in Q4 FY2015. As mentioned by Mr. Parakh, during the quarter PNG has the Tollway Limited has terminated service concession agreement with NHAI and claimed the compensation from NHAI. As a conservative and prudent accounting practice we have written off and made provision for 144 Crores of equity per shares and loans given to the SPV adjusting for losses incurred in the project till date we have made provisions

for balance of 58 Crores in the last quarter as an exceptional item. We will write back the amount as and when we receive compensation from NHAI.

On the balance sheet side our consolidated networth including minority interests has gone up to 2368 Crores. Consolidated gross debt is of 4150 Crores approximately giving debt equity of 1.7x. The gross debt at standalone basis was 387 Crores which comprises of 43 Crores on equipment loss, 194 Crores on working capital loans and 150 Crores of NCDs raised in November 2014. The average cost of debt has gone down compares to March 31, 2015. Couple of our projects has already got refinanced at a lower rate interest and other projects the negotiations are on. Cash on bank balances including current investments stood at Rs.167 Crores as of March 31 2016. With this now we open the floor for question and answers. Thank you.

**Moderator:** Thank you very much Sir. Ladies and gentlemen we will now begin the question and answer session. We have first question from the line of Amit Sinha from Macquarie. Please go ahead.

**Amit Sinha:** Good morning. Thanks for the opportunity. Sir firstly on your BOT business the Dhankuni project has done very good in terms of traffic growth. Do you think that the traffic run rate will continue in the current quarter and going forward in FY2017 and did you also think that fourth quarter traffic was also because of the election activity in the state?

**Paresh Mehta:** We believe that the run rate of traffic growth in the last four quarters will continue for the years to come and no major impact of the elections on the last Q4. So I believe it is more of an economic effect, which has happened on the race.

**Amit Sinha:** Similarly for Bandara project also significant traffic jump. So any particular traffic like last quarter you highlighted Jaora project traffic growth was on account of higher agri traffic. So was there any impact of any commodity being higher in the Bandara project this quarter?

**Paresh Mehta:** I believe this is more normal economic activity, which is taking up a bit of a pace, and I think so it will keep on reflecting over the quarters to come.

**Amit Sinha:** In the Sambalpur projects what was the reason for the pickup in the traffic?

**Paresh Mehta:** I believe most of the impact is due to economic activity. Mining has bit started activities though at a very low level. So I think so it will keep on improving.

**Amit Sinha:** Secondly, on your construction business if you look at the FY2017 numbers how do you see that in terms of the pickup given that you have one significant EPC orders in FY2016?

**Satish Parakh:** Whatever has been won in Q2 and Q3 of FY2016 like Eastern Peripheral and JNPT they could not really start because of land possession issues, which have been resolved by now and May 2016 we could start Eastern Peripheral as well as JNPT. So we feel that this year we should see a good EPC progress plus balance order book is also substantial and the bidding activity now is also having much aggression compared to the last year. So we feel we will back good projects and this year we should we come out with good numbers.

- Amit Sinha:** Would you like to put any guidance number to FY2017 revenue?
- Satish Parakh:** I think specific guidance would be correct.
- Amit Sinha:** Secondly, on the construction I would like to discuss the margin profile given that the company will be seeing a significant change in terms of EPC dominating the roads construction business now. So are you comfortable with the current level of margin?
- Satish Parakh:** Yes I think these are very comfortable level of margins and we have a philosophy of bidding with these margins only. So definitely we are not getting the targeted orders against 5000 we could get only 2800 last year but still we will be conservative in not reserving low margins.
- Amit Sinha:** Sir on the balance sheet especially on the standalone front we have seen a significant change in terms of inventory going up and payables coming down significantly. So what are the trend going forward and this significant increase in inventory is it because of the preparation for the EPC work, which we have got?
- Paresh Mehta:** The significant increase in the inventory is basically not due to the EPC road contract but basically power projects and specifically contributed by the Bihar projects. Here what has happened whatever supplies have been made for the projects have already been included in the WIP for which we have received advances also. This is on the current liability side. So net inventory would be net exposure would be very much less. So inventory basic rise in on account of power projects for Bihar and TANGEDCO, Tamil Nadu.
- Amit Sinha:** That is it from my side. Thanks.
- Moderator:** Thank you. The next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.
- Parikshit Kandpal:** Congratulations for good set of numbers. Sir I just wanted to know in this standalone results we have 117 Crores of other operating income, which on a quarterly basis quite high so what exactly Sir?
- Paresh Mehta:** The operating income is significantly higher by couple of items of 5.5 Crores of consultancy income. A claim realized on our Chittorgarh bypass of 2 Crores and certain income for quantity variation for our subcontractors, which has recognized an income of 3.5 Crores. So these are the major inputs and of course our scrap sale of around 4 Crores.
- Parikshit Kandpal:** Similarly your other income has also shot up I mean largely because of real estate and 45 Crores we have shown as other income in standalone?
- Paresh Mehta:** Largely the other incomes are up in consolidated. We have had redemption of preference shares of our Vaikuntha project of 4.6 Crores. We have also received dividend from the SPV of 2 Crores. It is an associate, so it is not a consolidate accounting of that. Also there has been additional interest income of mutual fund income of 16 Crores for surpluses for which we had during April to July and there was a significant write back of major maintenance reserve created for one of the projects of 5 Crores, which was the major maintenance happened and there was a saving in that cost and which was reversed.

- Parikshit Kandpal:** About the standalone so you mentioned is about consolidate what about the standalone?
- Paresh Mehta:** Almost similar impacts of the same except most of the times are similar.
- Parikshit Kandpal:** Out of this 88 Crores of other income what will be related to real estate dividend, dividend from the real estate?
- Paresh Mehta:** Approximately 35.
- Parikshit Kandpal:** Sir lastly on the PNG project is there any further liability in which so what I understand right now the project has now been taken over by NHAI and NHAI is servicing the bank's debt. So there is recourse on us in terms of servicing the bank debt right?
- Paresh Mehta:** Yes you are right.
- Parikshit Kandpal:** We have provided all the liabilities on the project as of now nothing is pending?
- Paresh Mehta:** Whatever equity was to be invested for project was invested. Revenue shortfall also was invested funded for which has totally been return off as of date.
- Parikshit Kandpal:** From this quarter we would not see any impact on P&L that is really.
- Paresh Mehta:** Because we will not be recognizing any loss on that project.
- Parikshit Kandpal:** Sir last thing Jaora-Nayagaon I think this 7.6% sequential degrowth in collection any particular reason why there has been degrowth?
- Paresh Mehta:** Jaora-Nayagaon typically from a sequential it appears because December quarter and June quarter was erratic growth in those quarters because of large agricultural movement as well as working going on NH3.
- Parikshit Kandpal:** Sir order intake guidance for this year how much we are expecting to take new orders?
- Paresh Mehta:** We would target approximately 4000 to 5000 Crores of order book including EPC and the annuity hybrid projects and lot of opportunities is coming ahead.
- Parikshit Kandpal:** Power we are targeting?
- Paresh Mehta:** Power we will target approximately 500 to 800 Crores.
- Parikshit Kandpal:** Thank you and all the best. That is all from my side.
- Moderator:** Thank you. Our next question is from the line of Nitin Arora from Emkay Global. Please go ahead.
- Nitin Arora:** Good afternoon. Sir with respect to the PNG project I understand it is a prudent accounting with respect to the claims what we will get but can you share some of the highlights that what amount of claims we have put into the NHAI because I think as per concession you are liable to get 150% of the equity, which I think is roughly around 144 Crores the total investment what you have done but is NHAI also contesting and

reducing the claim due to which we have reduced and provided in the P&L that the prudent accounting what we have done?

**Paresh Mehta:** As far as SPV is concerned vis-à-vis the termination we have claimed amount of 1750 from NHAI as compensation for termination of this contract, which is inclusive of debt too. So we will have to really see what exactly is given by NHAI and how it is negotiated with NHAI but we will have to wait and see in view of uncertainty we believe that it is prudent to write off and whenever this income will be realized from NHAI we will account as income.

**Nitin Arora:** So basically we have accounted in such a way so that we get a book value of our SPV the total investment. We should not go below that. Is it something because if the 1750 Crores is including the debt that is for the whole SPV, 140 Crores is our share of investment in that and rest is L&T. I think so roughly around 550 Crores is the total equity investment in the project?

**Paresh Mehta:** This is inclusive of revenue shortfall funding also. So together we are expecting 550 Crores of equity return from NHAI.

**Nitin Arora:** In terms of Sambalpur as it now fully commissioned. Are we collecting 100% toll here?

**Paresh Mehta:** Not yet.

**Nitin Arora:** Sir any particular reason it is being quite long now we are not able to collect any toll on the full basis I mean to say?

**Satish Parakh:** In Sambalpur COD is already been recommended and already NHAI and board committee has approved COD. Now only rate revision is in process.

**Nitin Arora:** Sir with respect to our let us say sub debt funding or loss funding which we used to do now major of our loss making project is going out of kitty. How much incrementally funding do you perceive apart from equity requirement in the portfolio excluding PNG now?

**Paresh Mehta:** We believe there is only one project, which will require funding that is the Sambalpur project. That is what needs to be funded otherwise all other projects are self sufficient or probably throwing cash too.

**Nitin Arora:** So Sambalpur Sir how much in your sense for FY2017 you would be pumping in?

**Paresh Mehta:** It would be the range of approximately 50 Crores.

**Nitin Arora:** Sir you said that there has been a write back of MMR the reserves what we have created and how we re-route via other income that money?

**Paresh Mehta:** Basically it is a provision so that is what we have written back provisions have been written back to the other income part because otherwise the maintenance cost would be very erratic on line by line.

**Nitin Arora:** Sir just last question basically is there any toll hike in this quarter for any project from January to March?

**Paresh Mehta:** No not in this quarter.

- Nitin Arora:** When are we expecting to commission in Chennai ORR and Mudhol project.
- Paresh Mehta:** Chennai ORR we expect to complete before September. Q2 definitely we will get it over and the schedule date for Mudhol-Nipani is December I think we will get it done before between September and December definitely.
- Nitin Arora:** Thank you very much Sir.
- Moderator:** Thank you. Our next question is from the line of Aditya Mongya from Kotak Securities. Please go ahead.
- Aditya Mongya:** Good morning Sir. The first question was on so if we basically do a Math of consolidated minus standalone for the cash profit we realized that broadly the numbers are similar 90 Crores for standalone and 90 Crores consolidated. This was the fourth quarter I am talking about. Should that mean indication that at an overall level we see now not giving any cash infusion on an overall level?
- Paresh Mehta:** It is true from our overall angle I agree that. I believe from a quarter we still have around 13 to 14 Crores of funding to be done for Sambalpur project. Except for that there could be some adjusting cash flows, which is giving the similar number but otherwise it would indicate a 13 to 14 so certain abnormal incomes in the quarter we are setting up that kind of a shortfall which was required for Sambalpur.
- Aditya Mongya:** Sir just to put differently essentially I am talking about let us say the growth debt number that we have this is overall which is about rightly straightly about 4000 Crores. This number typically used to jump a lot and obviously we were supporting our projects both in terms equity and loss funding. They have seen a small increase which has happened in FY2016 the way I see through it and you can correct me over here said obviously EPC growth of weak year and 2017 should be better and QIP proceeds broadly got taken up by working capital one way or the other and now in 2017 with EPC being better, power possibly being mostly executed by year end there would be and the easier portfolio barring one project all the projects doing fairly well. Do we envisage that levels actually going down in FY2017 for the entire company?
- Paresh Mehta:** Yes from a working capital perspective we expect it to go down a bit only certain equity commitments which are there for the new projects we will be compensating that reduction in working capital.
- Aditya Mongya:** Consolidated debt levels can they go down from here FY2017?
- Paresh Mehta:** Consolidated debts levels should go down because there is not much based on this current set of projects no new debt is to be drawn major.
- Aditya Mongya:** Second question was on the projects, which were impacted by land acquisition not happening this is on the EPC side. Is only let us say 10% to 20% of land now come in because of which we have started work or a large part of land is basically be required in these projects?
- Satish Parakh:** Land acquisition basically 80% plus is already acquired by NHAI but since this new land acquisition law has come in there is always a resistance to give possession of the land which was already acquired. So there has been dispute in demand of new compensation amounts which NHAI has taken some time to resolve and they have now resolved for these major two projects, which we are doing.



- Aditya Mongya:** Sir on the Sambalpur project there has been a sharp increase in toll revenues that we have booked any specific reason for that?
- Satish Parakh:** This is general economic growth in that area and earlier road in Chhattisgarh which was connecting from Raipur to Odisha border is also completely now in good shape and already four-laning has been done. So this is really improved traffic in that entire stretch.
- Aditya Mongya:** Sir last question from my side on the investments in land that we have done any timeline over which you would want to monetize in those investments?
- Satish Parakh:** We do not have any fixed timeline but as and when we get opportunity we do.
- Aditya Mongya:** Thank you Sir those were the questions from my side.
- Moderator:** Thank you. Next question is from the line of Abhijit Vara from Sundaram Mutual Fund. Please go ahead.
- Abhijit Vara:** Thanks for taking my question. Sir first question is what was the increase in inventory because which you have included in WIP.
- Paresh Mehta:** They are basically due to the two projects Bihar and Tamil Nadu projects where the inventories have gone up because the billing cycle is such that they get billed on commissioning.
- Abhijit Vara:** How much was it Sir?
- Paresh Mehta:** Approximately 300.
- Abhijit Vara:** 300 Crores.
- Paresh Mehta:** 350 Crores yes.
- Abhijit Vara:** This will get billed by H1 of current year FY2017?
- Paresh Mehta:** H1 definitely most of it will get billed in H1.
- Abhijit Vara:** Second question is I was not clear whether you mentioned order flows or order book of 4000 Crores targeted in the current year from roads. Is it order flows or the closing order book?
- Paresh Mehta:** Order flows, the new orders.
- Abhijit Vara:** 4000 Crores. Sir last question is once the rate revision kicks in for Sambalpur what will be the estimated toll collection for the full year?
- Paresh Mehta:** So we expect the rate revision and full completion approximately 15% so revenue should go up by approximately 15% on account of toll rate revision for 10 months.
- Abhijit Vara:** Okay so 15% on 42 Crores is it. 42 Crores was the full?

- Paresh Mehta:** Yes plus traffic growth also will be there I am talking only of toll rate right.
- Abhijit Vara:** What is the traffic growth Sir currently Sambalpur?
- Paresh Mehta:** Traffic growth is almost quarter-on-quarter like serial quarter-on-quarter Q3 to Q4 was almost 15% if you from that perspective we believe that we should see somewhere around hopefully 12% kind of a growth minimum the way the traction is happening on the project but will have to wait see out.
- Abhijit Vara:** I just missed Sir you said what would be the equity requirement for the project under construction going forward?
- Paresh Mehta:** Hungund and Bagewadi would require approximately 110 Crores totally.
- Abhijit Vara:** Nothing for the current project Sir KSHIP and?
- Paresh Mehta:** Everything is fully invested.
- Abhijit Vara:** I will get back in queue.
- Moderator:** Thank you. Next question is from the line of Charanjit Singh from B&K Securities. Please go ahead.
- Charanjit Singh:** Sir in this Jharkhand project, which we have won recently how, is the land acquisition and when do we see the progress to start on this particular project?
- Satish Parakh:** The one, which we have recently won from NHAI, this is 85% of the land already acquired. So this project should start mobilization in another 45 days and earlier two projects, which are state projects, which are ADV, funded, project these are two lane projects. So here we do not have any significantly land acquisition issues.
- Charanjit Singh:** What is the completion timeframe then we have targeted for the state projects in the NHAI?
- Satish Parakh:** NHAI projects timelines are two years from appointed date that will be may be another 45 to 60 days from now and these projects we are expecting zero debt to start by this month end and here the timelines of the government are three years but we are targeting to complete in two years.
- Charanjit Singh:** Sir in the road space definitely there has been a big announcement from the government side in terms of large order inflow pipeline and what is your take on how much ordering from MoRTH as well as NHAI can happen in FY2017 and what is the kind of mix you are looking at will you go ahead also bid for hybrid annuity projects or not?
- Satish Parakh:** What we seen in Q1 of this year is, about 1000 kilometer is what they have already awarded and another 2300 kilometers what is we are expecting by June end this is for NHAI alone. In addition to this there is MoRTH and there are other states also but if you see only MoRTH and NHAI so they will be completing around 4000 kilometers in Q1 itself. So at this run rate they should cross 12,000 to 15,000 kilometers is what I feel.

- Charanjit Singh:** And sir in terms of the competitive intensity from some of the players do you see that it reducing going forward in FY17 or it will continue at the same phase what it was in FY16.
- Satish Parakh:** Competitive intensity I do not think will taper down in EPC but hybrid annuity we may see some tapering down.
- Charanjit Singh:** And sir what could be the reason that hybrid annuity because we are hearing that banks are not lending there is reluctant lend for the hybrid annuity projects, what is the key reason for this banks getting reluctant to lend for hybrid annuity.
- Satish Parakh:** See banks they have their own evaluation process and there are lot of uncertainties like lot of assumptions to be made by the confectioner for bidding an hybrid annuity, which improve the right from estimating WPI to estimating all commodity prices acquired for a right kind of EPC business.
- Charanjit Singh:** And sir just I think I have missed out in terms of total execution in FY17 so what is the kind of number, which you are looking at.
- Satish Parakh:** See FY17 we have 4100 Crores of opening order and another 4000 to 5000 is what we expect and whatever projects which were delayed in Q4 of last year we hope to pickup in this season, because these projects are now started majority of them were like Eastern Peripheral, L&G and BT.
- Charanjit Singh:** Thank you, that is all from my side.
- Moderator:** Thank you. Next question is from the line of Ankit Fitkariwala from Jefferies. Please go ahead.
- Ankit Fitkariwala:** Sir my first question is on the construction side so just wanted to understand like on the execution side you said that there have been land issues in a few projects so if you can from the order book the EPC order if your order for understand Eastern Peripheral and the JNPT will start in Q1, what about the other five large projects that we have when we do see that Islampur, Badami, Madhugiri, if you can just tell us a basic signs.
- Satish Parakh:** Yes, Badami, Madhugiri these are now only in full stream they have already started even our Arunachal project has started well Jharkhand will start in months time, these are two projects which are two lane projects of Jharkhand state and they are readily funded projects and then not much of land acquisition issues so post monsoon we can see some traction in this project Bagewadi Hungun is where we are doing financial closure by may be mid June, these projects will also gets started immediately only one project which is not getting started immediately in Islampur bypass where still we need to resolve land issues.
- Ankit Fitkariwala:** So by second half of the year when do we see that.
- Satish Parakh:** Post monsoon we should see good pickup on all these projects, which we have in hand and we also by then Islampur bypass should get started.
- Ankit Fitkariwala:** Sir why was I asking this just wanted to get a basic sense on the quarterly run rate going forward like Q4 we saw the YoY decline by close to 20% on the top-line so how should we build FY17 going forward, at

least on 1Q FY16 number should we because that also saw a decline YoY so should we build a growth at least there right.

**Satish Parakh:** Yes, I think we will see definitely growth but then our Q3, Q4 will be very strong, Q1, Q2 may remain flat kind of it.

**Ankit Fitkariwala:** Sir secondly on the competition side what you have mentioned that EPC is not seeing any reduction in competition so what are the margin levels currently in EPC order that because we have been hearing that the margins level is close to 6%, 7% because the number of players is close to 10% plus in EPC ordering so what is your sense.

**Satish Parakh:** See it is very difficult to get margins of sector as such but we are bidding with our own margins in that.

**Ankit Fitkariwala:** As you said earlier so we are expecting margins close to 13% plus, 13%, 14% levels going forward as well.

**Satish Parakh:** It should be between 11% to 12%.

**Ankit Fitkariwala:** No I was talking on the blended level including power and also what we report on the standalone basis that also you expect between 11%, 12%.

**Satish Parakh:** It will be between 10% to 12%.

**Ankit Fitkariwala:** Sir secondly coming to the Sambalpur toll hike as you mentioned from the so we have 43 Crores for the full year in FY17 we expect 15% to come from the commissioning and 12% additionally to come from the traffic growth is it so it will be close to like at least 25% growth over the Sambal am I right in saying that.

**Satish Parakh:** It will be 25% is what we can expect to receive.

**Ankit Fitkariwala:** And sir secondly in which of our projects are we expecting MMR this year.

**Paresh Mehta:** MMR activity will happen in the Dhur project and Jaura project partially that is what is expected in this year.

**Ankit Fitkariwala:** And sir lastly on the ham project if I am right out of 15 plus projects that have been ordered out till end of April I guess or March we have bided for close to 7, 8 projects but our bidding since we are not on any of them and our biding in terms of L1, L2 has been very different so as you highlighted earlier in terms of what assumptions the concessioner has to make if you can throw a bit more light as to what are the key differences because there is a lot more difference in terms of the bidding among the players so what are the key differences that is occurring there and you can just throw some light there.

**Satish Parakh:** See here basically entire EPC risk is with the bidder wherein if you have to build in your escalations also and we have seen we were under lowest rates of crude oil and all commodity prices so we have to build an escalation of 2.5 years so where we are seeing this all expects are now going up so there is a basic assumption in your EPC cost has to be right then your WPI assumptions now they are already negative and so we cannot go on assuming average 5% WPI and all that, it is not our way of assuming well what

we are seeing actually is negative, so definitely we are not doing negative assumptions but then there is some philosophy followed including our partners mercury play a great role in bidding process, and then third is of course there are the rest associated with hybrid annuity like interest rates and other things which may have do estimate so.

**Ankit Fitkariwala:** Sir broadly what I was trying to say that a lot of players are claiming that it will be close to 15, 20 actually 20 plus return from these projects because its basically margins 20 plus margins from these projects what is your sense is it like realistic or like people are making their own assumption which is in order to come into this.

**Satish Parakh:** But what we have bid is with between 15% to 18% returns and we have seen how our numbers.

**Ankit Fitkariwala:** That is project returns that you are saying not...

**Satish Parakh:** No, equity returns and with that also we were not even L1, L2, L3.

**Ankit Fitkariwala:** Got it sir thank you.

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

**Vibhor Singhal:** Sir just wanted to dwell a bit more on the PNG project so when exactly, I am sorry if you have mentioned that before so what exactly was the date of termination of the contract on PNG.

**Satish Parakh:** See we gave a date of termination in February and the termination actually happened in April 13 that it was taken over by any chain.

**Vibhor Singhal:** And the reason that we terminated this project was...

**Satish Parakh:** Was on account of employee not been able to make us able to collect our toll because anybody to collect toll on substantial portion of the traffic no stay support.

**Vibhor Singhal:** So basically is this more like an amicable kind of a settlement in which NHAI is also agree that they were not able to provide the state support and where they are okay to take it back or do you expect some kind of a legal kind of a challenge also in this one legal proceedings also taking place in this month.

**Satish Parakh:** Yes, NHAI has accepted termination and hence they have taken over the project but there of course will be dispute in compensation what we demand and what they would like to give.

**Vibhor Singhal:** Because the NHAI is never released or may be assume to be think there are fair amount.

**Satish Parakh:** Amicable settlement in compensation is never done by NHAI.

**Vibhor Singhal:** So that might entail some of let's say a bit delay in whatever the amount that comes in. Also sir basically you mentioned that in this quarter we have return of 57 Crores out of the total 144 Crores and the remaining you mentioned that is already provided for so is it that we have provided that in terms of the losses that we have incurred in the projects in the earlier quarter.

- Satish Parakh:** Exactly it is the proportion of the loss is already accounted for in the consolidated up to December 2015 which is approximately 87 Crores and the balance 57 Crores is the net of that losses of the total investment made.
- Vibhor Singhal:** But sir just wanted to understand on the accounting part of it so the losses that we would have provided every quarter would have anyways been equal to the cash support that the SCB required for our 25% stake, but 144 Crores is what the equity that we invested into the project.
- Satish Parakh:** Correct; 144 are inclusive of the equity in the sense.
- Vibhor Singhal:** 144 it was inclusive of the equity as well as the entire cash support that we provided till...okay so the 57 Crores is what we provided in this quarter per se.
- Satish Parakh:** Right.
- Vibhor Singhal:** And sir also I just wanted to check on the Eastern Peripheral and JNPT project so today have the standalone 23rd of May have we started implication on these projects.
- Satish Parakh:** Yes we started both these projects on 16th of May.
- Vibhor Singhal:** So in the first quarter we should expect at least 45 days of revenue for these two projects in FY17 right.
- Satish Parakh:** Right.
- Vibhor Singhal:** And sir just wanted to get you mentioned that Chennai project we are at Chennai ORR project we expect that will probably be starting somewhere between September and December so one semi annuity is what we can probably expect in this year, am I right in reducing that.
- Satish Parakh:** Yes, either this year may be of Q1 of next year.
- Vibhor Singhal:** And what about the K ship project sir when do we expect that to be completed.
- Satish Parakh:** K ship also we schedule target in December definitely earlier to that will be completed.
- Vibhor Singhal:** There are chances that both these projects will probably get their annuities; I would say which cumulated in Q1 of next year itself in FY18 that you talking off.
- Satish Parakh:** Correct.
- Vibhor Singhal:** Thank you so much, I will come back in the queue if I have more questions.
- Moderator:** Thank you. Next question is from the line of Utsav Mehta from Ambit Capital. Please go ahead.
- Utsav Mehta:** Just two very simple book keeping questions, one so the employee cost has driven by the 24% YoY even on the standalone basis it increases almost to that tune any particular reason why there is such a huge jump in employee cost.

- Satish Parakh:** New contracts, which has been taken by us, have definitely have to be mend so a regular increment in the wages plus this new employees joint for JNPT EP contract and Islampur so and we have to be ready for the projects.
- Utsav Mehta:** And also there is a significant cash balance if I am not mistaken lying in the subsidiary books I am just subtracting consolidated less standalone cash balance I think it is around 170 Crores out of that so what would be the end purpose of the cash how would you utilize it through the year.
- Satish Parakh:** This is majorly covered almost on the sag end of the year there was a disbursement in one of the projects which typically will get paid off at AP level so will be we move towards the ABN.
- Utsav Mehta:** And just one last bit on the paid off if I understand on the standalone basis why the inventories increase so why have the payables decline.
- Satish Parakh:** So what has happened is whatever cash we had on which we raised through the QIP we utilize them for reducing our creditors by negotiating better payment terms with a larger cash discounts and credit discounts.
- Utsav Mehta:** And through the year I am guessing as the new NHAI payment norms comes through I am guessing the receivable days will begin to look larger at least on a standalone basis.
- Satish Parakh:** Because NHAI cycle would be better so I do not think it should change it could be in the range of 45 days.
- Utsav Mehta:** Thank you so much.
- Moderator:** Thank you. Next question is from the line of Bharanidhar Vijayakumar from Spark Capital. Please go ahead.
- B Vijayakumar:** Sir what exactly is the issue at Islampur.
- Satish Parakh:** Islampur issue is similar like to Eastern Peripheral where people are not ready to give position at site so they have received compensation but these compensations were received very early like two years back.
- B Vijayakumar:** And when is it likely to be resolved.
- Satish Parakh:** Now I think they would do at same lines of Eastern Peripheral so another two months time we should see some resolution there.
- B Vijayakumar:** And of the about 800 Crores of remaining orders in the PNG side so when will we be able to completely finish this in other year or what is the time line sir.
- Satish Parakh:** Yes, we should be able to complete in this current year.
- B Vijayakumar:** This current year FY17.
- Satish Parakh:** Yes.

- B Vijayakumar:** And one question on the margins in the quarter so the standalone margins have improved so is there any specific reason or...
- Satish Parakh:** See what happens is in the quarter whatever according standards ask for revision in contract pricing is done at the end of the quarter so there, there is a tricking what happens is cost of perception has gone down which has resulted in increased margins in this quarter but the standard quarter for EBITDA for going on would remain in the range of for power around 10% to 10.5% and for the EPC cash contracts in the range of 11% to 11.5%.
- B Vijayakumar:** And the final question on your other income for the quarter so you had mentioned that of the 45 Crores we book this quarter it is a component of 16 Crores on interest on cash. So will that be the study state number going forward.
- Satish Parakh:** No, it would not be because we had surplus money at the time of QIP, which was part for some time, and then this story has sturdily used for the capital requirements.
- B Vijayakumar:** No, my question is this 45 number would read as what is the study state number that goes, because there were all the other one half incomes also, so removing all that what will be the study state of other income.
- Satish Parakh:** Don't have that number.
- B Vijayakumar:** Thank you for answering my questions.
- Moderator:** Thank you. Next question is from the line of Amit Sinha from Macquarie. Please go ahead.
- Inder:** This is Inder here from Macquarie my question is for more broader first is on this NHAI hybrid project are you seeing that these projects also have a similar kind of land acquisition kind of issues that you are facing in couple of year other projects or these are much more were in kind of thought out projects and where execution can start immediately and what is your thought process about approaching these projects going forward that is my first question.
- Satish Parakh:** Yes, some of the projects definitely will have similar issues like so what we have faced in Eastern Peripheral and JNPT and Islampur and some of the projects were now there is fresh land acquisition that will of course will get new rate so we do not think there will be issues.
- Inder:** But it is fair to kind of say that close to 90% of the land is available with most of these projects when the bidding is being down for...
- Satish Parakh:** Normally 80% is made available and this old issues continue in some of the stages.
- Inder:** My second question is on the EPC projects of the NHAI now and there is sections of industry has been kind of saying that the working capital is actually likely to increase in the new EPC model where NHAI rather the billing is now being done on a milestone basis rather than a monthly kind of a billing basis use to exist what is your opinion in that.



- Satish Parakh:** Yes, billing is on milestone basis but here NHAI also gives advance to the tune of 10% so that also helps and then some of the projects definitely the milestones have been very, not a project-to-project it differ actually wherever we have structure this the entire structure has to be completed for billing so some of the projects may face this kind of problems.
- Inder:** So on a like-to-like basis in the previous model and this new milestone basis do you think the working capital is actually increased or is actually the similar because of them all.
- Satish Parakh:** As nature of the project, one has to build in this cost while bidding.
- Inder:** So is it safe to assume that projects were more structure actually has longer working capital.
- Satish Parakh:** Yes, with today's milestone such thing we have to do.
- Inder:** Thank you.
- Moderator:** Thank you. The next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.
- Parikshit Kandpal:** Just when we interest upon the competitive intensity in the EPC segment the last year if you see the largest bidder and NTOs on aggregate basis 10% below the EPC cost if I can say and only had that the 5000 Crores of inflow guidance but we ended up somewhere around 2800 Crores this year we are setting it up somewhere close to 4500 so what gives us confidence that will be able to achieve this in such a competitive intensity kind of a scenario.
- Satish Parakh:** Our participation last year was around 30% to 35% of the bid and this year we are targeting to participate at least in a 50% plus bids another is now projects last year the scenario where people would really not having orders in hand but this year always players are having good amount of orders in hand so going ahead we see the aggression should come down.
- Parikshit Kandpal:** Because when I see the Jharkhand project we had won it around 6% higher than the nature of cost.
- Satish Parakh:** Yes, it is above estimates.
- Parikshit Kandpal:** So our total will be basically not be very aggressive while...
- Satish Parakh:** We had not been historically and we will not be going ahead also and we feels is one need not be because there is a huge opportunity coming all across NHAI, MRTHTS, so I think we should get this order book with good numbers here.
- Parikshit Kandpal:** So I think even your annuity project which was like one by above recently there also we were L3 even if I may said so in this new order inflow of 2500 is there any particular mix were looking in terms of EPC and annuity.
- Satish Parakh:** Mix is well difficult to there definitely what we will be bidding will be 50% will be hybrid annuity and 50% will be EPC so now what we really bagged will all depend upon our competitor, what they allow us to get.

- Parikshit Kandpal:** And this entire equity on the new projects which we were will be supported by Ashoka Buildcon there wouldn't be any further contribution from FDI requirement.
- Satish Parakh:** Yes, you are right.
- Parikshit Kandpal:** Thank you and all the best.
- Moderator:** Thank you. Next question is from the line of Parvez Akhtar from Edelweiss. Please go ahead.
- Parvez Akhtar:** Sir I think from first of April we would have got whole I can now be in Belgaum, Sambalpur, and Dhankuni project so if you could tell us what was the quantum of the hike.
- Satish Parakh:** The toll retraces.
- Parvez Akhtar:** Yes.
- Satish Parakh:** The toll retraced on Belgaum and Dhankuni and was around 2%.
- Parvez Akhtar:** And Sambalpur we won't have got a hike here.
- Satish Parakh:** Yes, we are awaiting so we will get in any time.
- Parvez Akhtar:** And P&G we would have obviously stop toll collection from April.
- Satish Parakh:** Yes.
- Parvez Akhtar:** Sir the other thing is just want to check you said there would dividend from real-estate were 35 Crores in this quarter which would have been in the standalone account.
- Satish Parakh:** What is this called it was in PS, it was at the SCF itself so dividends, no the dividend was from an associate company of 2 Crores from the Wainganga Project because that is an associate we will not consolidating, we are only taking the share of that.
- Parvez Akhtar:** I just wanted to check what is then the different in other income between standalone and console they would obviously have been consolidation so what was that number. The console other income is 22 Crores and standalone is 45 Crores so what is that which has got consolidated and therefore eliminated.
- Satish Parakh:** There could be revenue from share of profit from associate but we did not get so maybe I could come offline I will have get down on the numbers.
- Parvez Akhtar:** Sure I will do that and lastly in this 486 Crores order that we have own recently who was the L2 and what was the bid.
- Satish Parakh:** L2 was GKC and I think Delhi, Belgaum the difference was hardly 2%.
- Parvez Akhtar:** Thank you that is it from my side.

- Moderator:** Thank you. Next question is from the line of Aditya Mongia from Kotak Securities. Please go ahead.
- Aditya Mongia:** Sir firstly on the Jharkhand bid and where you are saying it was slightly was NHAH cost by 6% or some is that normally coated side.
- Satish Parakh:** Hello.
- Aditya Mongia:** I am just trying to focus on this Jharkhand bid, which you were suggesting, is slightly above NHAH project cost.
- Satish Parakh:** Yes 6% above.
- Aditya Mongia:** So should we be thinking of this in the manner that NHAH cost does not kind of build in orders or we kind of get slightly bit emergence because of limited competitive intensity.
- Satish Parakh:** No, we bidded our margins it all depends upon project-to-project above or below cost it all depends on quarries' available local situation and so many other factors so NHAH estimates are just not a guideline for gauging margins.
- Aditya Mongia:** Sir two book keeping question of my side firstly in the Jaira Nano project and the Indore Adilabad project, the 7% inflation number which we kind of build in that does not change beyond certain number of it which means till the end of the construction agreement right.
- Paresh Mehta:** No this is up to the end of the project, there are no changes it is a fixed rise in the toll rate.
- Aditya Mongia:** And secondly on this other long-term liabilities have keep on reporting on the balance sheet what exactly the nature of this side lined item?
- Paresh Mehta:** Other.
- Aditya Mongia:** Long-term liabilities it is a number which kind of off rate between 200 to 400 Crores almost every year.
- Paresh Mehta:** It has gone down because the NCD requirements have become current nature less than 12 months also; they shifted from long-term to short-term borrowing.
- Aditya Mongia:** Thank you sir.
- Moderator:** Thank you. Next question is from the line of Ashish Shah from IDFC Securities. Please go ahead.
- Ashish Shah:** Sir could you give me the breakup of revenues between EPC and T&D for Q4 as well as for full year FY16.
- Paresh Mehta:** The T&D revenue for Q4 was approximately 230 Crores and for the year was 836 Crores.
- Ashish Shah:** The balance we could assume to be 8 Crores.
- Paresh Mehta:** Yes.

- Ashish Shah:** Sir in the Zaura Project are we already seeing this some amount of the benefit which would cost for the traffic diversion because of construction going on in the competing road are we seeing that benefit now reversing because construction there is over or this is the quarter-on-quarter dip could be purely seasonality and nothing to do with.
- Paresh Mehta:** No, it is both; it is only seasonality, which is separately December and second, is rest three also is getting developed, so they now see a reasonable rationalize increment.
- Ashish Shah:** So maybe this quarter should be some sort of a based or you think there could be further traffic and it can move away.
- Paresh Mehta:** No I think this should be a base approximately this quarter last quarter could be considered as a base.
- Ashish Shah:** Sir lastly we have this toll collection contract Kognoli could you tell us what is the toll collection in that project for the quarter for generally run rate.
- Paresh Mehta:** I think it is approximately 55 Crores for the year and like how it pans out it more of a collection contract.
- Ashish Shah:** Correct of it 48 Crores or so we have committed to revised to NHAI.
- Paresh Mehta:** Yes.
- Ashish Shah:** And sir last question Dhankuni Kharagpur when do we expect that should come up for refinancing.
- Paresh Mehta:** May be by this quarter end.
- Ashish Shah:** By this quarter end it will come up.
- Paresh Mehta:** Yes.
- Ashish Shah:** Sir any expectation we have that on what we could get in terms of the revised rate or also in terms of what extra debt we could manage there.
- Paresh Mehta:** So here we are looking at Dhankuni Sambalpur as well as Belgaum to be refinance other than Bhandara they are already finance well you would get at a more but if you see projects we are expecting targeting at least between 1% to 1.5% reduction minimum in the accounts of finance.
- Ashish Shah:** So the rate should come down to something like 10.5%.
- Satish Parakh:** Yes, more in that, in the range 10.25% to 10.5%.
- Ashish Shah:** And we would be able to get any extra?
- Paresh Mehta:** We are not targeting that refinancing.
- Ashish Shah:** We are not targeting that, just a pure interest rate reset.

- Paresh Mehta:** Yes.
- Ashish Shah:** Thank you.
- Moderator:** Thank you. Next question is from the line of Pranav Mehta from Equirus Securities. Please go ahead.
- Pranav Mehta:** Sir just wanted to know by what time will we recognize the revenue for Katni bypass on your books.
- Paresh Mehta:** As soon as we get clarity from the courts, our policy is that once we have full certainty of the claim or the revenues we will continue to hold it as a balance sheet item not as a revenue item.
- Pranav Mehta:** So sir any indicative timeline.
- Paresh Mehta:** If we will do stay on that.
- Pranav Mehta:** Thank you.
- Moderator:** Thank you. Ladies and gentlemen that was the last question I would now like to hand over the floor to the management for their closing comments. Over to you sir.
- Paresh Mehta:** We thank everybody for participating in this Q4 Earnings Call as already said we have uploaded the analyst presentation of our company on our website and the BSE NSE websites too. In case of further queries you are free to call us get in touch with us or our investor relation's advisors stellar investor relation. Thank you very much for your participation.
- Moderator:** Thank you very much sir. Ladies and gentlemen on behalf of SBI Cap Securities Limited that concludes this conference call. Thank you for joining us, you may now disconnect your lines.