



“Sadbhav Engineering Limited 3QFY14 Results  
Conference Call”

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**Moderator:** Ladies and gentlemen, good day, and welcome to the Sadbhav Engineering Limited 3QFY14 Results Conference Call hosted by Ambit Capital Private 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 now hand the conference over to Mr. Nitin Bhasin. Thank you. And over to you sir.

**Nitin Bhasin:** Thanks, Chitrasu. Good afternoon. Thanks to you all for taking out the time to log on to this call. Apologies for changing the time today early in the morning. We invite Nitin Patel and the other management team of Sadbhav for this call. It is a great set of numbers and over to you for discussion.

**Nitin R. Patel:** Good afternoon, everybody. Let me again apologize for the change in the time, which was due to some urgent commitment at around 6 o'clock for me, and so I am thankful to everybody for adhering to our request.

Now to start with, on behalf of Sadbhav Engineering Ltd, I warmly welcome all the participants who have taken their valuable time for the third quarter of FY14 Earnings Conference Call. I am sure you must have had an opportunity to see the highlights on the 3Q results which was released on the stock exchanges on Saturday.

To start with, as we had explained in our earlier earnings call also that this quarter onwards we expect Sadbhav to show strong execution on all fronts, and almost all the projects in the order book are up and running under construction, with major clearances being obtained. Also, we have built the strength in terms of the fixed assets to support the strong execution. After the last six quarters, the company has been able to post healthy growth in EPC execution, broadly due to the increase in the order books since the last 18 months, and we expect the company to show similar growth in the coming 6-8 quarters based on the current order book position.

Now, let me start with the summary of this quarter's standalone financials. Revenue for the quarter has increased by 75% to Rs620.80 crores as against Rs353.40 crores last year. EBITDA for the quarter has increased by 95% to Rs64.60 crores as against Rs33.10 crores last year. Profit after tax for the quarter was Rs25.9 crores as against Rs3.7 crores of the last year. Now, the EBITDA margins for the quarter stood at 10.4% against 9.4% in the same period of the previous year. Margins have improved because of the economic scale with other expenses as percentage of revenue has reduced from 6.7% to 3.8%. We expect the company to maintain this margin in the near future. Also, I would like to add here that obviously the Mining sector, once it will start basically getting the total projects under full execution, because another couple of projects are yet to start the execution, out of these, one will start from this quarter, and one will be 1Q of next year. So, post that we expect some more improvement in the margin in EBITDA terms because of some additions from the mining sector contribution.

Now, starting with the business update: Let us first discuss the EPC business update - our order book as on quarter-end stands at Rs9,326 crores, out of which the Transport sector contributes 51%, the Mining sector contributes 27% and the balance is from Irrigation. Work has started in the Rohtak-Hissar project from 26 December; this is also a large-sized project where the EPC of Sadbhav is Rs1,080 crores. The Chhindwara project has contributed Rs303 crores to revenue in this quarter alone as compared to Rs69 crores in the same period of last year. With work going on at 10 out of 12 sites in the Mining sector, the sector has also contributed revenue of Rs170 crores in this quarter. The order book breakup and revenue breakup is provided in the highlights uploaded by the company. Of the new projects won in FY14 up to 31 December, the company has won total 13 projects, amounting to Rs1,934 crores; in Transport EPC Rs304.2 crores, total four projects; and Irrigation Rs890.90 crores, total six projects; and mining Rs739.10 crores, total three projects.

On the BOT business update, detailed breakup of revenue in each SPV has been provided in the highlights uploaded by the company. Taking a bird's eye view on the BOT business, to start with, the company has received a letter of acceptance for the Karnataka State Highways Project. The project starts from Malavalli-Pavagada in the state of Karnataka; the total project cost is approximately Rs780 crores, which includes Rs239 crores fixed grant from the World Bank. The concession period for the project is 10 years, out of which 2.5 years is the construction period. The semi-annual annuity is Rs71.15 crores. Currently, the company has 9 operational projects with daily toll revenue of Rs1.30 crores, of SIPL's share in the project. SIPL has invested Rs1,300 crores till 31 December in 12 SPVs, as part of equity. On the three under-construction projects, we expect the company to complete all these projects before the scheduled four-laning dates. Now, in the BOT sector for the Maharashtra Border Check Post project, the toll collection has been started at another three check posts during the quarter, namely Navapur, Ramtek, and Pimpalkutti from the first week of January. Provisional completion is also received for one additional check post that is Kharpi; also the second check post recently, the one major check post, Hadakhed, has also received the provisional completion certificate during this quarter. Now, total 10 check posts have received COD, out of which 6 have started generating revenue. Current daily toll revenue from 6 check posts which are under operation is to the tune of Rs19-20 lakhs a day and the land acquisition is completed for all the check posts of the entire project now. So all of the projects are under construction, but the balance one, and we expect that all will be completed by the end of March 2015, and also during this call we will discuss about the tentative start of the remaining check posts of the project. Now the Rohtak-Panipat, on 6 January 2014, was the actual COD date while tolling started w.e.f. 9 January. We expect traffic to stabilise in the project in the next 5-6 months; at the project level the revenue is being collected smoothly.

Now, going to the entire business as a whole on the EPC front, we feel that the next couple of years, obviously, it is crucial for any of the companies in the Infrastructure sector, but with a strong execution capability and the strong order book position of almost Rs9,300 crores plus, and also the mega projects getting operational on the BOT front, we expect that the company is going to achieve the desired results over a period of time.

Now to update you on the fund-raising plans of the company - the company has vide its Board Meeting dated 14 February decided not to go ahead with the 'rights issue'; however, the promoter will continue to fund a 'Preferential' offer, which they basically agreed to, and out of them 25% has already been infused by them in the company. So, this is broadly in terms of the business of Sadbhav standalone as well as the other major developments in the BOT front also. I would like to thank all the participants for listening to me. Now, I would like to request all the participants to have their questions regarding this quarter's earnings, as well as the present business of the company. Thank you very much. Over to the floor.

**Moderator:** Thank you very much sir. We will now begin the question-and-answer session. The first question is from the line of Navin Jain from JM Financial. Please go ahead

**Navin Jain:** Can you please help us understand what really happened in the Aurangabad-Jalna project during the quarter, because apparently adding the toll collection was stopped for about a month in between?

**Nitin R. Patel:** The Aurangabad-Jalna toll was collected on the entire stretch barring there was a one ROB which had not got completed in the project and for want of the same, final COD was pending in the project. Now, because there were railway authorities, we have taken almost more than three years to give the entire clearances, and finally after all the efforts... because two times this Aurangabad Division has changed, earlier it was in the Maharashtra, and lastly it went to Hyderabad, because of that one PIL was filed in the Aurangabad High Court and PWD government authorities could not prevent it, but ultimately the responsibility to provide the clearances in terms of the ROB and everything lies with the PWD. So, they could not respond properly and the High Court has passed an order to close basically the toll for a certain period of time, but immediately after our intervention on the very next day the matter that went for 30-35 days in the court and finally the court has allowed to start collecting the toll and also they have given the direction to PWD to basically reimburse the costs – whatever losses incurred by the operator because of the PWD's failure to provide the clearance of ROB. So that is the case. Now the whole thing has smoothened, and so tolling is clear in their operation. No other issues on the ground apart from that.

**Navin Jain:** Because the PWD was not able to allow this construction of ROB, that is why the PIL....?

**Nitin R. Patel:** Not construction, construction is supposed to be done by the concessionaire – us, but they have to give all the clearances basically, right from clearance for filing, that even blockages of rail, also the approval of all drawings, and even basically the construction methodology, casting of the piers and slab and all put together, and so the whole process is to be done by them. So that is their responsibility, only we were responsible to complete the construction activity based on the approval given by the railway authorities.

**Navin Jain:** I am just trying to understand how is the PIL related to getting these clearances?

**Nitin R. Patel:** Because they have given the contention, that since the government has not completed the formalities, and the ROB is not operational, why the toll is allowed basically on the project. Actually as per the Concession Agreement, once 98% of the construction is over, then the concessionaire can start collecting the toll and based on that the government has issued the government resolution much-much earlier and toll is beginning. So that is why I have told that the entire provisioning of the Concession Agreement could not be properly represented by the government at the beginning, and that is why the court has given this judgment, and after our intervention now it has been reversed.

**Navin Jain:** So you do not expect this disturbance to kind of...?

**Nitin R. Patel:** No, there is no other local disturbance, actually. This was one NGO who would like to basically take it in a different way, but finally it has got through now. Even ROB is completed, now everything is through. ROB is operational, because scheduled dates for completion was 31<sup>st</sup> of December 2013, and we have completed well within the scheduled time, but on 4<sup>th</sup> of November this PIL was filed in the High Court.

**Navin Jain:** What was the toll collection at your Dhule project?

**Nitin R. Patel:** Dhule as of now we are collecting almost around Rs37 lakhs a day.

**Navin Jain:** So it has improved from what it was earlier?

**Nitin R. Patel:** Yes, it has improved and another 13.5 Kms, the balance area – the 40% of that full 4-lane toll is yet to come, and we expect another 4.5-5 lakhs will be added within a year's time.

**Navin Jain:** So like-to-like from 35 lakhs it has gone up to 37 lakhs in this quarter?

**Nitin R. Patel:** In the quarter, correct.

**Navin Jain:** But, we cannot see similar improvement in the Bijapur-Hungund project; sequentially, actually the toll collection has declined in this project. Any specific reasons for that?

**Nitin R. Patel:** That is mainly two reasons; first of all, post the clearance of these removal of mining ban, because it was not removed fully, and so the activity in mines has not been started taken off, and so a lot of other clearances are pending by the state government. Second thing, this project is basically having very much influence of the car sales actually. A lot of car manufacturing hubs in Pune and Bangalore, transportation of the new cars being transported on this road in the large trailers. That traffic has gone down because the car sales has come down almost more than 15-20% during the quarter-to-quarter it has come down actually. So this is also one of the reasons. But, in absolute terms we have seen that barring these, other commercial activities have improved because in our Aurangabad-Jalna, Hyderabad Yadgiri, Ahmedabad Ring Road, everywhere we have witnessed that the toll has started improving particularly post November,

December, January, and this February also it seems that 5-10% of the traffic growth is being seen in almost majority of the projects.

**Navin Jain:** Sir, the Rohtak project, what has been the initial toll collection figure?

**Nitin R. Patel:** To start with, it was around Rs33-34 lakhs a day. So we expect that it will take another 5-6 months to stabilise the entire project because we have witnessed that immediately once the new and high toll rate is being started, there is a tendency of the vehicles going through one or other way actually. Even Ring Road also has witnessed around a 30-35% dip during the initial period, but over 6-8 months' time, the traffic has come again on track actually, like other projects also we have seen immediately after the starting, some dip is coming, then within 5-6 months it is getting stabilised.

**Moderator:** The next question is from the line of Mangesh Bhadang from Quant Broking. Please go ahead.

**Mangesh Bhadang:** What is the diluted equity now post the 25% allotment that was given to the promoters?

**Nitin R. Patel:** Once the entire warrants will be converted into the equity, promoter will go up to almost 51.40% from the 48.5% at present actually.

**Mangesh Bhadang:** So the preferential allotment full and only 25% of the rights, that is the only part which gets...

**Nitin R. Patel:** Rights is not there, out of preferential commitment, 25% amount has been funded by the promoters as of now, which is as per the requirement of the listing agreement as well as the guidelines basically. So the remaining will come within a period of 18 months.

**Mangesh Bhadang:** So only 25% of the preferential and there would not be any rights issue as...?

**Nitin R. Patel:** No, there will not be any rights issue now.

**Mangesh Bhadang:** So the dilution has been limited to a much larger extent and that was because of the securitisation of the project that we do.

**Nitin R. Patel:** Obviously, one is the securitisation has happened; some money which was stuck in one or two couple of SPVs, mainly in Dhule, and so some money has started flowing actually in the system, and obviously because the working capital position has now started improving because on the execution front also, the company has started getting its numbers now, the margins are coming on the track. So, it was decided that not much working capital will be required for the business, and so that is why it has been dropped now.

**Mangesh Bhadang:** Can you just repeat the revenue from the Chhindwara project in this quarter?

**Nitin R. Patel:** Current quarter has contributed Rs303 crores from the Chhindwara project.

- Moderator:** Thank you. The next question is from the line of Madan Gopal from Sundaram Mutual Fund. Please go ahead.
- Madan Gopal:** Bijapur-Hungund, what is the toll collection you said? I just missed that number.
- Nitin R. Patel:** Rs23.10 crores for the quarter as against Rs22.76 crores of the same quarter of the previous year.
- Madan Gopal:** You said Rohtak-Panipat is taking time to stabilise, right?
- Nitin R. Patel:** It will take, because just 20-25 days has happened after starting of the toll.
- Madan Gopal:** What is the initial collection you are seeing?
- Nitin R. Patel:** Around Rs33-34 lakhs a day.
- Madan Gopal:** What is the debt number in the standalone balance sheet sir?
- Nitin R. Patel:** Standalone now we are at around same Rs870 crores is there as of now, that is after incurring the total capex of almost Rs160 crores plus in this year.
- Madan Gopal:** And any update on the Mining projects that we were bidding on? I think most of the capex went for the mining operations?
- Nitin R. Patel:** Obviously, at least for one project we have yet to incur capex that will happen in the first quarter of the next year, which is to the tune of around Rs35-38 crores. I think there will not be any further capex requirement for the year actually.
- Madan Gopal:** So, what is the total revenue that you expect from this Mining next year and how much we have invested this year towards that?
- Nitin R. Patel:** New investment in sector for capex, it is almost to the tune of around Rs140-145 crores out of the total capex of the year, remaining is for Road and Irrigation, but considering all the projects when it will be operational, another two years yet to start the operation, out of which, for one we have already completed the capex requirement, one is pending. So next year we see the revenue from Mining should be within the range of Rs550 crores, and thereafter it should be around Rs600-650 crores in FY16.
- Madan Gopal:** And with close to around 15-16% margins or better than that?
- Nitin R. Patel:** It should be better than that actually, because our historical margin in Mining is almost 20% at the EBITDA level.
- Moderator:** The next question from the line of Bhupendra Tiwari from ICICI Securities. Please go ahead.

- Bhupendra Tiwari:** Can you give me the total equity requirement pending project-wise?
- Nitin R. Patel:** The total pending requirement is Rs358 crores as of now, out of which we require Rs207 crores in Shreenathji-Udaipur, Bhilwara-Rajsamand Rs66 crores, Rohtak-Hissar Rs52 crores, Dhule-Palasnar Rs13 crores, and KSHIP the new project which we won recently, that requires Rs20 crores.
- Bhupendra Tiwari:** What would be in FY15?
- Nitin R. Patel:** FY15 we would be requiring around Rs190 crores.
- Bhupendra Tiwari:** Any requirement left in FY14?
- Nitin R. Patel:** FY14 we are through now.
- Bhupendra Tiwari:** And second question would be regarding the securitisation of the Ahmedabad Ring Road, how much have we received and what is the status?
- Nitin R. Patel:** We have not yet received any amount of the securitisation proceeds. The documentation and all processes are completed. We are awaiting Ahmedabad Urban Development Authority (AUDA); they have to complete the waiting and they have to come back. Now they have got some internal approvals for the go-ahead, and now we expect that it should happen before the end of this month.
- Bhupendra Tiwari:** We are expecting close to Rs250 crores if I am not wrong?
- Nitin R. Patel:** Total securitisation is Rs252 crores, out of that Rs190 crores is to come in the first tranche, and the remaining will be in FY15 and FY16 equally.
- Bhupendra Tiwari:** And what is the update on Maharashtra Check Border Post, if you can just break it up – how many toll plazas will be done by March-end, and what will be the per day revenue that you will be getting there, and then breaking it up by FY15, what it will look like?
- Nitin R. Patel:** As of now, we got the commercial operation date certificate for 10 check posts, out of which 6 are operational, and 6 if I put the number; at Acchad, we are collecting Rs6.5 lakhs a day, Mandrup Rs4 lakhs a day, Saoner Rs70,000 a day, Navapur Rs4.5 lakhs a day, Ramtek Rs1.3 lakhs a day, and Pimpalkoti Rs2 lakhs a day. So total around Rs19-19.5 lakhs per day toll is being collected out of these six check posts, another 4 check posts which we are expecting to get the government order by the end of this month, and the names of these 4 check posts, first is Hadakhed, Omerga, Warud, and Kharpi, these four check posts, and so these four we expect around Rs10-10.5 lakhs a day of revenue. So these 10 check posts will go up to Rs29-30 lakhs. So, by March-end positively we should be in a position to collect Rs29-30 lakhs a day out of these 10 check posts, and another 6 check posts we will be getting the COD and also the operationalisation of the same before June 2014. So, post these 6, we expect the revenue

should go around between Rs37-39 lakhs a day, and remaining balance 6 check posts will be before March 2015 and these 6 check posts will fetch almost around again Rs10-11 lakhs a day. So post adding some traffic as well as the revenue number toll rate and all put together, we should be within the range of Rs52-55 lakhs a day when all the 22 will be operational.

**Bhupendra Tiwari:** Just wanted to understand, what will be the capex for next year? What is the kind of EPC revenue that we are building in, like you said that Rs550 crores would be from the Mining alone?

**Nitin R. Patel:** Total if I put together, capex for next year should be within the range of Rs42-45 crores. I think based on the current order book we should be close to Rs3,000 crores next year. I think this number because 4Q when the number will come, then hopefully the whole picture will be totally clear, how we are expecting the Rs3,000 crores number.

**Moderator:** Thank you. The next question is from the line of Nitin Bhasin from Ambit Capital. Please go ahead sir.

**Nitin Bhasin:** If you could just take us through the Rs3,000 crores of topline that you are expecting next year, is it going to be mostly the Roads again or do you think the Mining share will be relatively higher from what it was this year to next year and which are those projects? Secondly, what are the investment needs of those projects?

**Nitin R. Patel:** As I have mentioned, Mining we should get almost Rs550 crores of the turnover next year, which is almost around say 20% higher than the current year's number, it should be. Apart from that obviously, Roads, because Shreenathji-Udaipur, Bhilwara-Rajsamand, Rohtak-Hissar and given that this Karnataka State Highways project, because all the environmental clearance and everything is in hand, that is why the World Bank has committed the funding of the grant. So all put together we expect that the mammoth turnover should come from these four projects. Chhindwara, obviously, because post December 2013, the outstanding order book in Chhindwara is around Rs600-620 crores. So out of these, almost we expect that around Rs350-375 crores will be exhausted in this quarter only, and the remaining will be there for next year. So these five obviously should generate almost around Rs1,600-1,700-1,800 crores of the turnover, plus other Road projects actually, all put together the Road sector, and the remaining obviously because Irrigation is also having a reasonably good share in the total order book, and the projects which are under, these are also going very smoothly, so we expect again the Irrigation should contribute again around Rs500-550 crores for next year. So this is the broader breakup. Obviously, it depends upon some of the projects, whereas the bituminous work also will happen more, so that side may generate higher revenue, but the earth work may generate lesser revenue, depending upon the quarter-to-quarter situation. This is one part. In terms of the capex obviously as I have mentioned around Rs42-45 crores of the additional capex will be required for the current order book which is there. So I think we should be through with these numbers actually.

**Nitin Bhasin:** That is after Rs150 crores of capex in FY14?

- Nitin R. Patel:** Yes, this is after the same.
- Nitin Bhasin:** Just taking us through Rs150 crores plus Rs50 crores, Rs200 crores of capex, roughly Rs100 crores of this would be in Mining or more than that?
- Nitin R. Patel:** Mining, we have added around almost Rs150-155 crores.
- Nitin Bhasin:** Coming to the level of debt, at one point in time, possibly you are looking to raise rights issue for just seeing equity needs in your assets and also money was stuck. Today, what is the status of the standalone debt and where do you see it by the end of March '14 this year?
- Nitin R. Patel:** If I put in a different way, this Rs870 crores which is outstanding as of now, if I make a reverse calculation, out of the same Rs200 crores is towards the non-convertible debentures which we have raised for investing in SIPL for raising the equity stake in the company. So if I take out that, the remaining is Rs670 crores. Out of Rs670 crores, outstanding debt of the capex all put together is close to Rs320 crores. So, almost around Rs350 crores remains for the working capital outstanding. Against that if we see that the money which is likely to come from the Dhule project, which is outstanding to the tune of Rs74 crores as of now which we are yet to receive, we expect that before March we should get all the money. Number 2, Rohtak-Panipat, some of the money around Rs35-38 crores in terms of the variations, because work has been executed, COD is achieved, but we are yet to get payment from NHAI, and so that will come, and also broadly, the money what we have given to SIPL as a temporary loan, post this release of the securitisation money to SIPL we are expecting around Rs110 crores of the cash flow will come back to the Sadbhav Engineering level. So all put together we should be comfortably down by around Rs150-170 crores from the present level, and so it should be around Rs600-625 crores will be outstanding by end of March, that should be the number.
- Nitin Bhasin:** And sir, now because MBCP and Rohtak-Panipat are up and running, is there any change on the interest rates of those or when will those projects go through resets of interest cost?
- Nitin R. Patel:** MBCP is due and we expect that before March end, the interest will come down by 100 basis points. So it should be around 12 quarters now, 13<sup>th</sup> quarter at present we are paying. And this Rohtak-Panipat will remain the same; it is 12%, but date is in the month of November, so we will see post that; by the time we will have some reasonable numbers of 8-10 months and so then after that we will go with the lenders for a reset of the tax rate.
- Nitin Bhasin:** Of the present external order book that you are carrying, which are those projects which are slow-moving or non-moving for let us say some environmental clearances in either Irrigation or Mining or woods, any small or big projects?
- Nitin R. Patel:** As such, no such significant thing... at least hardly around Rs40-50 crores worth of the job only, that is in the state of Andhra Pradesh because for want of some clearances and some land issues, it has not been taken up, only remaining that all others are almost on track, and now in BOT almost all the major clearances, because Rohtak-Hissar we are having 96% possession in

hand now; even Bhilwada-Rajsamand, almost 92% of the area we have already taken up now. Shreenathji-Udaipur again almost 95% possession is through. So, a major part is cleared now. So, we do not see any other challenge in terms of stoppage or any kind of these surprises should come.

**Moderator:** Thank you. The next question is from the line of Prem Khurana from Batlivala & Karani Securities. Please go ahead.

**Prem Khurana:** My question was with respect to a subsidiary company on a BOT project. So if I were to look at our subsidiaries, apart from Ahmedabad Ring Road and Nagpur, no company seems to be doing very great set of numbers in terms of EBIT. If I were to look at let us say Bijapur-Hungund, we will be doing EBITDA of around 235-odd million or Rs24-odd crores and against that we have a finance cost of 23 in case of Hyderabad-Yadgiri, we are doing Rs5-odd crores of this EBITDA and Rs11 crores, the finance cost. So who has been funding this repayment and the mismatch which is there – SIPL is funding that as of now or Sadbhav? In your fair assumption till what time would you believe the cash flow mismatch would continue?

**Nitin R. Patel:** I would like to put it in a different way, because considering all the contingencies in mind, when we have designed the projects and particularly in Sadbhav, we are having a practice to keep a reasonably fair amount in the Debt Service Reserve Account (DSRA). So in Bijapur-Hungund we are sitting on physical cash of almost Rs60 crores in the SPV, and so that should take any contingency which may come over the period of 3-4 years from now actually. So that is one part. Even in Rohtak-Panipat, we are having Rs78 crores of the DSRA, Border Check Post Rs65 crores physical cash is there, obviously Aurangabad-Jalna Rs.9 crores physical cash is available, which has not been used actually at all in the SPV because this is available since beginning. Hyderabad-Yadgiri, because obviously we have adjusted that cash flow, but it is in the form of bank guarantee is available, but because of the Telangana and all these issues which has disrupted the whole of the traffic, three to four times we have taken the numbers initially also when the private equity investor has invested, that time also... so I was just giving the reply to the servicing capability. So, sufficient cash is there. In Hyderabad-Yadgiri because we have taken a hit in terms of the political scenario, even recently we are planning to go to NHAI, because in the Concession Agreement, there is a specific provision of the clause, that because of any such political movement, if the concessionaire feels that the traffic has been disrupted, so he has every right to go with the authority and for seeking some kind of comfort in terms of the same. So this project is falling under the same category. We have now already started approaching the authorities also.

**Prem Khurana:** This would come under what – Force Majeure event or ...?

**Nitin R. Patel:** In Clause 28 of the Concession Agreement, if somebody is having ...or otherwise we can share basically the specific clause, and so it is very much clear, and this is exactly fit case, and so the order it has been worded in such a way, because that is a big political movement, that one entire state, and particular, Hyderabad being a major city of the entire capital city, it is getting split now, and a huge movement has taken place, a lot of discouragement in terms of the

investments and everything has happened. All that has gone adverse, and even from a couple of months when these things are getting stabilised we have started seeing that the traffic has basically gone almost around 10-12% on the project during the last two months, which was never before. Since beginning we are collecting the highest revenue in January now.

**Prem Khurana:**

And sir, in terms of margins for next year, if I were to have Rs550-odd crores of numbers from Mining, and were to do around Rs1,600-1,800-odd crores of numbers from Road project, so what kind of EBITDA margin would you expect for our company next year because if I am not mistaken, Mining tends to have better margin profile than your Road projects or Irrigation. So is it fair to assume that the margin would improve for sure next year and by how much and if you can give us some kind of guidance on this?

**Nitin R. Patel:**

There is enough room for the slight improvement in margins, because we expect that the debt level in the company will also come down because even in terms of the other cost, obviously, if you put the numbers in a different way, in the current quarter some in the other expenditure which is pertaining to legal and professional fees, normally which we are paying for the bidding for the new projects, so that was reasonably high in almost all the quarters now, that has come down during the last quarter. We expect that these two sectors, particularly, Mining and also the BOT project which are going to give us the major turnover, so this should add reasonable margins. The margin level should go up from this level now.

**Prem Khurana:**

In your opening remarks, if I am not mistaken, you said you have land in possession for all the check posts in Maharashtra Border Check Post, and so would it mean you have the land in possession for all the 22 for the 17, because we were facing some land acquisition issues with some 5-odd check posts. We were planning to lead with the existing structures, and so when you say....?

**Nitin R. Patel:**

The land where we have not got, the decision has already been taken that five check posts, these are going to be constructed in-situ now on the project highway itself, and the remaining land which was not got cleared that has now finally got cleared actually. Now the three check posts which we were getting, apart from that, because these three are the critical ones – one Kagal, which is on NH-4, so that is a major revenue-generating check post, now that entire land we are through actually, on the Goa border, also we are through in terms of the land.

**Prem Khurana:**

How much our cost would come down for these check posts or overall project cost for Maharashtra Border Check Post?

**Nitin R. Patel:**

All put together we are expecting in terms of the EPC cost should come down almost close Rs200 crores, because of the reduction in the scope, this is one part, but rather than that we are expecting the major reduction in operation and maintenance cost over the period of the entire concession because of the change in the entire configuration.

- Prem Khurana:** And just one last question, we would have booked EPC number from Rajsamand-Bhilwara this quarter, so how much would that number be, I understand it will not be that much but if you could share that number with us?
- Nitin R. Patel:** Total Rs25.65 crores for this quarter.
- Moderator:** We are going to take a follow-up question from the line of Nitin Bhasin from Ambit Capital. Please go ahead sir.
- Nitin Bhasin:** Sir, can you share with us what is the loan on the SIPL books right now?
- Nitin R. Patel:** The total outstanding in the books now Rohtak-Panipat is totally drawn, because if I put these 9 operational projects, MBCPNL, we are yet to receive another Rs340 crores from the lender, remaining entire facility has been drawn now. So all put together if I put the number-wise if you want to, the SPV-wise outstanding liability....
- Nitin Bhasin:** No sir, we do not want the SPV-wise, mostly the ...
- Nitin R. Patel:** For all these 9 projects total is around close to Rs3,900 crores.
- Nitin Bhasin:** So one is the SPV debt but what about the SIPL standalone debt on its own for its conductor business or for its equity infusion in the subsidiaries below, any number to that?
- Nitin R. Patel:** Standalone is Rs190 crores.
- Nitin Bhasin:** Sir, you recently won orders worth about Rs700 crores in this quarter. What is the present EPC opportunity landscape looking like, what amount of bids especially some 2 or 3 segments that you bid for if you could share?
- Nitin R. Patel:** There are two ways we are putting now; the idea is that because obviously a lot of projects are likely to be cancelled now and they all will come for the rebidding for selection. Obviously, the actual execution and the actual requirement of these funds will go, at least it will take another one year from now. But the idea is that we would like to remain, and for that we have a slight change in some strategy, obviously, to remain in the EPC front. Basically to get more EPC opportunity, we will go with a little bit lesser stake in the equity in a couple of the projects for the future bid, and where we should get a major or full of the EPC work actually. That way we are going out further and accordingly we have started entering into some of the MoUs and joint ventures for catering to the future requirements.
- Nitin Bhasin:** And the NHAI road project or any state-level projects that you think in the next one or two quarters you can book?
- Nitin R. Patel:** 1Q of FY15 we are not expecting anything but from 2Q onwards we expect that some of the bids will start, and opportunities what we understand that it is enormous, and with less number

of bidders, and obviously, the chances to get the job is very high. So we understand that we should remain in the market very fairly with all corners together when we see that all are OK, then we can go ahead further.

**Nitin Bhasin:** The last one is on the MDO. Remember the Coal MDO project, there was a mention of it in the newspapers and you have developed the skill-set for that. Any development on that, anything from the coal ministry, CIL, what is happening on that?

**Nitin R. Patel:** Coal India subsidiaries, now they have started forming the bid and obviously they have made a public announcement also because now they are also looking for a very longer term and large size contract to explore mining in a full-fledged manner. So we have also started again the same forming a joint venture kind of arrangement with the potential large-scale players actually in the Mining sector where we can take the responsibility of this overburden and the coal mining only; the remaining part can be taken care by them; obviously, some kind of arrangement in terms of a JV kind of situation where it can be converted into the SPV, and where we will have a reasonably lesser stake with higher basically execution in terms of the Mining.

**Nitin Bhasin:** What could be a typical size of this project and a typical scope of work for you and a typical equity involvement in this kind of a project? What size of project this would be?

**Nitin R. Patel:** Size of the project it will be on a yearly basis, because this will be a longer term, say 15-year onwards all the contracts, major investment is required in terms of creating an infrastructure in mine area as well as the capex of the mining, not only the Mining but also the washery, and also the transportation of the coal and all put together. So it is an end-to-end solution for the Coal India or any kind of client. So we are of the view that we will remain initially in the Mining activity where we are having the full strength as well as the confidence, and to that extent we will incur the capex on our own, number 1. Number 2, the investment in terms of the other development, we will be having very less actually, but there we have to remain, otherwise, we will not be able to get execution work upfront.

**Moderator:** Thank you. We shall take a next question from the line of Navin Jain from JM Financial. Please go ahead.

**Navin Jain:** Just a follow up to the debt levels at SIPL. You mentioned it is at Rs190 crores. I believe that is external debt. So what would be the debt from the parent that is SEL?

**Nitin R. Patel:** It is around Rs122 crores something outstanding as of now.

**Navin Jain:** It will be Rs190 crores external plus Rs120 crores?

**Nitin R. Patel:** Correct, Rs120 crores.

**Navin Jain:** Another thing, in the Karnataka project, have you included in the order book earlier itself?

- Nitin R. Patel:** Yes, because one project Solapur-Bijapur has gone out, so after that this has been included.
- Navin Jain:** This project is about Rs600-odd crores?
- Nitin R. Patel:** Almost Rs680 crores of the EPC value in this.
- Navin Jain:** From order inflow perspective, in the first nine months you have around Rs2,000 crores of gross order inflow, how is the scenario looking like in the fourth quarter and let us say in FY15, any sort of guidance on the order inflow front?
- Nitin R. Patel:** NHAI has already decided to go some of the projects in the EPC front. Smaller-size projects, obviously, we are basically avoiding, but at least a couple of projects, which the cost is more than Rs1,000 crores, we have already submitted our bids as of now, and another 2 projects from NHAI and 5 from Government of Uttar Pradesh are in the pipeline; all are cash EPC contracts. So we will continue to bid in these 7 projects. Apart from that, Irrigation and Mining, that we are also focusing simultaneously, Mining obviously we will see that, because if I put in a different way, the recent 2 projects which we won last actually, so that we have considered our EBITDA little bit almost 5% higher, so it should be around 25% instead of 20%. So the idea is that when we go for the new Mining bid because the number of bidders has gone out, almost 2-3 bidders are coming for the bidding. So we see there is a fair chance of getting the projects at very attractive terms and the client, Coal India, is also very prompt in terms of the payment and everything. So we do not see any other harm in terms of getting that job and also some of the capex is required for these kinds of projects where we can get some annuity kind of income regularly in the business. So this is one part.
- We will continue in the same. And BOT as I have mentioned, we will have a strategy where the equity investment will be as possible as low, and we will try to get as maximum in EPC business, so that kind of strategy we have already started on the same ground, and we expect that something should develop before December this year actually.
- Navin Jain:** And, in the near term, is there any Road BOT project of NHAI which is going to get bid out?
- Nitin R. Patel:** A couple of projects are lined up, but we expect that this may slip again, but in BOT, we expect that the major projects will come post elections only, because NHAI is yet to announce the termination of all these existing stalled projects, and this process itself will require another 2-3 months' time. So during this process election will be passed actually, then after all these projects coming as a fresh bid actually.
- Nitin Bhasin:** In case there are no more questions, we would call it off.
- Moderator:** As there are no further questions, I would like to hand the floor to Mr. Nitin Bhasin for closing comments.

**Nitin Bhasin:** Thanks, Nitin for taking the time out for this call, and really taking us through what is happening right now, and how do you see the present environment. Thanks a lot once again for giving us an opportunity to host this call as well.

**Nitin R. Patel:** Thank you very much from the company's side also, and thank you to Ambit Capital for hosting this call. For any other questions to all the participants, you can contact me or Mr. Varun Mehta of our team actually. So at any point of time whatever the data is required we will be able to happily share it with you.

**Moderator:** On behalf of Ambit Capital Private Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.