



“Sadbhav Engineering Limited Third Quarter Financial Year
2015 Results Conference Call”

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Moderator: Ladies and gentlemen, welcome to the Q3 FY'15 Results Call of Sadbhav Engineering Limited hosted by Emkay Global Financial Services. We have with us today Mr. Nitin Patel - Executive Director and CFO of Sadbhav Engineering Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Nitin Arora - Research Analyst of Emkay Global. Thank you and over to you Mr. Arora!

Nitin Arora: Thanks Karuna. Good everyone, thank you for joining us today. We would like to welcome the management of Sadbhav Engineering Limited and thank them for giving us the opportunity to host this call. I would now like to handover the call to Mr. Nitin Patel. Over to you Sir!

Nitin R. Patel: Good evening everybody and thank you very much to all for taking your valuable time for this Q3 FY'15 conference call, and also we are thankful to Emkay Global for hosting this call. Now to start with, on the macro front we will just go through the construction business. We have seen still date NHAI has awarded approximately 2000 km of road projects, majority of them in the EPC segment and many projects, which were scheduled for bidding in first of February have been slightly shifted to second and third week of February. However, we see the flurry of contracts will be awarded in the month of February and March. While many tenders are lined up in the EPC segment from both NHAI, Ministry as well as the other state authorities, we see the competition particularly in the project size less than 500 Crores. In the past also we have in these kinds of projects there was a reasonable rate reduction actually by the competitors. However, in the projects above 500 Crores, we have seen that the competition seemed to taper down. However, Sadbhav will continue to bid in the EPC roads for all these projects to the extent it meets the bidding parameters and we see that road segment will lead the growth for the company in the coming years. We have submitted bids for four projects recently and the value of all the four projects particularly in roads, EPC, which is 3745 Crores worth of job, we have already submitted the bids and we are awaiting the results to come, basically within a couple of weeks I think the results will be out. Also there are 20 odd projects valuing more

than 16,000 Crores for which bids are to be submitted before 31st of March as per the current schedule what NHAI has put on their website, and all of these are under the EPC segment. Over and above these, on the BOT segment, we see many RFPs are scheduled in the month of March itself and we will continue to bid for these projects also, which meet our bidding parameters. According to our estimates, competition more particularly in BOT segment has been drastically reduced. There are approximately eight projects valuing 13,800 Crores for which the bids are to be submitted before 31st of March under the BOT segment. Apart from these new bidding, we foresee a potential of stuck projects as a big overlook market with less competition. We continue to explore such opportunity because there are 27 or 28 odd projects for which some of the lenders have shared the list also for looking into these projects if Sadbhav can add value and if other parameters of the company meet. So lenders are ready to substitute these projects of the other developers with us. So we see this as also one of the good opportunity other than the fresh bidding. Now, on the mining segment, again this is a very large scale opportunity coming in the pipeline because of the sizeable bidding of the mines which is expected to happen soon, which has already been started actually. We are currently in discussion with some of the players who are bidding for the mines so that we can do the overburden work for them. We will continue to focus on the overburden removal work. According to our estimates, we see our mining order book at least from the current level it should grow further in a couple of years because there is a very sizeable and very long opportunity in this segment. However, what we would like to mention here is that we would prefer to achieve this by way of mix of asset heavy and asset light machinery finance structure. A bid for one project has already been submitted valuing around close to 580 Crores. Other projects basically for which pipeline is there that we will not be able to share right now, but at a later date when the NIT and everything is there we will share as and when it comes out. In the irrigation segment, we see at least 15 to 16 months required for the major projects to be announced by the central government apart from the projects which are going as of now. From the central government we understand that the entire mechanism is working out the large-sized projects and what we heard from our sources is that some large-sized projects will be announced by the government in the coming period of time, which will generate a very sizeable opportunity under the irrigation segment also. However, there is only one bid of around 315 Crores has been submitted by the company so far in the irrigation.

Coming back to our business, we currently stand on an order book of 8244 Crores as of 31st of December 2014. As referred in our last earning call also, we are on target to achieve the highest standalone and consolidated revenue in the history of Sadbhav during the current financial year. We expect majority of our transport sector order book will be executed in Q4 of FY'15 and FY'16. Here the basic purpose of mentioning is that the crude prices, more particularly the diesel price which has already come down by at least Rs.9 to Rs.11 per liter from the peak when all these bids have been submitted. Also we have seen the reduction of at least Rs.12,000 to Rs.14,000 a ton in the price of bitumen which is the major item of consumption in the construction of road. So I think couple of roads we are likely to consume a significant amount of bitumen within a couple of quarters, so we are expecting some reasonable benefit to come in the coming quarters because of the pricing effect also. So, this is what we would like to tell about the current order book. Now looking at the overall bidding scenario and based on our readiness what we believe is that we will be able to touch new heights in execution in the coming years mainly because of led by the strong possibility of increasing the orders in the overall business of the company led by road sector.

Now, let me start with the summary of this quarter standalone financials. The revenue for the quarter has increased by 16% to Rs.722.3 Crores as against Rs.620.8 Crores at the same quarter of the pervious year. EBITDA for the quarter has increased by 14% to 73.4 Crores as against 64.6 Crores at the same quarter of the pervious year. Profit after tax for the quarter stood at 37.7 Crores as against 25.9 Crores at the same quarter of the previous year. EBITDA margin for the quarter stood at 10.16% as against 10.40% in the same quarter of the previous year. During this conference we will see based on the numbers also from each of the segment, but the main reason the EBITDA is impacted negatively because some of the projects of our joint ventures partners which have been taken over by the company, because in those projects our joint venture partner was not in a position to execute over the last three to four quarters so that is why company has basically decided to step in and during the last quarters things have been revived, and now the work is going on in all these projects on a war-footing basis. Particularly in these projects, the margin is a little bit less as compared to what we have seen in the other projects. On the execution business, for the transportation sector, Chhindwara project has contributed revenue to the extent of Rs.28 Crores in Q3 of FY'15. While Shreenathji-Udaipur project has contributed revenue to the extent of 176 Crores, Bhilwara-Rajsamand has contributed revenue of 66 Crores, and

Rohtak-Hissar has contributed revenue of 118 Crores. Shreenathji project is expected to be completed before schedule, the schedule completion is October 2015, and also Bhilwara-Rajsamand we are expecting to complete ahead of schedule because of the way the pace of work is going on. In addition to this, we have received appointed date in Mysore-Bellary project on 12th December 2014 and the construction work in this project has been started in a full-fledged manner, and we are expecting to see a sizeable turnover from these projects from this quarter itself. This is in road sector. Particularly in mining business, Amlohri mine project has contributed 43 Crores of the revenue. We expect that share of mining will continue to increase in coming quarters because a few of the mines have been recently started and because of the new machinery which has been committed by the company during the last two to three quarters, so that will also generate additional revenue in the coming period of time. Particularly in irrigation sector, the contribution from the sector has increased significantly to 139 Crores, mainly led by the Rajanpur project and Omkareshwar canal project which we have taken over from our joint venture partner. So in irrigation normally, I think this quarter has reported at least double the revenue as compared to the revenue in the same quarter of the previous year. There are some changes in the order book that we would like to highlight on the floor. The order book in the irrigation sector has been increased by approximately 484 Crores, this is mainly because of the works which the company has taken over from our joint venture partners and the work amounting to 133 Crores has been increased by the client in one of the mining projects. So this is how the work position has increased and also in one of the irrigation projects, work amounting to 40 Crores has been reduced because of the change in the scope of the work by the client. So the net effect on the order book because of these changes is 577 Crores particularly in Q3 of FY'15. Now, coming to the BOT business, we have already shared the toll revenue numbers in the first week of January. As evident from the Q3 numbers and also from the numbers till date, the traffic has improved significantly, providing leading indicator for likely economic growth in the coming months. We have seen an exponential growth in the past also once the economy revives, more particularly in Ahmedabad ring road and Aurangabad Jalna, which has almost completed five years. When the GDP was above 6%, these projects have seen the traffic growth in the range of 15%, 18%, 20%, 25% when the GDP was higher. I think the new cycle has already begun in almost all the SPVs. We believe a strong trade has been established in the traffic growth and for the next financial year we expect profit to increase by approximately at least 1.5 times of the nominal GDP to the lower base catching up of the traffic. NHAI toll policy also is going to help in a big way, particularly with the overloaded

vehicles. We have started collecting the revenue from the overloaded goods also in a couple of projects and this will continue to increase in the coming period of time. Apart from that, we expect the construction of the DMIC project to contribute significantly to the traffic growth also and particularly the region where the DMIC loop is being given, as per the proposed plan, for example the traffic particularly in our Aurangabad Jalna project has increased more than 16% on a Y-o-Y basis and that is mainly because these two areas, Aurangabad and Jalna, have been described as one of the loops for the DMIC project. A lot of activity has been started in these projects also. So we will see future trend is going to happen because of the DMIC effect. Also the toll revenue from nine border check posts has now increased to 30 lakh plus in the month of February that is because we have the numbers from 1st to 10th of February and the average is about 30 lakhs, which was basically 26 lakhs in the entire Q3 of FY'15 actually. Even just January and February itself we have seen more than 15% growth in the traffic itself in these border check post projects. This is basically in terms of the business. There are a couple of updates for the BOT business. The company has received the appointed date as we have mentioned of 12th December 2014 in Mysore-Bellary project and also we have completed the acquisition of 40% stake in Hyderabad-Yadgiri from GKC Project limited, which was holding 40% stake, so now SIPL holds 100% stakes in HYTPL. So this is basically change in terms of the ownership during the quarter. Just to add, we believe that supported with strong EPC and the BOT business opportunity in the coming period of time and obviously the company is now having very resource base in terms of manpower, machinery as well as ability to manage our working capital requirement to cater this growth. At the company's perspective, we are looking at a very sizeable growth in the coming period of time. So, this is mainly from my front. I would like to request the members who have joined and taken their time today for any Q&A in terms of the results for the quarter. Thank you very much.

Moderator:

Thank you very much Sir! Ladies and gentlemen, we will now begin the Q&Q session. Anyone who wishes to ask a question may press "*" and "1" on your touchtone telephone. If you wish to remove yourself from the question queue you may press "*" and "2". Participants are requested to use handset while asking a question. Ladies and gentlemen we will wait for a moment while the question queue assembles, thank you. We have first question from the line of Kapil Agarwal from Max Life Insurance. Please go ahead.

- Kapil Agarwal:** Good afternoon Sir. Congratulations for the very good set of numbers. If I look at the debt which has gone up this year, but if I see the interest cost it is more or less there. Has the interest income from subsidiaries included in this one or what is it?
- Nitin R. Patel:** This is on a standalone number the interest what we have mentioned that is the net interest outgo for the company and obviously it has slightly come down because frankly speaking the reduction in the debt has started taking place I think from November end onwards, hardly one month effect is there. Particularly considering that January is already over and now we are in the mid of February, as per the numbers today what we are having, we are of the view that the current quarter, particularly Q4 will see a reasonable reduction in terms of the interest cost compared to the previous seven or eight quarters.
- Kapil Agarwal:** Has the cost of debt also gone down?
- Nitin R. Patel:** It has started going down actually because couple of funding what we have taken, we have already started taking required action for reducing the cost and also the usage of the commercial paper availability. The company has gotten a sanction of 200 Crores of commercial paper usage, so that we have already started using. We expect that it will give the advantage in the coming period of time.
- Kapil Agarwal:** Can you give me the numbers for interest income from subsidiaries if that is possible?
- Nitin R. Patel:** It is not really available, but obviously we can share once it is through.
- Kapil Agarwal:** Okay. The 1000 Crores odd debt we have on the standalone level, is it entirely for the EPC business or something has gone for funding subsidiaries also?
- Nitin R. Patel:** Company has already funded some money to SIPL, as a part because it is evident and now it is in the market also, because the SIPL has filed the DRHP. One of the objectives of DRHP is also the raising of fund and some of the money going to SIPL is going to be paid back to SEL, which it has taken for the purpose of some short-term requirement of the SPVs.
- Kapil Agarwal:** For my clarity, can you give me the equity invested and also the breakup in the loans and advances and investment if that is possible, from Sadbhav Engineering to SIPL?

- Nitin R. Patel:** To SIPL outstanding amount as of now is around approximately 450 Crores. SIPL has to pay back.
- Kapil Agarwal:** What is the current investment in SIPL and the breakup in terms of loans and advances and investment?
- Nitin R. Patel:** Currently, as I basically understand the investment what company has made is to the tune of around 470 odd Crores in SIPL. It is equity of SEL basically what is owns from SIPL. Apart from that, obviously some loans and advances of 450 Crores has been given by SEL to SIPL.
- Kapil Agarwal:** So a total of 1000 Crores or anything from the standalone debt also?
- Nitin R. Patel:** No, nothing else. This is basically what is outstanding.
- Kapil Agarwal:** Thank you very much.
- Moderator:** Thank you. We have next question from the line of Deevang Patel from ILFS Broking. Please go ahead.
- Deevang Patel:** I had a question on the bidding activity from NHAI side, in November also we saw a lot of bids being put up on the website but we have not seen all the awarding take place to the same extent and we have heard that some of the bids are postponed because they have not taken ministry approval, but apart from that if you can give us a sense how much of the bidding is getting postponed because land acquisition is not done or the bidding interest is low?
- Nitin R. Patel:** Two things what I would like to share are that almost more than 2000 km of the projects have already been bid out and lowest bidder has been declared by NHAI. Now, NHAI is in the process to sign the contract agreement, all of these are in the EPC front. Apart from that, as I have mentioned at least for four of the projects we have already submitted the bids valuing more than 3700 Crores. This has already been submitted and they are yet to open. I think this put together according to my estimate will be around close to 2700 to 2800 km, but for others in EPC, now NHAI has started talking because various letters have been issued by various potential bidders that please extend the date by so and so date because of

what reason we do not know, but now NHAI has taken the stand and what we understand in the past record also they are having some yearly targets, even in the past also if you see maximum numbers of bids are coming in the month of February and March itself, so March will be very heavily loaded. Whatever bid particularly in EPC front as of now it is there, we do not see there will be any deferment from now because day after tomorrow also another couple of bids have been called by NHAI, two bids are going to be submitted, almost the value is more than 2000 Crores. The way we are seeing is that now the things have been taken up actually.

Deevang Patel: If you can just give a broad sense of next year how many bids you would be expecting and what the mix could be between EPC and BOT?

Nitin R. Patel: Bidding from company side I can share. We will be there in bidding of both actually. We will continue to put the bids for BOT. In BOT we are having obviously certain parameters in the company with putting the bid in certain region, apart from that other geographical parameters generally what we try to basically grab before the bidding that we will continue to see. We are open for EPC for any of the projects. We do not see any other issue particularly. When the project is clear and it is NHAI funded we do not see any other problem in the EPC.

Deevang Patel: Okay Sir, that is all from my side.

Moderator: Thank you. The next question is from the line of Vinay Rohit from ICICI Prudential Life Insurance. Please go ahead.

Vinay Rohit: Good evening Sir! I just wanted to know what is the current debt we have, gross and net at the standalone level?

Nitin R. Patel: On a standalone balance sheet, debt is around close to 1050 Crores as of now, which is outstanding. In a consolidated it is almost close to I think 5000 odd Crores, the exact number I have to see because December consolidated numbers we have to work out actually.

Vinay Rohit: Okay. What is the cash at the standalone level?

- Nitin R. Patel:** Cash on hand is around almost close to around 38 to 40 Crores.
- Vinay Rohit:** Okay. In terms of next year, given our current order book what do we expect on revenue?
- Nitin R. Patel:** For next year, I can share that the company currently has the equipment and manpower base for executing almost 700 four-lane km at a time. If we convert that value basically, almost 7500 to 8000 Crores worth of job can be simultaneously executed. As of now, we are sitting on a road sector order book of almost close to 3500, in which around 700 to 800 Crores will be executed in this quarter itself. So there is a good appetite and what we understand is that sizeable resources are readily available for implementing these projects.
- Vinay Rohit:** Okay. In terms of the remaining projects we have, you said Shreenathji-Udaipur will be done before October and the other project is?
- Nitin R. Patel:** Bhilwara-Rajsamand.
- Vinay Rohit:** That is also before October is it?
- Nitin R. Patel:** Scheduled completion is December 2015. I think that based on the current pace of the work going on, we will complete at least reasonably well ahead of schedule.
- Vinay Rohit:** Okay, and the other one?
- Nitin R. Patel:** Rohtak-Hissar is also going on well, but the scheduled completion of Rohtak-Hissar is a little late actually, but that particular project has already been achieved because as I already mentioned 118 Crores of turnover in a particular quarter came from Rohtak-Hissar alone. Shreenathji-Udaipur has contributed 176 Crores, so you can assess that. In the coming two to three to four quarters, we will have a very significant business from Rohtak-Hissar also.
- Vinay Rohit:** Okay, thank you Sir!
- Moderator:** Thank you. We have next question from the line of Amit Sinha from Macquarie. Please go ahead.
- Amit Sinha:** Good afternoon, thanks for the opportunity. Firstly on the construction business, what is the run rate you are expecting in the fourth quarter in terms of revenue?

Nitin R. Patel: Considering the order book what the company is having as well as the commitment for the projects, because if I say the significant turnover which is going to come particularly from road sector is Shreenathji-Udaipur, Rohtak-Hissar, Bhilwara-Rajsamand, and Mysore-Bellary because appointed date has already happened and the work has been started on the warfooting, so all these projects are going to have a sizeable business. Apart from that, in mining also the project which has already been taken up and for all the mine projects equipment has been committed now, so there is no any other pending commitment for the existing projects what we are having, so that sector will also continue to give further business. Irrigation, as we have mentioned, particularly the projects which were earlier stuck. In terms of the percentage, we can share that, you can see historically during the last two to three years also, Q4 is the heaviest quarter particularly in Sadbhav and even in construction business. Almost we expect that 30% to 35% of the entire year's turnover should come from this quarter alone.

Amit Sinha: Sure, so basically we can expect full year revenue of around 3000 Crores.

Nitin R. Patel: It is clearly visible, 2000 we have already crossed, and all the projects are up and running now.

Amit Sinha: Right. I understand that in the road sector next year revenue will depend on the orders which we get in the next few months, but just wanted to understand from your perspective that given the current order book what is the overall revenue number you are looking for next year minus the incremental work which we take?

Nitin R. Patel: First of all, next year also we do not have any of that, because you can see the current order book, almost 8300 Crores, that itself is a reasonably strong order book and apart from that the way the projects are going, what we understand is that next year also we do not see any other challenge so far as the overall top line is concerned in the construction business and obviously given the situation what opportunity is there is the ground, but the end of FY'16 I think company will be obviously in a position to get the business. I think by March itself the position will be clear from what we understand.

Amit Sinha: Okay. In terms of margin, how do you see it going forward?

Nitin R. Patel: Two things, in ongoing BOT projects I think the outstanding order book is almost around 3500 Crores or whatever is there, so that will have a better margin basically because of the effect of the crude prices, because the prices are hovering below the rate what we have estimated and obviously because we have to factor in some of the potential increase in crude price in the coming couple of quarters in our fresh bidding also. It is also one of the parameter while bidding we have to work out. Considering that, we are in the view that 11% or 12% EBITDA, normally company is having a policy that we do not want to go for a higher EBITDA particularly in the BOT, dual-kind of thought process, and EPC, because things will be at a par level, so in both ways it should work actually. So that is the policy company is having right from the beginning.

Amit Sinha: On the BOT side of the business, Aurangabad-Jalna has done phenomenal traffic growth in the last two quarters, any particular reason? Do you see any parallel road helping us or something like that, or it is pure economic growth?

Nitin R. Patel: The major impact is coming because the DMIC work has been started now. There is an MIDC called Shendra, which is a very large MIDC which is exactly in the center of Aurangabad and Jalna, so any traffic which is coming from either Jalna side or Aurangabad side or the movement particularly in future rail movement through to the DMIC or through the DMIC, this particular road is going to see a significant benefit over a period of time.

Amit Sinha: I understand that already the activity on the DMIC front has started happening.

Nitin R. Patel: Yes, the construction activity has already been started because already there was an announcement that Dholera and this Shendra, in both locations infrastructure has been taken up now.

Amit Sinha: Okay, what is the status of Maharashtra border check post? You mentioned that you are already clocking 30 lakh plus toll per day. How is the run rate looking going forward?

Nitin R. Patel: What I can share is that during Q2 of the current fiscal, Q3 which we have already reported, and just one-and-a-half months for the current quarter, almost all the three quarters we are seeing that from Q2 traffic has jumped almost in a double digit. Last quarter, for October, November, and December from the same nine check posts we were collecting some Rs.26 lakhs per day of revenue, which has now crossed 30 lakhs per day in just one-and-a-half

months. We are of the view that still there is further gap, on a daily basis we are reviewing, but there is still further potential that this will continue to improve.

Amit Sinha: And you maintain that after we have commissioned all the check post we will be able to see a daily toll collection in the range of 50 to 60 lakhs?

Nitin R. Patel: According to our assessment based on the current traffic, even we have recently done the traffic assessment for other four which we have completed and got the COD, which are about to start. Apart from that another couple of projects where the work is in the finishing range. Based on that we are of the view that 60 lakhs as per the current toll rate because first of April 2016, toll rate is going to increase by another 17% to 18% as per the formula, so based on the current toll rate itself I think we should be able to cross 60 lakhs growth revenue.

Amit Sinha: Final question from my side, would you like to share any valuation parameter of the Hyderabad-Yadrigi acquisition?

Nitin R. Patel: Already it is in the public domain also because we have disclosed. EKC project, 40% owner actually, we have bought out them with around 26.5 Crores as against the huge investment of 53 Crores plus. That decision we have taken a little bit earlier, eight to nine months back, because eight to nine months traffic number is something different actually, so the base for the purpose of considering the valuation was something different.

Amit Sinha: Okay, just a last related question on the border check post, we mentioned in our DRHP that there has been an agreement between us and the other company to set a 22% stake. What is the status on that?

Nitin R. Patel: The issue is that first of all as of now Sadbhav is having control of all. Two parameters have to be closed. One is the approval from the government side because government has to see what will be the basic requirement. The lender of the project has to approve this thing. Once these two things are in place, the transaction will happen, otherwise till then it cannot happen.

Moderator: Thank you. We have next question from the line of Devam Modi from Equirus Securities. Please go ahead.

- Devam Modi:** First of all, I wanted to know what is the current working capital situation, what is our noncash, net current asset on the standalone front?
- Nitin R. Patel:** Balance sheet number readily is not available.
- Devam Modi:** Do we have a consolidated PAT number for nine months?
- Nitin R. Patel:** That has also not been prepared. Generally, these are the numbers we are preparing on a half yearly basis.
- Devam Modi:** Okay, what gross block do we have on the mining equipment front and how much more do we require going ahead?
- Nitin R. Patel:** All put together the company as a whole, around 780 or 790 Crores is the gross block. For all the mining projects what we are having, now the Capex has been completed. Now, going forward when the new projects come, obviously company will go for the mix of the asset heavy or asset light.
- Devam Modi:** On mining side, what will be the gross block?
- Nitin R. Patel:** Total gross block of outstanding machinery is around 650 Crores. Out of that, reasonably we can say that around 390 Crores will be the gross block.
- Devam Modi:** And with that 390 Crores we can manage roughly 700 to 800 Crores of mining revenue?
- Nitin R. Patel:** Almost 800 Crores we can execute. It may go a little more also because all the mining contracts which are up and running, all has started bring revenue.
- Devam Modi:** Okay, and you just mentioned that total amount given by Sadbhav Engineering to SIPL is 450 Crores, in the DRHP we have mentioned that we are likely to repay 240 Crores out of the IPO proceeds towards this 450, so what will be the treatment for the remaining 210 odd Crores, will you be converting it into equity or how will it move?
- Nitin R. Patel:** Not immediately, on a later date because in case of MNEL, GIPL as and when that fund comes I think that can be utilized for the repayment of the debt money to Sadbhav also at a later date, because in SIPL nine projects are generating review based on the current run rate

and giving the effect of the refinancing, what we are seeing is that a reasonable amount of cash is already there in the entire portfolio. We will utilize at a later date as and when the repayment is required to be made.

Devam Modi: So the Rs.210 Crores will basically be repaid from SIPL going ahead from its cash flow?

Nitin R. Patel: Obviously, it will because SIPL has taken loan from Sadbhav. 76 Crores will remain between SEL and SIPL for a slight period of time and that will be paid on a later date.

Devam Modi: Generally in the past we have seen some strange terminations in state concession, so what kind of termination clauses do we have in Ahmedabad ring road, Aurangabad-Jalna, and Maharashtra border check post? Do we have compensation from terminations?

Nitin R. Patel: It is there. Due plus 150% of the vested equity.

Devam Modi: Okay, how much equity or subdebt has been invested in SIPL subsidiaries in 2015 till now and going ahead how much more are we required to infused over here?

Nitin R. Patel: I can tell that SPV wise, Shreenathji-Udaipur project balance period of FY'15 will be 45 Crores, the remaining will be 118 Crores only that will remain for the FY'16.

Devam Modi: Totally only 160 odd Crores need to be infused?

Nitin R. Patel: Around 160 Crores, but out of that major part will DSRA funding so that can be replaced with the bank guarantee after getting permission from lenders, this is one part as per the financing document, the condition I am telling. In Mysore-Bellary, 29 Crores is outstanding to be invested, balance has already been made upfront completely, invested by the company. Third one is the 30 Crores of acquisition funding is pending, but everything has been completed.

Devam Modi: Okay. What is the plan for Dhule-Palasnur going ahead? Are we looking at sort of exiting the project or what will be the plan over there?

Nitin R. Patel: As of now no such concrete thing has happened, that was the idea, but because there are many other things are attached to it.

Devam Modi: Okay and finally is there any settlement we have reached with Monte Carlo in the Bijapur project?

Nitin R. Patel: The company has made it very clear all the corporate governance requirement has been fulfilled by the company right from the beginning. Obviously whatever allegation has been made by the Monte Carlo that has been replied and I think as of now the High Court has stayed the entire proceeding. Once the high court will hear about the arbitration to be given or not, after that things will be taken further. As of now, nothing has happened. It is completely status quo.

Devam Modi: Okay sure Sir, that is it from my side, thank you.

Moderator: We move on to the next question that is from the line of Achint Bhagat from Ambit Capital. Please go ahead.

Achint Bhagat: Good afternoon Sir, thanks a lot for giving me the opportunity. Firstly I wanted to understand what is the daily toll collection at Rohtak Panipet right now?

Nitin R. Patel: I can share that as of now we have reached around 28 odd lakhs during last 10 days' average of February, but has potential. The number you can see from the traffic count and everything which has been done, because of post the elections, foggy situation in the entire northern region, it has disrupted some traffic and I some of the other adjoining roads also we are having data from NHAI also, but now it has started improving. We expect that there is also some reasonable room for further growth, now the things are getting clear.

Achint Bhagat: Okay. By when do you expect this project to reach your initial guidance, 28 lakhs I think is still about shorter than what you have initially guided, and I think the project is now operational for a fair period of time?

Nitin R. Patel: Couple of times we have done the traffic count, just before the start of the toll and after stating the toll, the numbers what we were expecting is it should be in a range of around 33 to 34 lakhs a day, that number of traffic is already playing now, but because of these effects, because from 22 to 23 lakhs which was there in the last quarter, it has come to now almost around 28 lakhs. So we expect that the pace is reasonably better. Normally in toll projects we have seen in the past that the initial six months, eight months or one year

basically some sluggishness is there. When the new toll is being implemented there is a tendency of the vehicle to go here and there, but now the thing has come up, so we expect that within a couple of months we should be there.

Achint Bhagat: Okay. How much money is still pending to be received from your SPVs? I think the last we spoke, it was about 100 odd Crores, how much more money is pending to be received from Dhule, MBCP at SEL level?

Nitin R. Patel: Dhule has 36 Crores outstanding to be received. The MBCP I think now the outstanding amount is hardly around 24 or 25 Crores. The rest has been paid by MBCP to the company.

Achint Bhagat: Okay, apart from this no money is outstanding from any SPV?

Nitin R. Patel: In some of the cases, particularly in Rohtak Panipet, I can share that there is a variation because that has been approved, but still the payment is yet to come from NHAI side also, so that is back-to-back arrangement. It is not the case like that the EPC value has increased, but it is mainly because of the authority effect.

Achint Bhagat: Okay, and how much will be that amount?

Nitin R. Patel: Around 37 odd Crores?

Achint Bhagat: Okay. I wanted to understand amongst the operational road assets that you have and you have several assets which have now reached four to five years of tolling, in how many assets can you go for refinancing? A few of your competitors have recently refinanced and what is the maximum delta that you can draw from that, any assets coming up where you can refinance the project finance?

Nitin R. Patel: As of now, we had already taken up the four projects for which we have already appointed potential lenders for the same. I think before the end of next month we will have a definite signed agreed term sheet and documentation in place. Another one will be I think can be immediately taken up, so that means five we can do right now and I think four we will be able to do in the next year before the end of FY'16.

- Achint Bhagat:** Okay. And five projects that you can refinance how much is the ballpark reduction in interested rate, is that about 25 to 50 basis points?
- Nitin R. Patel:** As of now I can share that the rupee debt of all these five which are outstanding we are paying around 11.5% average on these operational SPVs. According to our estimate and current negotiation, we are expecting at least 100 basis points reduction in these five.
- Achint Bhagat:** Okay Sir, long-term project financing rate would drop to about 10.5.
- Nitin R. Patel:** It will also drop and all will be linked to the base rate of the respective bank. In future whenever the reduction happens, because of the economy effect, additional base rate reduction will come into this.
- Achint Bhagat:** Okay, in your mining contract are you looking at any MDO opportunity, and how much equity will you be willing commit on that?
- Nitin R. Patel:** As of now, the idea is not to go in for the MDO, but obviously we are looking for a very large-sized long-term contracts actually, where we can have one place to commit the resource and generate kind of continuous revenue over a period of time with good quality clients.
- Achint Bhagat:** Okay, last question, how much is your equity investment requirement in FY'16 and 17, if you could give me the breakup amongst projects, I actually missed that, I remember you saying that in the call?
- Nitin R. Patel:** In FY'16, 118 Crores will be required for Shreenathji-Udaipur and 29 Crores will be for Mysore-Bellary. Two will be the equity for these ongoing projects. Rest of equity on all the ongoing projects has been done.
- Moderator:** Thank you. We have next question from the line of Viral Shah from SBICAP Securities. Please go ahead.
- Viral Shah:** Just a clarification on the Ahmedabad ring road project, we were supposed to acquire 20% stake, has that been done or not?

- Nitin R. Patel:** That has been done and we have signed the definitive agreement also with the 20% stakeholder and as per the agreement more than 50% of the payment has already been made, and we are about to get the approval from the authority and the lender just within 15 days' time. Once we get the approval, the balance will be paid and it will be 100% within the SIPL equity.
- Viral Shah:** Okay, what is the amount paid for this Ahmedabad ring road acquisition?
- Nitin R. Patel:** Total what we have agreed for this is 62 Crores, out of which 32 Crores we have already paid, balance 30 Crores is to be paid once the approval is in place.
- Viral Shah:** Okay, and the security requirement amount which is mentioned this is excluding the 30 Crores payment to be made?
- Nitin R. Patel:** Yes, this is excluding. Outstanding equity in FY'16 as we have mentioned is 118 Crores for Shreenathji-Udaipur and 29 Crores for Mysore-Bellary. This 30 Crores has not been included in the same, so it will be extra payment.
- Viral Shah:** Okay, during this quarter we had this tax reversal and that has resulted in a negative tax rate, could you throw some light there what was that regarding to?
- Nitin R. Patel:** This is mainly because of the higher provision of depreciation as per the Company Act because in the new Company Act the provision of depreciation rate has been increased. As a company, we have also increased it further considering the life of the equipment. Because of that, as per Income Tax Act, it is coming lower than the depreciation as per the Company Act, so that is why the reversal is there and we expect that in the coming two to three quarters, this kind of trend will continue.
- Viral Shah:** Okay, lastly in terms of Maharashtra check post I just wanted to have a clarification, how many check posts are operational and how many are going to be operational going forward in one or two quarters?
- Nitin R. Patel:** Nine projects are generating the revenue and we have already received the commercial operation date certificate from the client for another four, so this is immediately due for operation and that will become 13. I can share that another four check posts, our

construction has almost reached more than 90% actually, so that may also generate by June, so almost by June we are expecting around 17 odd should be up and running for the revenue.

Viral Shah: Okay fine, so this would result around 60 lakhs per day of revenue?

Nitin R. Patel: Based on the current traffic it should go because the moment it continues to add, the revenue will go up.

Viral Shah: Fine, thank you so much Sir!

Moderator: Thank you. We have next question from the line of Naveen Jain from JM Financial. Please go ahead.

Naveen Jain: Good evening Sir. Just a couple of questions, one on the toll collection side. While some of our projects are showing strong growth in traffic during the quarter, Bijapur-Hungund as well as Dhule project I think moving fairly slow, is there any reason why they are slow in terms of traffic growth currently?

Nitin R. Patel: The main reason is because of the traffic mix. What we have seen is that the proportion of three-axle vehicle is higher, those projects have seen lesser growth actually. This is not only for us, but it is across the country. But where the multi-axial vehicles, four, five, six-axle vehicle numbers are higher, those projects have seen very high growth. Now what we have started seeing also is the pace of converting from three to four, five, and six is also increasing. Even in Dhule also on a Q-o-Q basis when we are reviewing, we have seen that four, five, and six axle vehicles are increasing drastically. Same is in the case of Bijapur. In January and February I can share that the revenue particularly on Y-o-Y basis has increased in an accelerated rate as compared to Q3.

Naveen Jain: Okay, got it. Another thing is now that some of our projects will be up for tariff revision in April, what is the kind of tariff hike we are looking at, will it be just basic 3% given where the inflation was?

- Nitin R. Patel:** 3% plus, 40% of the actual inflation. So in the current year that 40% of actual inflation will be little bit lesser. We have already started submitting the letters to the client for the growth in the toll rate. Mostly I feel it should be more than 4% or 4.5%.
- Naveen Jain:** Okay, got it. Another thing was on the standalone side how much capex we have done during the year so far?
- Nitin R. Patel:** Standalone capex in the current year we have done around close to 48 Crores for the quarter. For the nine months, we had already done capex around close to 130 Crores.
- Naveen Jain:** Okay, how much will be pending in the fourth quarter?
- Nitin R. Patel:** Fourth quarter I do not think mining will require any other, because I think already one-and-a-half months is pending, so I do not see more than 10 to 12 Crores of capex required.
- Naveen Jain:** Okay, got it, sure Sir, thank you.
- Moderator:** Thank you. The next question is from the line of Aditya Mongia from Kotak Securities. Please go ahead.
- Aditya Mongia:** Good evening Sir. The first question from my side is on the benefit overloading which you are seeing in certain of your projects. We can see that happening for Rohtak-Panipet, are there other projects which are showing this kind of benefit for you?
- Nitin R. Patel:** Dhule we have already started. Bijapur we have seen some of the overloading revenue. Even Rohtak has already been started now. Even other developers have already started in some of the places across the country.
- Aditya Mongia:** Is the potential significant if you were able to capture this traffic?
- Nitin R. Patel:** Yes. Ultimately the idea is that, because all these vehicles if you see the three axle and multiaxle, the toll rate is very high. If you see the length of the project particularly Bijapur which is almost 100 km, even Dhule more than 90 km, Rohtak-Panipet is almost the same, so the toll rate if you multiply 10 times, obviously it is a tempting thing, we should always try to trigger and cash these kinds of vehicles.

Aditya Mongia: Sure. My second question was on the projects which are under construction right now. If one sees the amount of land which has already been acquired in specific projects and I can mention Rajsamand-Bhilwara and Gomati Chauraha, it appears that a significant part of land is still yet to be given to you. Do you expect this to kind of constrain execution of these projects going forward?

Nitin R. Patel: I would like to put in a different way. 3D notification for almost all the land is over. The 3G which is the actual payment to the land owners that has not happened to some of the pockets actually in these two projects. But the majority of the construction work in all these areas has been completed. What the land owners have been told and what they have been committed since 3D is there, possession automatically goes in the name of President of India, legally they are not the owner of these lands and they have agreed and they have allowed to do all the construction activities. So we do not see any other challenge for completing these projects.

Aditya Mongia: Those were the questions from my side, thank you Sir.

Moderator: Thank you. We have next question from the line of Devam Modi from Equirus Securities. Please go ahead.

Devam Modi: I wanted to know what is the project cost of Maharashtra border check post now?

Nitin R. Patel: Originally the approved project cost was 1426 Crores.

Devam Modi: Is there any change, because originally I think the COD was much before, so because of all these delays is there any hike and there was construction in the scope has been reduced, so what is the final project cost now?

Nitin R. Patel: In various check posts, the scope of the work got reduced. There is obviously the escalation component because of the delayed handing over of the land for some of the check posts. That will take the cost up. Third is that because of the delayed handing over certain fixed component of the cost, wherein we have continued to incur the ID fee. So all put together we are of the view that in practical terms we will be in a position to complete the project without increasing any single rupee debt in the project, second thing what we can say is that since all the check post is yet to be handed over by the government and once all is

completed, at the time of final completion of the entire project the government has to work out based on the formula given in the concession agreement what is the exact amount of escalation needed, because formula has already been approved by the independent consultant of the project which MSRDC has already also taken into record and they have considered for approval. So that will be determining factor for increasing the concession period at a later date and also the effect of the reduction in the cost will be given at a later date when the entire project cost is completed. So at this juncture of time, it will be difficult. As of now, what we are doing, whatever check post has been completed, what is my toll collection and rate and everything, if the revenue is being collected in all the operational check posts.

Devam Modi: What you are saying is that if there is any cost over and you have an escalation, or they may be giving a time extension to you?

Nitin R. Patel: It is very clearly written in the concession agreement. Even independent consultant has already given in writing to MSRDC that this government has to give this time period to the concessioner.

Devam Modi: Okay, sure Sir, that is it from my side.

Moderator: Thank you. We have next question from the line of Sravan Shah from Karvy Stock Broking. Please go ahead.

Sravan Shah: Thank you for taking my question. In Maharashtra border check post, as you are saying now the toll collection per day is 30 lakhs per day and if all the check posts become operational then the toll collection will be around 60 lakhs. If I just multiply for the full year, can I assume a toll revenue of 220 Crores?

Nitin R. Patel: Everything will be operational. Today we are collecting at nine locations with another four we have already received the COD, so it becomes 13. As I have mentioned, another four are nearing the completion, so almost 17 will be through by June, we are expecting, on these 17 check posts. Rates of these check posts will be operational, but potentially we are of the view that by the end of FY'16 we should be in a position to collect the revenue at all the 22, because in three of the check posts 100% of the land has not been handed over by the client so far. The construction phase is going on, once it is operational based on the current toll

rate and current traffic, Rs.60 lakhs revenue we have mentioned, we are of the view that we should be crossing.

Sravan Shah: Actually why I am asking is because the nine check posts include the three major and almost all the medium check posts, so what remaining check posts to be operational is almost 10 are small and two are big ones, so that is what when we started couple of years ago we were saying that these major check posts would be contributing roughly around 30% to 40% of total toll collection, now to be operational check posts are all the small ones and only two big, so will they be equivalent to almost 30 lakhs per day, that is why I am asking?

Nitin R. Patel: I would like to share in two to three ways. First of all you can see what is the project. Project is 22 check posts across the state, that means the entire highway network, state highway and national highway network has been plugged into the project. As of now, I am collecting at nine locations that is also at a pace of 30 lakhs plus as I have mentioned. We have done very clear calculation, even the numbers also of different check posts which are already completed and which are yet to be completed. Say for example NH13 Mandruk check post which basically connects our Bijapur-Hungund road, so Mandruk check post people are avoiding by going through one of the check posts called Marwade, which has not yet been operational. So Marwade when we have taken the traffic census at the time of bidding, they were having around 300 to 350 vehicles going. As of now, more than 900 to 1000 thousand vehicles are going on the Marwade road actually. Then, this is one kind of complete plugging of the traffic movement. Once all these 22 is over, the revenue which I have mentioned 30 lakhs now particularly in these nine itself, obviously this will also grow even the other projects when it comes to operational, so whole traffic will come under the one net. This is the project what we would like to highlight.

Sravan Shah: Okay, thank you, that is it from my side and all the best.

Moderator: Thank you. We have next question from the line of Vinay Rohit from ICICI Prudential Life Insurance. Please go ahead.

Vinay Rohit: Sir could you please help with me the order book EPC value outstanding for all the BOT projects, Shreenathji, Bilwara, Rohtak-Hissar, and the Karnataka projects?

Nitin R. Patel: In Shreenathji-Udaipur, the outstanding order book is at 250 Crores, Rajsamand-Bhilwara is almost 360 Crores, Mysore-Bellary is 670 Crores, Rohtak-Hissar is 690 Crores.

Vinay Rohit: Thank you Sir, that is it from my side.

Moderator: Thank you. We have next question from the line of Ankita Bora from B&K Securities. Please go ahead.

Ankita Bora: Most of my questions have been answered, just one thing on Chhindwara. Is there any pending work left on this project? I think we were supposed to execute more on this project in this quarter?

Nitin R. Patel: Two things what we would like to tell is the actual work balance on the Chhindwara road is around 75 odd Crores as of 31st of December. Post that, January, February, March, we are expecting that the majority of them will be completed. The running bill will continue to generate some of the revenue because a lot of work in progress is there which could not be measured by the independent consultant due to various reasons and as per the provision of the contract. So we expect that billing from that project will be substantially high. I think it should be more than 200 Crores of cash flow should come from this project itself.

Ankita Bora: Okay, and this will come in by?

Nitin R. Patel: Before June final payment and everything will be closed.

Ankita Bora: Okay, sure Sir, that is it from my side, thank you.

Moderator: Thank you. As there are no further questions from the participants, I would now like to handover the floor back to Mr. Nitin Arora for his closing comments. Over to you Sir!

Nitin Arora: On behalf of Emkay Global, I would like to thank the management for giving us the opportunity to host this call as well as thanks everyone for joining us. Nitin Sir! Do you want to close with any remarks?

Nitin R. Patel: Thank you very much all the participants as well as the team of Emkay for hosting this call. As I have mentioned that business particularly for this sector is going to have a very new high, particularly where the company is having very strong presence, roads, mining, and

irrigation, so we are seeing that the opportunity for the coming period of time is also very significant and also I would like to add here that in Sadbhav during the last 20 years, these three sectors have given the growth to the company over a period of time, and again these three sectors what company has taken decision, particularly management of the company who has visualized that these three sectors are going to perform very well in the coming period of time, so we are also aligning to the same. Again, thank you very much to all for taking the time.

Moderator:

Thank you very much Sir. Ladies and gentlemen on behalf of Emkay Global Financial Services that concludes this conference. Thank you for joining us and you may now disconnect your lines.