



**“Sadbhav Engineering Limited Q2 FY18 and H1 FY18  
Earnings Conference Call”**

**November 14, 2017**



**MANAGEMENT: MR. NITIN PATEL - ED & CFO, SADBHAV  
ENGINEERING LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to the Sadbhav Engineering Limited Q2 FY18 and H1 FY18 Earnings Conference Call, hosted by Inga Capital. 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. In case 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 Patel - ED & CFO of Sadbhav Engineering Limited. Thank you and over to you, Sir.

**Nitin Patel:** Good evening, all the members those who have taken their valuable time to participate. On behalf of Sadbhav Engineering Limited, I warmly welcome all the participants to thank you for taking your time for the earnings call for the quarter ended and half year ended 30<sup>th</sup> September 2017. I am sure you must have seen the media release provided to the stock exchanges on the date of results.

Now I will first start with the financial numbers then we will discuss the business outlook and bidding pipeline. The income from operations for the quarter has grown by 12.6% to 693 crores as against 616 crores last year. EBITDA for the quarter has grown by 20.5% to 79 crores as against Rs.65 crores last year and profit after tax for the quarter has grown by 81% to 33.5 crores as against 18.5 crores last year. Growth in execution during Q2 was mainly driven by the transport segment. Transport segment has grown by 34% Y-o-Y. The EBITDA margin for the quarter stood at 11.36% as against 10.62% in the same period previous year. As we all discuss in earlier calls also EBITDA margin was set to improve because of value accretive work in road EPC projects that is bituminous work also better margin levels in hybrid annuity projects.

Now the income from operations for H1 of FY18 has grown by 15.1% to Rs. 1,637 crores as against Rs. 1,423 crores last year. EBITDA for the H1 is grown by 21.9% to Rs. 186 crores as against 152 crores last year. Profit after tax for the H1 has grown by 32% to Rs. 89 crores as against 67 crores last year. Growth in execution during H1 was again mainly driven by the transport segment. Transport segment has grown Y-o-Y by 40%. EBITDA margin for H1 of FY18 stood at 11.33% as against 10.70% in the same period of the previous year.

Debt as on quarter end, basically this half year end basis stood at Rs. 1,423 crores, which is down by 350 crores as compared to March 2017, debt number of 1,777 crores. In line with our discussion during the last conference call the debt has reduced due to recovery of stuck debtors in the road EPC projects also certain payments pertaining to the variation items in the road EPC projects and irrigation projects and receipt of again obviously the receipt of mobilization advance in 3 hybrid annuity projects. We further expect that the debt to further reduce by at

least 150 crores to 200 crores from these level by the end of March 2018 and from due to the recovery of money stuck, again in the change of scope work and receipt of balance mobilization advance of Rs. 295 crores from 4 hybrid annuity projects and Rs. 90 crores from Ahmedabad-Rajkot project. So this we yet to receive and all these payments will be received in the second half of the current fiscal.

Now in relation to the guideline and guidance pertaining to the whole of the FY18, we again reiterate and stick to the numbers provided in last conference call for order intact revenue and EBITDA margin. So, this is we are basically reaffirming the same numbers for the entire year. Now on execution front, top 5 projects were execution during, Q2 of FY18 have been disclosing the media release. As mentioned in earlier calls also we are on the path to complete execution of entire outstanding order book of NHAI, EPC projects before end of FY2018. The construction in 4 hybrid annuity projects where we have received the appointed date before the Q2 of FY18 is going satisfactorily. The construction in Rampur Kathgodam and Udaipur bypass has also been started. In Rampur Kathgodam we have discuss in today morning's conference call, we have taken the appointed date as of 28<sup>th</sup> of October 2017 and Udaipur bypass we are about to get the appointed date but very short time we will be able to get the appointed date in these projects.

The irrigation execution was lower in the, basically in the quarter as compared to the last year because of the 3 irrigation projects have been completed and we have received the completion certificate for all the 3 projects and most of the other projects basically the remaining irrigation projects are approaching towards the completion. So, that is the main reason because the new order intake is not there. We reiterate that the current outstanding order book of irrigation business will exhaust by end of FY19. In mining projects, Amlohri mine basically of the Northern Coalfields is continuous to contribute largely towards the execution also the work at Barmer project is complete before the monsoon and the entire fleet of machinery of this project will be shifted to the new mining project won by the company in Western Coalfields Limited. So within short time we are also basically thinking to take the, signing the contract agreement and start the execution in that project.

The order book as on 30<sup>th</sup> September 2017 stands at Rs. 7,715 crores excluding 5 projects worth 1,741 crores where we are either L1 or LOI has been issued post 30<sup>th</sup> September 2017. Including these our order book to sales ratio translates to 2.85 times of FY17 revenue. Despite sluggishness in awarding by NHAI company has received 8 projects worth Rs. 3,457 crores until now in FY18 and hence we are quite confident that we will be able to achieve the full year target of close to 7,000 crores for this year in terms of the new order intake. On the bidding activity, let us start with the road segment. There are 2 projects from Karnataka state highway project of length, 304 km worth 1803 crores for which bids have been submitted but are yet to be opened up by the client.

Regarding the future pipeline in the EPC business only there are 37 projects under EPC mode from NHAI itself of length 1,504 km worth 30,000 and 25 crores for which financial bid are to submitted before 31<sup>st</sup> December 2017. Which include the Vadodara to Kim expressway project of length 124 km worth 5,320 crores. So this is distributed into the 5 packages. So we are sure that NHAI ministry of surface and various states will continue to come up with the many new bids under the EPC segment for coming period of time. And also we have historically we have seen the largely the Q3 and more or less the Q4 is a basically the quarter where the large number of bidding is happen from NHAI and ministry per say to achieve their targets. So we have also discussed about the bidding pipeline for hybrid annuity projects in Sadbhav Infrastructure's concall today morning. So which looks also very fairly strong and we also remain confident about getting the sizeable business, EPC business out of the hybrid annuity bidding also by the Sadbhav Infrastructure Project Limited.

On the mining front, there are 3 projects of overburden removal segment worth 1,026 crores for which the financial bids are to be submitted before end of the current month. So, we are going to submit the bid all the 3 projects. Even in irrigation front there are 9 projects for which the bids has been called valuing around 3,200 crores. These all are largely in the state of Madhya Pradesh, Karnataka and Rajasthan for which the bids are required to be submitted before 15 December. So there are 2 projects worth Rs. 465 crores in Jharkhand and Madhya Pradesh for which we have already submitted the financial bid but are yet to be opened up by the client.

Now let me give some light on the GST impact on the construction business. So, in the GST impact on execution road segment and irrigation segment is liable to pay 12% of GST while mining segment is liable to pay 18%. However, on the input credit side GST rate on bitumen is 12% as of now also the GST rate on cement is 28%. On other commodities like steel and other construction related material it is 12%. So, all these materials constitute around 50% of the sales. Apart from these GST on labour contract is 18%. So, considering all these input credit is available to the extent of 7% to 10% of the total value of the contracts against the 12% of the liability depending upon the type of the project the balance work remains, because large number of projects are at the different stage of the construction phase. So hence, effective tax liability after adjusting these actually is around 3% to 5%, which according to us is in line with the pre -GST period what we were additionally paying the tax basically, the taxes. So we do not see any other much significant impact overall on the construction business. This is in the GST front.

Now I would like to mention here about the arbitration basically status of the core arbitration proceedings which are going on. Obviously the one we have discussed in today's morning conference call where the Rohtak Panipat in project we have received the arbitration award of 105 crores. So out of these around 70 odd crores belongs to Sadbhav engineering and remaining belongs to the SPV itself. Apart from that the another 3 projects the arbitration

proceedings is going on that is Nagpur-Seoni, Dhule-Palesner and Mumbai-Nasik. So, all 3 put together the claim amount on the client is almost to the tune of around 625 crores and we are expecting that the proceeds of this arbitration will be completed before December 2018. So one year from now we are expecting the award for all the 3 arbitration will be in a place. So as and when it will come, this is the basically in terms of the arbitration update.

So, I think that the largely, I have covered so far as business and the bidding as well as the numbers for the quarter and half year is concern and with these I would like to conclude my opening remarks and also, I am thankful to all the participants for listening to me for the opening remarks and I will request, the basically floor for question and answer session, thank you.

**Moderator:** Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. First question is from the line of Parkishit Kandpal from HDFC Securities. Please go ahead.

**Parkishit Kandpal:** You spoke about that you are going to receive roughly on 380 crores of mobilization advance in H2. So, how much have you received in 1H?

**Nitin Patel:** First half we have received basically advance from the 3 hybrid annuity projects. I think all put together is around 145 crores or 150 crores.

**Parkishit Kandpal:** All the projects, HAM projects which you are already under construction, so what is the pending advance to be received on those projects?

**Nitin Patel:** Now basically in Hybrid annuity, the 4 HAM projects we are about to receive 295 crores at Sadbhav Engineering Level. Because total advance is more because certain HAM certain will be retain at a SPV level itself actually. But now EPC contract value 10% of the same is pass through on the back to back basis and for this Ahmedabad to Rajkot project we are about to get Rs. 90 crores, 10% of 900 crores.

**Parkishit Kandpal:** So what is the debt currently, standalone debt?

**Nitin Patel:** Standalone debt as of 30<sup>th</sup> September was 1,423 crores.

**Parkishit Kandpal:** And we expect it to reduce by another 200 crores by March 2018, right?

**Nitin Patel:** Minimum we are expecting, minimum will be able to bring it down. The largely basically out of the proceeds of the receivables because we are yet to get the variation payment to the tune of Rs. 225 crores for already completed projects and also some of the variations which has already been approved by the client for which we have completed part of the work, so that is which is under construction. So, this we are confident to get this payment.

- Parkishit Kandpal:** Why there is a delay, I mean because last quarter also we said some 250 crores recovery from change of scope in projects is expected. So where is it stuck, is it like any procedural delay or so what is happening there?
- Nitin Patel:** Normally the procedure itself is little bit lengthy at NHAI level even because it is going basically at a 3-4 stages, because all together new working needs to be done by the independent consultant and the project authorities at our sight level. But we can mention that almost 125 crores has been basically recovered in the first half itself and it has been utilized for reduction in the debt as what we have discussed earlier actually.
- Parkishit Kandpal:** And anything SIPL is going to pay us back during this year?
- Nitin Patel:** See that is already been lined up, so we are expecting to pay back at least 200 crores before March 2018. This is without considering the stake sale of the any of the asset. So if it is happening then everything will be zeroed down.
- Parkishit Kandpal:** So the debt reduction may be by 400 crores in case SIPL also pays us 200 crores, right?
- Nitin Patel:** That is in addition to this, this is the only what we are basically mentioning out of the working of Sadbhav Engineering itself, construction base.
- Parkishit Kandpal:** So that could be delta of 200 without even if the stake sale does not happen then we are considering at least 200 crores to come in.
- Nitin Patel:** Exactly.
- Parkishit Kandpal:** And sir lastly, what is the total debtors as of now, debtors outstanding on the books?
- Nitin Patel:** See, debtors already been mentioned I think outstanding debtors to the tune of 1,500 crores total put together.
- Moderator:** Thank you. We have the next question from the line of Rahul Agarwal from ICICI Prudential Life. Please go ahead.
- Rahul Agarwal:** Sir, just one question, first of all this interest cost this year sequential drop of almost 10 crores from 32 crores to 21 crores this quarter. So, how do we look at it going from them, because I think we have 300 crores of debt reduction overall and almost a 10 crores fall in interest cost.
- Nitin Patel:** See, actually there are the debt reduction is one part, apart from debt that is deduction is cost of finance also, even utilization of the commercial paper of further throughout the quarter because, so all put together basically has effected and going forward as we have discussed that

the debt is going to continue down and down. So definitely these finance cost from these levels also we are expecting that it should go down from these number.

**Rahul Agarwal:** So even from 20-21 levels it should still trend down only for the rest of the year and coming year also.

**Nitin Patel:** Exactly, because these reduction of 350 crores has happened only because of the activity at Sadbhav Engineering level, nothing has come from SIPL. So, that basically that interest because Sadbhav is continuing to get the interest from SIPL also for the amount basically lended to them.

**Rahul Agarwal:** And sir, secondly we had our starting target of around 1,200 crores debt to close in FY18, right?

**Nitin Patel:** Correct. So that is we retried it, we will be able to close. See as I have mentioned that Rs. 200 crores we are expecting from the construction business itself. And also the SIPL is going to payback out of the basically by before March. So, these definitely it will go much below that but 1,250 what we have mentioned we will, we retried that we will be able to achieve that numbers very easily.

**Rahul Agarwal:** And sir, lastly on the tax rate how do we look it from here now?

**Nitin Patel:** Tax rate will be I think even last call also I have mention mostly for this whole of the year there will not be any additional tax burden in absolute numbers because the MAT credit is available, so will continue to get that benefit.

**Rahul Agarwal:** And how about next year, sir? Total MAT credit is how much right now?

**Nitin Patel:** I think it is available to the tune of almost around Rs. 90 crores-Rs. 95 crores as of now.

**Moderator:** Thank you. We have the next question from the line `of Nitin Arora from Aviva Life. Please go ahead.

**Nitin Arora:** Sir, just one clarification in your revenue when you net off the GST today, is just the VAT part, right of 8% which use to account earlier grossing up the revenue?

**Nitin Patel:** If we net off in the revenue then we have to net off the expenditure also.

**Nitin Arora:** So, how you are accounting as of now today, the 693 crores?

**Nitin Patel:** See, ultimately all the contracts what the company has, so the contracts are inclusive of all the taxes, number one. Second thing, in all the contracts whatever is basically liable to pay the tax,

incremental tax liability which is there, there is a change in law clause. So, we understand that the guidelines what institute has basically mentioned but here also we have stated into the even along with the results also that the revenue has been booked at a gross level.

**Nitin Arora:** And sir, just on the take on the irrigation and mining run rate of revenues, irrigation is somewhat has come down to about 30 crores a quarter. If you can throw some light, how we can look at it these numbers and a well as on the mining?

**Nitin Patel:** See, irrigation obviously Q3 and Q4 it will go little bit up actually because monsoon, very intensive monsoon the existing ongoing projects is not much execution has happened. So, now the monsoon is over the balance execution will be uptick basically and we are also intending to complete all these irrigation projects as early as possible and then get the basically completion certificate for all these projects, so this is one. And in mining front as we have mentioned the Barmer has been largely completed before monsoon and now we have started the process of shifting the equipment post wining of these WCL tender. So, we will be able to start getting the revenue from this equipment also largely from Q4 onwards.

**Nitin Arora:** Just last question, we always talk about SIPL paying SCL back, given SIPL is doing great in terms of cash flows there is no debate on that but you yourself has a good demand of standalone debt which needs to get serviced and we have done some arrangement of revenue there. Do you think it is still possible for SIPL barring the stakes that happens as a separate case but on a normalized basis can SIPL really give 200 crores back to SCL by end of this year?

**Nitin Patel:** See, this what we have basically lined up largely because of the refinancing of Maharashtra border check post project. Wherein, we are very much confident and almost we are on the advance stage in even today mornings call also Varun bhai has mentioned that we will able to close the refinancing by end of this quarter itself. So this proceed, we will be able to utilize to repay the repayment of Sadbhav.

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

**Ankita Shah:** I wanted the project wise execution in HAM projects, would that be possible?

**Nitin Patel:** I think we have mentioned for the first highest numbers basically with large contributors because this EPC are on a very far front but in HAM actually we have completed the work to the tune of 16 crores

**Ankita Shah:** Sir, in which project?

- Nitin Patel:** Bhavnagar to Talaja. That is 16 crores and again in this Rampur Kathgodam package one, that we have executed around 198 crores. Udaipur bypass work has already been started but that is to the tune of around 11 crores, Una-Kodinar that work is almost around 7.5 crores. So, this is the largely on this front. So, now onwards basically every quarter the execution will start shooting up in a bigger way.
- Ankita Shah:** And sir did we face any kind of execution issues on Eastern Peripheral expressway project during the quarter?
- Nitin Patel:** No, see Eastern Peripheral is the largest contributor for our execution for the current quarter. So almost close to 275 crores of the execution has been done in Eastern Peripheral Expressway.
- Ankita Shah:** So, there were no issues in this project at all?
- Nitin Patel:** As of now we have not faced any issues there.
- Ankita Shah:** And just this one thing, on the irrigation project that we were, bid pipeline of around 3,200 crores. Just wanted to understand these are state government projects, right?
- Nitin Patel:** See, largely state government. In Madhya Pradesh, it is ADB-funded projects are there. Even in Karnataka it is partly external funding is there. So, normally support funding is there, either from central or the basically multinational agencies. So, these are the projects which we generally choose for bidding.
- Ankita Shah:** And they would be giving mobilization advances?
- Nitin Patel:** Generally yes, it is there actually. They are providing.
- Moderator:** Thank you. We have the next question from the line of Koundinya Nimmagadda from JM Financial. Please go ahead.
- Koundinya Nimmagadda:** Sir, the EPC revenue in this quarter is higher than the BOT part, so is this a conscious decision to finish of the EPC projects or what is it like?
- Nitin Patel:** When you see EPC execution we are going on a full-fledged manner and largely, I can tell that all these contracts now the work execution is mainly a PQC means, top layer work concrete work is there. So, high value items are there under execution. So, definitely it will continue to give and what we have mentioned in even today's call also that all these EPC will be exhausted by end of March actually this year, all these 5 contracts.

**Koundinya Nimmagadda:** My understanding is that it is a conscious decision on your part to finish off the EPC projects therefore the revenue is higher from those projects, is it right?

**Nitin Patel:** No, whatever resources have been basically deployed on the project, so definitely we will try to maximize the basically output of all these resources and new projects are already been lined up. So, our view is that sooner we complete we can utilize all these resources for the new projects already on going and also the huge pipeline is there in highway sector. So, we also would like to get rid of all these projects as early as possible. So, we can take a new job and we can execute the same as early as possible.

**Koundinya Nimmagadda:** Sir, the other thing is trade payables have increased in standalone parts because the trade receivables have gone down. So, what is the driver behind this and also our short-term debt has decreased. So, what are the drivers behind this, sir?

**Nitin Patel:** See, ultimately in trade payable mainly because of the matching of the GST component. So largely what we have taken a stand that all the first 3 to 6 months of the payment should be linked to the GST credit actually. Those who have basically cleared the GST and it is showing into the system then only we will be releasing the payments. So, that is the main reason why it has slightly gone up and I think by December it will be neutralized, number one. And rest of the thing basically you mean to say the short-term debt, right?

**Koundinya Nimmagadda:** Yes.

**Nitin Patel:** See, receivable is mainly because of the stuck payment of the earlier completed projects. So, from irrigation alone we have received Rs. 85 crores from Gujarat Government. So, remaining basically we are expecting that another from MP and rest of the basically even Rohtak-Hisar and couple of more projects in Eastern Peripheral expressway. These all are going to contribute a sizeable amount basically before March because these all payment is yet to be received from the client.

**Koundinya Nimmagadda:** Sir, if I can squeeze in one last question, sir what would be the debt at SEL at consol basis currently what would be the debt-equity ratio look like?

**Nitin Patel:** See, these normally because SIPL SPVs is basically linked to its own revenue and SIPL standalone is basically obligation largely obligation SIPL level. So, generally we reiterate that this Sadbhav Engineering should basically look its overall standalone debt it's in own perspective because but SIPL per se I can say that around 7,030 crores is the outstanding debt for the operational SPVs at SIPL level and around 12,050 crores on a standalone basis at SIPL level which includes the 440 crores odd basically of Sadbhav Engineering. So it is being reflected, SIPL 440 and Sadbhav Engineering debt is also higher by 440. So, once it is being paid the both companies will be, the debt will knock off from both the companies.

- Moderator:** Thank you. We have the next question from the line of Viral Shah from Emkay Global. Please go ahead.
- Viral Shah:** Just couple of things. One, have we booked any income for the arbitration award which we received for Rohtak-Panipat, have we booked that any income of in SCL for the quarter or no?
- Nitin Patel:** See that is after receipt of award basically the award already was in the place. So, only to the extent of the basic claim amount it has only been booked actually in this and rest other thing basically the interest component and everything it will be booked as and when we received the actual payment.
- Viral Shah:** And what will be that quantum be because 70 crores is total amount which we have supposed to received, right?
- Nitin Patel:** That is correct, so basic claim amount is almost around to the tune of 51 crores.
- Viral Shah:** So, we have booked most of it then?
- Nitin Patel:** Yes, ultimately the obviously interest component is spending because we have not yet received that.
- Viral Shah:** And secondly in terms of CAPEX guidance for the year what we are looking at?
- Nitin Patel:** For the balance of the year because of this new start of the hybrid annuity projects and all put together, we are of the view that almost around 70 crores to 75 crores of the new machineries will be, maybe required for this year, next year it may be again around Rs. 80 crores to Rs. 85 crores.
- Viral Shah:** And the CAPEX what we are spend in the first half till date?
- Nitin Patel:** First half till date basically not much CAPEX has been done but absolute amount I can just verified and confirmed to you.
- Viral Shah:** And in terms of guidance what we are looking at in terms of sales and PAT for the year FY18?
- Nitin Patel:** See, even last call also I have mention that we reiterate that we will be able to easily achieve the topline of almost around from 20% jump over the last year. So, almost 3,800 crores will be able to cross this year, again at EBITDA level we are expecting that we will be able to retain the margins somewhere closer to 11.5 actually on a full year basis.
- Viral Shah:** And what was the PAT?

- Nitin Patel:** PAT naturally because as we have seen the depreciation in finance cost is now coming under well within the control and we will be continued to get the advantage of the MAT credit. So, PAT will be also within the range of say 5.5% to 5.7% actually on an annualize basis.
- Moderator:** Thank you. We have the next question from the line of Alok Deora from IIFL. Please go ahead.
- Alok Deora:** Just couple of questions. One was on the order inflow for this year. So I missed that number how much we are targeting for this year?
- Nitin Patel:** We are thinking to add at least 7,000 crores for the whole year actually. So, this based on the current bidding pipeline we are of the view this should be achievable, and I think what we have received till now almost we are closer to 50% we have already got the awards now.
- Alok Deora:** So, this would be largely then driven by the highway projects, is that correct?
- Nitin Patel:** Yes, mainly highways, formerly highways projects only.
- Alok Deora:** And just one more thing on this, so how much have we already bid and the tenders and how much is yet to be opened in that any indicative number?
- Nitin Patel:** See, in 2 projects from Sadbhav Engineering per say we have already submitted the bid and for basically in HAM there is a one project have been submitted. So, these 3 projects are there which are yet to be opened.
- Alok Deora:** And just one last question, that the Maharashtra Government is coming out with some innovative hybrid annuity projects where the funding from the government will be even higher than 40%. So even the annuity would be paid off in 10 years as against 15 years which is the current mechanism. So, are we looking to bid for such kind of projects?
- Nitin Patel:** Generally, we have to take a call once we have all the credit comfort from all the angles. So, definitely that evaluation we have to made at an appropriate time. But as of now we have not taken any decision for bidding of these hybrid projects.
- Moderator:** Thank you. We have the next question from the line of Rita Tahilramani from SBI Capital. Please go ahead.
- Rita Tahilramani:** Sir, if we believe the order book from the HAM projects will be somewhere around 450 crores from the HAM projects, right? What is the order book pending, order book from the HAM projects for SEL?

**Nitin Patel:** The outstanding order book basically it is the total 4,541 crores, this is largely from these HAM projects only there is outstanding.

**Rita Tahilramani:** And how much is the revenue, are we expecting to generate from the HAM projects in FY18 and FY19 consequently?

**Nitin Patel:** See, what we understand that the FY18 basically thought process is on a yearly basis we should be around Rs. 1,400 crores of the business will be executed in this year and the large portion will be executed in next year actually. So, FY19 will be a substantial portion yearly something will remain for the FY20.

**Moderator:** Thank you. We have the next question from the line of Bharanidhar Vijayakumar from Spark Capital. Please go ahead.

**Bharanidhar Vijayakumar:** Sir, which are the states where MoRTH projects are coming up, sir? Apart from the Karnataka projects that you mentioned that you are bidding?

**Nitin Patel:** See, MoRTH basically they are coming for the obviously almost major part, large part of the state but see we had some size constraint actually. So, MoRTH as of now whatever bids has come that are the little very little size and a very long basically length of the projects. So, that generally we tried to avoid but some of the states Maharashtra may come with some of the bids on the EPC front apart from that, see at Sadbhav Engineering per se we put the bid in the metro construction activity also because this is also a basically area where we are looking to put the bid because bids are there in the pipeline and obviously some of the states like Madhya Pradesh, Rajasthan may also come for the fresh bidding for a coming period of time in the highway sector.

**Bharanidhar Vijayakumar:** My second question is on the GST impact, so did our working capital increase because of this 4% extra liability?

**Nitin Patel:** No, actually see now with these 12% liability we do not see any other incremental working capital will be required because as we have mentioned that the net outflow, this is within the range of 3% to 5% which is normally we were paying even in the pre-GST period also in form of the either VAT or composition of the VAT actually. So, that was being paid. So, we do not see any other addition to the working capital.

**Bharanidhar Vijayakumar:** So, because now with the 12% even after the input tax credit it will be a net 4% liability, right? So, the change in law has been honored by the clients, so far?

**Nitin Patel:** See definitely, it is a very clear condition in the contracts. So, depending upon the, if any additional liabilities coming as compared to the earlier regime going to claim from the client. So, it depends upon the, what is the nature of the contract and what exact input credit is

available and vis-à-vis as compared to the earlier basically period. So, definitely everybody has to figure out their own math and accordingly they have to put a claim on the client.

**Bharanidhar Vijayakumar:** Sir, my final question, when would we start construction on the last 2 HAM projects?

**Nitin Patel:** See there is the, I can say the Udaipur bypass we already started the construction because 100% land is available in the project. So, this is one Mahagavarangar we are awaiting because almost 74% land is as of now NHAI is acquired. So, once they crossed 80% we will take the appointed date but largely we expect that by December we will be able to get an appointed date and in this 2 Gujarat projects where the client has already issued the LOIs, land and all Right-of-Way, ROW is available. But from 18<sup>th</sup> of December because that is the date of declaring the results in the Gujarat state then after government supposed to start the construction.

**Moderator:** Thank you. We have the next question from the line of Sandip Jadwani from Narnolia Securities. Please go ahead.

**Sandip Jadwani:** Sir, my question is related to the HAM. In last quarter we have recorded revenue of 208 crores. So can you give me a breakup of that?

**Nitin Patel:** See last quarter the breakup is not available with me offhand actually.

**Sandip Jadwani:** So, ballpark number from HAM particularly ballpark number, sir.

**Nitin Patel:** You mean to say this quarter or last quarter?

**Sandip Jadwani:** Last quarter?

**Nitin Patel:** Last quarter see, we can say the Bhavnagar-Talaja we have executed to the tune of 60 crores, Bhavnagar Talaja. Rampur Kathgodam package 1 was to the tune of around 50 crores and also the Una-Kodinar was to the tune of around 42 crores.

**Sandip Jadwani:** So, sir any particular reason that the in this quarter we have witnessed very slow execution on that project?

**Nitin Patel:** May be this is largely because of the during monsoon quarter. See, initially all the earth work and structure work activity is happening generally so, because all the work has been done either at ground level or below the basically we have to excavate structures so because of the heavy intensity it is normally remains slow but now it has been picked up at all the projects basically. So, we will have a significant jump in the numbers.

**Sandip Jadwani:** And sir, I have second question is on irrigation. In the last quarter we guided around 325 crores-350 crores of revenue from the next 3 quarter. So, considering the low revenue in this quarter, so how well we are on the track to achieve that?

**Nitin Patel:** See, I think the numbers what we have mentioned we will be able to achieve because these 2 are also getting started another two hybrid annuity Udaipur bypass which is available we have already started the execution and Mahagavarangar it is in very much in line with the basically our thought process and see execution is on the basically happened and all the resources and everything has been planned work has been started in all the fronts, it will be easily achieved. I do not see any other issue is there.

**Sandip Jadwani:** Actually I am asking on an irrigation project that we have guided 350 crores of revenue?

**Nitin Patel:** Correct.

**Sandip Jadwani:** So, in this quarter revenue just 30 crores, so how well we are on track to achieve that?

**Nitin Patel:** See, obviously Q3 and Q4 it will ramp up because these order book is almost around to the tune of 108 crores of the business. We have to execute around 890 crores. As of now what the asking rate in that the way the execution is happening, I think we will be very closer to that and whatever if any 5%, 10% gap is there, there is a highway sector is basically able to get the overall coverage on the same. Because there we are going ahead of what we are given the targets.

**Moderator:** Thank you. Ladies and gentlemen, as there are no further questions from the participants I now hand the conference over to Mr. Nitin Patel for closing comments. Thank you and over to you, sir.

**Nitin Patel:** So, thank you very much to all the participants who have taken their valued time in today very congestion basically period because there was a series of conference call of Infra companies actually I can understand. So, but from Sadbhav per se, I would like to give a clarity that they obviously along with the growth what we are targeting and what we have planned. So, company has already achieved the certain milestone in terms of the completing stuck projects during the last 2 years. So, that is the one positive what we have seen. Second thing, the focus on the basically improvement in the balance sheet is very much clear and even management itself is very much confident that the what they have targeted that they will be able to achieve by end of the March. So, the balance sheet strengthening will be on obviously along that will be along the top priority along with the basically the growth of the business and third thing, overall basis what we are of the view that the coming at least 2 to 3 years the growth of the company will be largely driven by the highway sector as well as the transportation sector business which the company has very strong track record, very strong team of the execution in terms of the manpower, equipment's and also the ability to design, implement the project plant

it properly. So, I think the coming period the highway sector is going to take a good lead, and this will result into the good set of basically the margins for the company. So, this is largely from my side and again thank you so much to all for participating. Thank you very much.

**Moderator:**

Thank you very much. Ladies and gentlemen, on behalf of Inga Capital, that concludes this conference. Thank you for joining us and you may now disconnect your lines.