



“Sadbhav Engineering Limited
Q1 FY2019 Earnings Conference Call”

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Moderator: Ladies and Gentlemen, good day and welcome to the Sadbhav Engineering Limited Q1 FY2019 earnings conference call hosted by Systematix Shares & Stock 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 phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Divyata Dalal from Systematix Shares & Stock. Thank you and over to you Madam!

Divyata Dalal: Thank you. Good evening everyone. I welcome you all to 1Q FY2019 earnings concall of Sadbhav Engineering Limited. From the management side, we have with us Mr. Nitin Patel, Executive Director and CFO. I would like to hand over the call to for their opening remarks post which we can do the Q&A session. Over to you Sir!

Nitin R. Patel: Thank you very much Madam. Good evening everyone. On behalf of Sadbhav Engineering Limited, I warmly welcome all the participants and thank you very for taking your valuable time for earnings call for the quarter ended, June 30, 2018.

I am sure you must have seen the media release provided to the stock exchanges yesterday along with the results.

Now I will first start with the financial numbers, then we will discuss the business outlook and bidding pipeline.

The income from operation for the Q1 FY2018 includes indirect taxes; however, due to implementation of GST from July 1, 2017, the income from operations for Q1 FY2019 is excluding GST, so income from operation during Q1 FY2019 excludes the GST of Rs.111.83 Crores. On a comparable basis income from operations for the quarter has grown by 8.36%.

Now the EBITDA margin for the quarter stood at 11.74% as against 11.30% in the same period of the previous year. On absolute basis EBITDA margins remained at Rs.107.03 Crores against Rs.106.76 Crores of the last year.

Profit after tax for the quarter has grown by 14.29% to Rs.63.41 Crores as against Rs.55.48 Crores last year.

Finance cost during Q1 of FY2019 has reduced by 20% from Rs.32.18 Crores in Q1 of FY2018 to Rs.25.72 Crores during Q1 of FY2019. This was mainly due to the following reasons. One is the less

bank guarantee of the less bank guarantee commission cost due to the lower bidding intensity in the Q1 of FY2019.

Second is the reduction in the intensity of usage of working capital loan due to increase in the turnover from hybrid annuity projects and also the increase in the interest income from Sadbhav Infrastructure, so these three are the main reasons basically for the reduction the reduction in the finance cost.

Now the growth in the execution during Q1 of FY2019 was driven by the transport segment; however, within transport segment, it was mainly led by the hybrid annuity projects, which is what we discussed in earlier calls also.

HAM projects will continue to drive the execution for the balance period of FY2019 also. The date as on June 30, 2018 stood at Rs.1430 Crores down by Rs.55 Crores as compared to March 2018 numbers and as mentioned in our last call also, we expect the date to reduce further by Rs.100 Crores by the end of September 2018.

We have received the second two orders worth Rs.1312.11 Crores in Q1 that is first from the Karnataka State Highway Project amounting to Rs.995 Crores and other is the mining job from SCCL amounting to Rs.317.11 Crores. On the execution front, the top five projects were executed during Q1 of FY2019 has been disclosed in the media release.

In the month of July, we have received the completion certification of Eastern Peripheral Expressway package I and package II. This is the final completion certificate we have received. The construction in seven hybrid annuity projects where we have received the appointed date is going satisfactorily except for two of the projects mainly the Una-Kodinar and Rampur-Kathgodam package II where we have proposed to NHAI to delay in some portion of the projects where the land is not available by NHAI.

The contribution from again being another two projects we are expecting further contribute further for the entire year over and above the hybrid annuity that is the Ahmedabad-Rajkot section where the Q1 contribution was Rs.39.54 Crores, which will further increase for the coming quarters and also the Kandla Port Trust work it has already been initiated so very few hardly around Rs.5 Crores to Rs.8 Crores work has been done in the Q1, but the balance for the year the entire job will be executed before March 2019.

Now coming to the order book, the order book as on June 30, 2018 stands at Rs.13712 Crores, which includes and translates to an order book to sales ratio of 3.49 times of FY2018 revenue. This order book is basically fill this including the GST.

Now on the bidding activity we will start with the first with the road segment. The NHAI bidding has slowed down the bid from April 2018. As of now there are 29 EPC projects at the length of 1077 kilometers worth Rs.19781 Crores for which the bids are to be submitted before September 30, 2018 as per the website of NHAI. Also there are 38 projects under the hybrid annuity from NHAI with a total length of these project is 1077 kilometers worth Rs.36612 Crores for which the financial bids are to be submitted before September 2018 for the SIPL will put the bid, but definitely what we are envisaging that this may go for slippage and I think largely we are expecting the HAM bids will basically start from the October onwards for the year.

Now on the mining front there are four projects for which the bids are to be submitted and all are for the overburden total value of these four are Rs.1407 Crores for which the bids are to be submitted before the end of September.

In irrigation front there is one large project amounting to Rs.2376 Crores in the State of Gujarat for the bid, which is required to be submitted before the end of September. I think this is largely in terms of what has happened in the quarter and in terms of the execution we have gone through the bidding what is there actually what I have discussed.

I think with this I will conclude my opening remarks and thank you very much to all for listening to me and I will request to the floor for the question and answer session. Thank you so much.

Moderator: Thank you very much. We will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We have the first question from the line of Anup Agarwal from Cogencis Information. Please go ahead.

Anup Agarwal: Thank you for taking my question. Just wanted to check the order book growth you are expecting in the current financial year and what is your revenue guidance for the current financial year Sir?

Nitin R. Patel: During the last conference call, we have also stated that for FY2019 we are targeting the total order of almost around closer to Rs.8000 Crores and this will largely will come from the transport segment and in terms of the overall execution we have given the guidance for Rs.4100 Crores for the full year actually, so currently based on what the projects are going on and the way the new projects has been started and we are expecting three more projects will start basically generating the revenue from Q3

so these put together we are on the same line and we are again reiterating that we will be able to achieve the Rs.4100 Crores of the topline. This is excluding the GST.

Anup Agarwal: Thank you Sir.

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

Vibhor Singhal: Thanks for taking my question. Sir my question was on basically the HAM projects as you mentioned and also we have read in released to exchanges we have already achieved financial closure for five of the HAM projects so would you be able to basically draw timeline as you when we would expect most of these HAM projects to start contributing to a topline and when we can achieve the financial closure for the remaining ones?

Nitin R. Patel: See actually during the concall of SIPL, we are also stated, they see we had a total 12 hybrid annuity projects so out of 12, we have achieved the financial closure for 8 projects, so out of 8 we have already taken the appointed date for 7 projects so the eighth one which is Jodhpur ring road so this appointed it will take basically in the month of September itself and we will see the turnover from eighth projects from the basically some Q2 and basically remaining Q3, Q4 are regularly it will go. The remaining four projects, we had a deadline to achieve the closure in the month of October so currently we are in process of discussing with the bank and what we are expecting by end of September we will be able to complete that closure of all the remaining four projects and then after depending upon the availability of 80% of unencumbered land basically for these projects, we will take appointed date on a suitable time, but we expect that the construction basically for these four projects basically what two projects may start in Q3 and basically remaining may start in Q4 depending on if we are getting the clear land on the projects.

Vibhor Singhal: Okay and Sir just to delve further on this the 8 projects for which we have achieved the financial closure of course I know five of them are already under the construction, three more projects for which we recently achieved financial closure, what is the status of line for that so basically we will be able to start execution on them by Q3 itself?

Nitin R. Patel: Ultimately now again I am telling see we have achieved 8, 7 projects we have taken the appointed date so the construction in 7 is already going on so in Q1 itself basically this 7 has contributed the revenue and 8th one that we will take the appointed date in the month of September so this is what the construction so all the 7 will have full-year the revenue in all operational projects and 8th will have basically Q3 and Q4 we will have full quarter for one year.

Vibhor Singhal: Thanks for explaining that so just last bookkeeping question I missed that what is the debt number right now and what do you expect to be at the end of the year standalone level?

Nitin R. Patel: Outstanding debt as of June 30, 2018 is Rs.14030 Crores and it will go down by Rs.100 Crores by end of September that is what we are envisaging and going forward the year end we are also accepting into go down further because if you see in terms of the cash flow we have stated in the media release also apart from the construction margins almost more than Rs.700 Crores worth of mobilization advance is yet to be received by Sadbhav Engineering so this is basically except this Mumbai-Nagpur project basically that we have not yet included in the order book because we are yet to receive the LOI for the same so this further add the cash flow for the company throughout the year.

Vibhor Singhal: That is great. Thanks a lot for answering my questions. I will come back in the queue if I have anything else to ask.

Moderator: Thank you. The next question is from the line of Aditya Kiran from L&T Mutual Fund. Please go ahead.

Aditya Kiran: Thank you very much for taking my questions and we had two questions and almost the both of them have been answered in the previous question by our participants, just a followup on those two questions which we had so on the financial closure, which you are saying 8 has been achieved and four are still under process. Sir can you please share your experience in terms of the keenness of the bankers doing the financial closure and not like kind of preventing or some kind of closure in a timely manner over there so that is one and second Sir in terms of on those 7 projects on which we have appointed you got appointed date, is it safe to assume that all the necessary regulatory approvals are very much in place and you can start your construction work at the full pace on those 7 projects so those two are on the financial closure and the construction side? Sir second question I had on the debt part, which you have partly answered also go to understand Sir that how much is that total loan which has given to SIPL as of now and how much was number on March 18, 2018 and how do we see the trend of that number going up or going down over the rest of the year? Thank you very much Sir.

Nitin R. Patel: First of all let me given the answer to your first question for the regarding financial close. Obviously the financial close in the current context basically not all the banks are coming forward number one whether non-PCU bank is looking for their clients actually, but they have their own terms and condition so what we are seeing this if that the like the how the private banks are working the same kind of scenario we are looking for the public sector banks also so the terms and conditions they are putting a very clearly that they also want 80% unencumbered land from all the unencumberancy on appointed date so that is very clear condition, they are putting as of now. Obviously environment is not so clearly and basically conducive which basically we have seen in the past actually, but given the

situation and our confidence in the way that we have implemented the projects and the way track of Sadbhav is there so we will be able to achieve well within the time this is number one. Second thing regarding the appointed date what you have mentioned that what are the regulatory approvals actually so where the out of the 7 projects as I have mentioned the 5 projects, we had sufficient land more than 80% unencumbered land so there is no issue at all on the ground so we are quite confident that all these 5 will be completed well before the time schedule and the two projects namely Una-Kodinar and Rampur-Kathgodam, they are the certain stretches of the land where which is not available actually so which we have already asked NHAI to delink from the total scope so on the schedule forerunning date we can complete the work for which the land is available, we can get the provisional company certificate and the remaining portion of the land we can carry out in the extended period of time without hurting the annuity receipt so that is way the how it has been proposed as of now for the two of the projects. Third thing is regarding the debt level what you have mentioned that Rs.30 Crores, which is outstanding debt as of now June 30, 2018 what we are envisaging that this will go further down depending because he will work on the cash generation from the operations this is one part, second thing the SIPL loan what you have mentioned currently as of now the outstanding loan from SIPL is around Rs.430 Crores as of now, which has further gone down so SIPL has paid back almost to the tune of around Rs.100 Crores during what we can say just within the one and one-and-a-half month period.

Aditya Kiran: Okay that Rs.100 Crores have come in the second quarter of this financial year Sir post June 18, 2018 numbers?

Nitin R. Patel: Yes that has come in the second quarter post June 30, 2018.

Aditya Kiran: Thank you very much and Sir one last thing on those five projects which you have or you can start the project construction work how much is the order book for those five projects all put together?

Nitin R. Patel: See the projects, which are yet to be started just for the benefit of let me give the clarification, out of five-hybrid annuity, one Jodhpur Ring Road, we have already achieved the closure, the construction work ground activity has already been started. The remaining four basically we are expecting that one will start in the Q3 and the 3 will start in the Q4 as of now depending basically so what that current 3D and 3G status available on the project so that we are expecting this is number one and apart from that the two of EPC contract, which are yet to be started that is one is the Lucknow Ring Road so that we are expecting that the EPC work will start from the Q3 onwards and this Karnataka state has a project what we won actually so that actual execution will start from the Q4 onwards.

Aditya Kiran: Thanks very much Sir so those are questions.

- Moderator:** Thank you. The next question is from the line of Ankita Shah from Elara Capital. Please go ahead.
- Ankita Shah:** Sir actually I wanted to get your views on the recent proposal of easing the mandatory land requirement 80% to 50% before starting the hybrid construction activity, what do you make out of this proposal?
- Nitin R. Patel:** The ground level debt has not yet implemented so what our view is that let the things to come up on the ground so then after we will be able to get more clarity on the same so as of now I think we do not have clear view on the same.
- Ankita Shah:** Understand Sir and I know it has not been implemented, but just in case if this has been come through would it not lead to issues later on and then because your land at the time of starting the construction activity?
- Nitin R. Patel:** Prima facie what I can visibly tell that if it is hybrid annuity project so first of all lender will not allow because either they will get required clear-cut black and white things in the concession agreement itself so this is one thing and in EPC to some extent yes it is possible because the call is on NHAI, but there must be clear provision in the contract agreement that because of the nonavailability so everything needs to be excluded and the completion needs to be issued to the contractors well within the time so these kind of confidence is required before we should accept this condition.
- Ankita Shah:** Sure that is it from my side.
- Moderator:** Thank you. The next question is from the line of Meet Parekh from B&K Securities. Please go ahead.
- Meet Parekh:** Thank you for taking my question. Sir my question is right now EBITDA margin is at 11.7% so for the full-year would it be at the same level or would it be higher and FY2020 what is your guidance for EBITDA margin?
- Nitin R. Patel:** In our earlier call also we have mentioned the way of proportion of hybrid annuity project will continue to increase the margin will definitely go up actually and our view is that we should again come up within the RERA of 12% again so going forward because in FY2020 will have full-year consistent execution from the hybrid annuity project is there we are again reiterating that we will be able to maintain the margin within the range of 12%.
- Meet Parekh:** Okay Sir and other my question was the other income has increased by 176% year-on-year so if you could give me the breakup of other income?

Nitin R. Patel: This is mainly because of the leasing income from the equipment machinery provided for the mining work for couple of contractors and second is the interest income from the way the advance is we have provided to some of the subcontractors so this is the two large component and third one is the ultimately the margin money and the security deposit was basically we are keeping for the projects so the interest income coming from that debt that is also being included into other income.

Meet Parekh: Okay and when do we expect the Mumbai-Nagpur project to be included in the order book or getting LOI for it?

Nitin R. Patel: The current status is that the MSRDC board has given the approval for the entire project on August 4, 2018 and they have send the proposal to government for giving approval for incremental cost so there is some around 6% to 7% cost increase is there because of the tendering activity so the way the tender came it is some additional cost so the addition incremental cost approval is required from government so according to the message given to us so before end of this month client will issue the LOI to all the contractors.

Meet Parekh: Thank you Sir. That is all from my side.

Moderator: Thank you. The next question is from the side of Prem Khurana from Anand Rathi. Please go ahead.

Prem Khurana: Good evening Sir. Thanks for taking my question. Just wanted to clarify I mean this quarter we see around Rs.130 odd Crores from SIPL right, which is we have been able to get to that Rs.1430 Crores of exposure and did you say subsequent to record that you have received another Rs.100-odd Crores, which essentially the revenue has come down to almost Rs.330 Crores in terms of the loan that have been extended to Sadbhav Infra?

Nitin R. Patel: No. That is not there Rs.130 Crores we have received in these quarter because of the Maharashtra Border Check Post part draw down we have taken from that SPV out of the securitization proceeds and that has been paid back two Sadbhav Engineering and going forward basically the plan to draw is not basically for the purpose of paying back to SCL so reduction what we are envisaging there is mainly because of the construction activity and apart from the way pipeline of the advances is there actually in the system, this will definitely help to reduce debt level going forward.

Prem Khurana: Okay so as of this quarter end the exposure was till the same Rs.530-odd Crores kind of number right?

Nitin R. Patel: Correct. For quarter end it was about Rs.550 Crores on like that, which has gone down by another it has come down little less than Rs.430 Crores.

Prem Khurana: Sir given the fact that we were supposed to receive almost around Rs.100-odd Crores from Sadbhav infra towards this repayment and we are expecting a significant amount of money to come in the form of mobilization advances why are we guiding only Rs.100-odd Crores kind of reduction ideally it should a little higher than this number right?

Nitin R. Patel: This I am mentioning of September 30, number so obviously all these advance will come on later part of the year so some may come basically the projects will start in Q3 and Q4 that will flow in that period so by the year end obviously we are expecting something more go down, but all the new projects we also have to pump the initial capital also because large component is hybrid and also the EPC projects which are also sizable projects.

Prem Khurana: Sure and just one last on Rampur-Kathgodam and Una-Kodinar wherein we are facing some RoW issues what kind of descoping could be there I mean if government was not able to give the land that we are looking at? What extent the land is not available in both these projects?

Nitin R. Patel: Rampur-Kathgodam package II we are envisaging around 6.5 kilometers of the land out of the total project length of 49 kilometers and in Una-Kodinar again around 8 kilometers of the land out of the total project land actually so in terms of the absolute amount we can say that it should be within the range of around Rs.180 Crores, but it is just delinking actually so what we are asking to the client that you should delink from the scope of the provision completion certificate so if can complete on the extended period of time so our client should pay us annuity for the full amount without hurting our revenue mechanism for the HAM projects also.

Prem Khurana: Sure but then if I were to understand this correctly so we are waiting for other client to come back to us on these issues and which is when we could go ahead full throttle in terms of execution because this quarter the execution seemed to be settled slow on both these projects so is that be waiting for the client to confirm us this and which is when you go ahead with the execution or it is just happened that we could not make much progress in these two projects in these quarter?

Nitin R. Patel: This quarter we will have more progress because earlier the client was envisaging for these two locations some change in scope so in Rampur-Kathgodam the change in scope was almost from the tune of Rs.180 Crores to Rs.190 Crores, which we have basically finally denied so that is why we are asked for delinking the same so now the balance land is very clear and we will see significant attribution for the balance and all the available land.

Prem Khurana: Sure and just one last I mean when you guide for Rs.4100-odd Crores revenues last quarter for FY2019, you were not including any short cycle projects, essentially given the fact that Mumbai-Nagpur Expressway are pretty big project wherein you are expecting the appointed date to come

through shortly, so would you get to have revenues kind of increasing your guided numbers, because I essentially adding about not there in our guidance earlier right?

Nitin R. Patel: That call we can take once we get the accounted debt for this project and also we have yet to take the appointed date for the four of the hybrid annuity projects actually right, so this we are considering all put together by the end of Q2 we will be able to get the more clarity on the same.

Prem Khurana: Thank you.

Moderator: Thank you. Next question is from Aashish Shah from IDFC Securities. Please go ahead.

Aashish Shah: Good evening Sir. What would be the GST adjusted order book at this point of time?

Nitin R. Patel: Practically, we have to get it reduced by around say 5.5% to 6%.

Aashish Shah: For your revenue the GST adjusted order book would probably be more for revenue project Sir?

Nitin R. Patel: Correct, as of now I had not each and every project the total was earlier it was including because what the client has given the contract, but the net effect is around 5.5% to 6% for the total order book so we have to reduce it by that so more or less it seems within around Rs.13000 Crores around we can consider as of now.

Aashish Shah: We also had some delayed receivables on account of GST related settlements, so has those amounts come out there still payment?

Nitin R. Patel: Three of the projects we already received, Ambala – Kaithal, Yamunanagar-Panchkula and also the Karnataka project we have received that **(inaudible) 32.16** the remaining now at a various stages so we are expecting that in Q2 we will have significant receipt from this GST process.

Aashish Shah: How much is pending?

Nitin R. Patel: All put together almost around Rs.95 Crores to Rs.100 Crores we can say as of now.

Aashish Shah: Rs.95 Crores to Rs.100 Crores is pending and how much have we got?

Nitin R. Patel: We have received to the tune of around Rs.38 Crores to Rs.39 Crores.

Aashish Shah: What would be the capex for the year?

- Nitin R. Patel:** The capex we are looking around within the range of Rs.70 Crores, Rs.75 Crores for the year and the same for the next year also.
- Aashish Shah:** Also Sir you mentioned about the descoping that you have requested for in two of these projects Pune and Rampur package II but going by the experience of what NHAI did in case of Nagpur-Seoni, they proportionately reduced the annuities when they had descoped at a certain length of the work. You think that this time again if we are descoping part of the project length they will proportionately reduce the annuities for us or they will still pay you on the full amount?
- Nitin R. Patel:** Aashish, if you see the contractual provisions, Nagpur Seoni does not have any specific contractual provisions with regard to reduction in the scope of the work number one. Here in the hybrid annuity, the way it has been designed the terms and conditions which has been mentioned it is very clear, the land which is not available on 188th day that can be delinked or descoped from the project either and this can be done by either concessionaire or lender or even NHAI any of the same, so this is one part. Second part here in both the projects what we are contemplating, we are asking for a delinking as of now we are not going for descoping of any of the lands, so the delinking is that we are coming forward to complete the work on a extended period of time, on the schedule four laning days authority should issue the provisional completion for the balance portion of the land and they should start the annuity.
- Aashish Shah:** You are not seeing any scenario reduce the annuity payments or anything on that sort?
- Nitin R. Patel:** Descoping if we are going forward it will definitely it will go for a reworking in the balance work and everything so that is why we are proposing for delinking as of now, so this will be panelized at a time when we are closer to schedule four laning date.
- Aashish Shah:** Since 188th day has already over, now will they not decide on this issue or they will keep it for that?
- Nitin R. Patel:** That is why the land we have asked for delinking the rest of the land, which is made available now, so okay for completing the entire stretch.
- Aashish Shah:** Thank you very much Sir.
- Moderator:** Thank you. Next question is from Parvez Akhtar from Edelweiss. Please go ahead.
- Parvez Akhtar:** Good evening Nitin Bhai. Sir just a couple of questions one, what do we expect our tax rate in FY2019 and FY2020 I think earlier we were expecting nil tax rate in FY2019, but there was some tax provision in this quarter, so what is now our guidance for FY2019 and FY2020?

Nitin R. Patel: Because of the now there is 35AD has also come into the place, so earlier it was only 80IA was guiding that so now we have to calculate the tax by considering both the sections so what is unclaimed the MAT is there, second thing what is the applicability if the tax is coming under 35AD after adjusting the capex what we have done, so we are envisaging for FY2019, we will have a net 5% of tax should come for the entire year and as for 2020 it should be hardly around 15% to 18% we are seeing that.

Parvez Akhtar: Considering that we still have to get large amount of mobilization advance for many projects, what do we expect FY2019 end debt in ACL?

Nitin R. Patel: Frankly speaking because we are all aware that the company. SIPL where we are in a process of the monetizing the asset also, so obviously we are on a track as of now the way that it has been considered now, but if we exclude the same so we expect that the day should go down by at least Rs.200 Crores to Rs.250 Crores on a yearly basis as compared to what was there in the FY2018.

Parvez Akhtar: When do we expect this monetization process to be over?

Nitin R. Patel: It is having its own course of time, but now we have already started getting the bid for this and we had seen significant interest from the large funds, so we are now quite hopeful that they will be able to get its through as early as possible.

Parvez Akhtar: Sir lastly would it be possible to give a year wise breakup of the gross equity required in SIPL?

Nitin R. Patel: We will require on an average Rs.300 Crores to Rs.350 Crores between all the three years say current year we will have the same FY2019, 2020 and 2021 put together, so the total requirement is now little less than Rs.1000 Crores and spread it equally for the three years.

Parvez Akhtar: That is it from my side, all the best Nitin Bhai.

Moderator: Thank you. Next question is from Rohit Natrajan from Antique Limited. Please go ahead.

Rohit Natrajan: Thank you Sir for taking up the question. I just missed out on this Mumbai Nasik project where we had this arbitration amount and also the Rohtak Panipat amount, Sir if you could throw some color on it that will be helpful Sir?

Nitin R. Patel: The Rohtak Panipat we have already now applied to NHAI for submission of the bank guarantee for 75% portion, we are expecting that by the end of this month, the NHAI will basically ask us to open a separate escrow account for depositing that money, so this is one part and regarding the other three arbitrators so we are expecting the arbitration award from Nagpur Seoni before August 15, 2018 and

Dhule-Palesner also by end of October and Mumbai Nasik, the arbitration proceeds and hearing and everything is over, so now the arbitrators are in the process of writing the award, so I think we should get earlier that award also, so by and large we can say that before the end of November we will have award from all the three pending arbitration.

Rohit Natrajan: So if I understand it correctly Mumbai Nasik we will get somewhere around Rs.410 Crores and out of that your share will be 72% and then Nagpur share?

Nitin R. Patel: That is a claim amount actually so finally what the award is coming that we have see ultimately that is point.

Rohit Natrajan: That is it from my side. If there are any questions I will be back in the queue.

Moderator: Thank you. Next question is from Bharti Jain from BC Securities. Please go ahead.

Bharti Jain: Thank you for giving me this opportunity. My question is recently we have closed the financial closure and given the financial market, I believe because of our rating and all we are not getting any issue, but can you just let us know like what is the range in which we are able to close this financial closure at and is it with the support from parent or without support from parent?

Nitin R. Patel: Basically, the eight closure what we have achieved out of eight, seven we have closed at a interest rate of 9.25% and the eighth one Jodhpur where we have achieved that is because the MCLR of almost all the banks has gone up, so we have now got a final closed documents there is close at 9.45% for this Jodhpur Ring Road as of now.

Bharti Jain: Is it with the support or without support?

Nitin R. Patel: No, there is no any support from the parent, so it is sponsor is directly Sadbhav Infrastructure and it is completely basically there is no any recourse to either SIPL or SCL actually.

Bharti Jain: Sir, just one bookkeeping question, this time we can see some netting has been done in financial cost, is there any rationale of it?

Nitin R. Patel: No, every time it is being done in the same manner because the SIPL is also paying the interest to SCL on a regular basis, so there is no I think the requirement, so this we are doing since the beginning.

Bharti Jain: It pertains to your same item basically?

- Nitin R. Patel:** Yes, it is within the same only.
- Bharti Jain:** lastly you mentioned about this 35AD, how does it help Sadbhav Engineering because I thought it was for a developer?
- Nitin R. Patel:** Ultimately, the capex, which is required to be done by any of the infrastructure companies say in form of the say matrix we purchase the capital goods basically equipment, machinery and everything, so straight away the 100% of the same value will be available for the purpose of computing the income tax and this will be allowed as a expenditure basically for calculating the income tax that is 35AD.
- Bharti Jain:** Thanks a lot. That is it from my side.
- Moderator:** Thank you. Next question is from Anupam Gupta from IIFL. Please go ahead.
- Anupam Gupta:** Sir, just a small query on the other income in this quarter, why is it high versus previous quarter?
- Nitin R. Patel:** The incremental of the income is leasing from the equipment and machineries, so the new mining contract where we have started so now post this GST, earlier we were giving the machinery directly to the agency and we were reducing their rates, so now GST and everything is pass through, so what we have determined that we will officially charge basically the leasing what we can say that rent on the machinery through the contractor and that is being now booked as other income.
- Anupam Gupta:** This should be normal rate of other income going forward?
- Nitin R. Patel:** It will not be the same one. Obviously it depends upon how much machinery is under usage, but this particular quarter, it was the same, which has been considered. Going forward it may have a 10 plus or minus basically depending upon how the usage is going up or going down.
- Anupam Gupta:** Secondly you guided to Rs.4100 Crores revenue in FY2019 I want to know what can be the FY2020 number given that the order book has Rs.13000 Crores?
- Nitin R. Patel:** The current order book because what we are envisaging all the appointed dates for all the projects will happen in this year itself, so FY2020 we will have full year basically construction of almost all the projects, which are there as of now, so comfortably we can see that we will cross Rs.5400 Crores to Rs.5500 Crores of the topline for FY2020.
- Anupam Gupta:** That is assuming no more order inflows?
- Nitin R. Patel:** Correct without adding any other orders actually.

- Anupam Gupta:** Understood. Thank you.
- Moderator:** Thank you. The next question is from Parkishit Kandpal from HDFC Securities. Please go ahead.
- Parkishit Kandpal:** Nitin this quarter what was the contribution of the seven HAM projects to the revenue?
- Nitin R. Patel:** I think in the media release you have mentioned the revenue from the largest of five. The total HAM contribution for the quarter is Rs.545 Crores.
- Parkishit Kandpal:** Largely it will be coming from these top 7 HAM projects?
- Nitin R. Patel:** HAM projects so generally if I contemplate so the same quarter of the previous year, the hybrid contribution then had been in the BOT put together was Rs.207 Crores, which went to Rs.548 Crores and from the EPC contract the same quarter of the previous year it was Rs.615 Crores so current quarter basically Q1 it has come down to Rs.272 Crores so this is the change. The shift is from EPC to HAM actually and going forward we are of the view that it will continue to increase further.
- Parkishit Kandpal:** Sir guidance of Rs.4100 Crores is on what effective order book?
- Nitin R. Patel:** Based on the current the projects, which have already been started and apart from that what we are basically considering that the Ahmedabad-Rajkot we will have now the full three quarters turnover. Second thing the Kandla Port, the entire work will be over end of the years. The third thing basically the two projects will start basically contributing revenue from the Q3 onwards so first we are expecting that the Vadodara-Mumbai will start contributing because that significantly more than 88% of land is available there in that project so we are quite confident that we will be able to get the appointed date well within the time and the last one is the Lucknow Ring Road because almost say the land acquisition is almost more than 85% to 90% is over, but some tree cutting issues are there so that will take another two to three months so once it will be starting we will be able to get the account because that EPC contract, so there will not be much time to require to start the work actually.
- Parkishit Kandpal:** So, only KSHIP in Mumbai Expressway, Mumbai-Nagpur is not included in your estimate?
- Nitin R. Patel:** Consider by the date may be that to be immediately we say that the Q3 may immediately we will have full quarters number depending upon on which date the appointed date is being given because as per the contracts of Mumbai-Nagpur, the MSRDC has given the commitment in contract to give a 90% of the incumbent land.
- Parkishit Kandpal:** KSHIP, can you add incrementally 300 Crores to 400 Crores suppose if we start the work from October in these two projects, KSHIP and Mumbai-Nagpur?

- Nitin R. Patel:** See, as of now we are considering that the KSHIP will start from the Q4, so Q3 there is a little chance to start the work in KSHIP because we have to achieve the financial closure and for which we had another four months' time to complete the financial closure for that work though we have tie up a very small amount, but ultimately we have to achieve it.
- Parkishit Kandpal:** From that site we can conform Mumbai–Nagpur at all we are able to start work?
- Nitin R. Patel:** Can you repeat the question please?
- Parkishit Kandpal:** I am saying we have not assumed the Mumbai–Nagpur project in your guidance right as of now?
- Nitin R. Patel:** Correct, that as of now we have to put physically because for Q3. Q4, Q3, Q4 yes, there will be a contribution from that project also.
- Parkishit Kandpal:** This time the debtors, if you can just tell me what will the HAM debtor days would be lot different in your EPC debtor day or what is the number right now we can share?
- Nitin R. Patel:** In HAM projects there will not be significant except for some variation payments and also some of the regular work in progress, which normal course, in at least say we can stay around 40 to 45 days work basically will be there which will be remained as unbilled on a regular basis so that is one part and on going forward even this quarter also we have seen basically debtors has little bit came down actually, which we are expecting it will further go down by at least around 100 to 140 Crores by the end of September because the large payment from the Yamunanagar-Panchkula package one and two and Eastern Peripheral Expressway so this going to come in this month only, so this will give the further to reduce the debtor number and incrementally HAM will not have that much number of debtor days as compared to what was there in all these EPC contracts.
- Moderator:** Thank you. The next question is from the line of Debashish Mazumdar from Edelweiss. Please go ahead.
- Debashish Mazumdar:** Nitin Sir, I have few questions, first to start with the interest expenses that we have, so if I see the interest that you received from Sadbhav Infra that has increased from 12 Crores around 17.7 Crores Y-o-Y whereas you have repayment of some 130 Crores, so any specific reason of this other income from SIPL moving up in this quarter and what is the sustainability of this number?
- Nitin R. Patel:** The payment SIPL had paid back in Q2 that is post June 30, 2018, so in the Q1 that number has gone up a little bit and that also we have mentioned during the concall of the March call the SIPL and also because this number the reason why it has gone that is mainly because funding the proposed amount, which the client is supposed to provide for hybrid annuity projects and now after receipt of the grant

and also the receipt of the money from this Maharashtra Border Check Post, so that has been paid in Q2 itself, so Q2 we will have the reduction in that interest income from SIPL in Sadbhav Engineering.

Debashish Mazumdar: So, 12 Crores to 13 Crores is the right quarterly run rate to look at?

Nitin R. Patel: It may go little bit down also because we expect that it should be within the range of around 11 Crores to 11.5 Crores at least for Q2.

Debashish Mazumdar: Understood and second is if I remove this interest receipt from SIPL my actually interest payment has actually like almost flat from 44 Crores last year same quarter to 43 quarter this quarter whereas there is a decrease in debt payment, so is it like my interest cost has moved up and you are seeing the pinch of higher interest rate cycle?

Nitin R. Patel: Even though the interest has gone up to some extent at least for the some of the facilities because of the MCLR has gone up so working capital lenders definitely they will increase, even though that is the interest remain flat or it has little bit less only, so obviously there is some saving because of the bidding activity that we have mentioned that which has not happened number one and also the regular payment from the hybrid annuity projects so that has also reduced the dependency on some of them large way on the working capital requirement.

Debashish Mazumdar: So, what is the current increase in working capital funding that your are facing like 40 BPS, 100 BPS what is the kind of increase that has happened in the interest cost now for the working capital funding?

Nitin R. Patel: Around 20 to 25-basis point has gone up the MCLR of the various banks because there are eight time lenders are there, so it is into each of the banks MCLR.

Debashish Mazumdar: Understood and second question is in Q4 concall of Sadbhav Engineering you said that 309 Crores is the amount that is left to be received as far as the GST is concerned, now currently you are saying that around 38 Crores you have received and another 130 Crores expected to come in Q2, so is there any number that I am missing in this?

Nitin R. Patel: I think 309 Crores I am not recognizing, but ultimately is a full year, ultimately it is what we can say that as of now the amount which is I am mentioning that is for the work has already been executed number one. If we see the whole of the contract because I am eligible to get the difference of GST for the full of the contract as and when I will actually execute the work every year because some of the difference government is liable to pay me even next year also FY2020 and even FY2021 also.

Debashish Mazumdar: So, current due is around 130 Crores?

Nitin R. Patel: Around 90 Crores to 100 Crores is there that balance we have to take for the work, which has already been executed.

Debashish Mazumdar: Sir, if you can help me with the receivable days that you have at the end of Q1?

Nitin R. Patel: In absolute number, I can mention that the debtors has gone down by around Rs.65 Crores to Rs.68 Crores as compared to which was there in March 2018, but going forward I have mentioned that we are expecting the substantial amount from Eastern Peripheral Expressway and Yamunanagar and this Mysore–Bellary, we both put together we are of the view we will be able to get another Rs.250 Crores to Rs.270 Crores, obviously some incrementally it will increase for the new projects where it is required, but on net, net basis we are expecting that it should go down by around Rs.100 Crores to Rs.130 Crores by the end of September.

Debashish Mazumdar: Understood and one last question, you have mentioned the equity investment of around 300 Crores to 350 Crores per year to be in the Sadbhav Infra, how much of that is expected to go from Sadbhav Engineering?

Nitin R. Patel: No, there will not be any requirement, Sadbhav Engineering will not participate even the equity, which has already been more that 350 Crores has already been infused in the current seven projects, so nothing has been given by Sadbhav Engineering, so everything will be basically from SIPL all the different sources of the SIPL.

Debashish Mazumdar: Understood. Thank you very much for answering my questions.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference back to the management for closing comments.

Nitin R. Patel: Thank you very much to all the participants and members who have taken their valuable time for understanding the business of the company. Obviously the endeavor is to get the things completely well within the time more particularly for all the hybrid annuity projects because we are of the clear view that this hybrid annuity we had a good sustainable margin for coming period of time and obviously some additional effort will be required to complete the closure in time and also to deal the contractual matters more particularly the ground reality what has been because the lenders are also very much clear now that they want everything should be well within the place in advance, so there should not be any surprise to them at the coming period of time, so that is what the current ground situation that I can share as of now. Rest of the things we are quite confident that the things will be



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completely well within the time and we will come back to the floor as and when the situation are right. Thank you very much again to all for taking your time.

Moderator:

Thank you very much. On behalf of Systematix Shares & Stocks Limited that concludes this conference. Thank you for joining us ladies and gentlemen. You may now disconnect your lines.