



“PNC Infratech Limited Q3 FY2018  
Earnings Conference Call”

February 15, 2018



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BROKERS

**MANAGEMENT:** MR. YOGESH JAIN- MANAGING DIRECTOR  
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**Moderator:** Ladies and gentlemen good day and welcome to the PNC Infratech Limited Q3 FY2018 earnings conference call hosted by Anand Rathi Shares and Stock Brokers. 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 the 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. Prem Khurana from Anand Rathi Share & Stock Brokers. Thank you and over to you Mr. Khurana!

**Prem Khurana:** Thank you Lizaan. Good afternoon ladies and gentleman. On behalf of Anand Rathi Shares and Stock Brokers, I welcome you all to the Q3 FY2018 post results conference call of PNC Infratech Ltd. From the management side, we have with us Mr. Yogesh Jain, Managing Director of the company and Mr. D. K. Maheshwari, Assistant Vice President – Finance available with us to share their perspective in the quarter performance and the way forward. So let me handover the floor to the management of their opening remarks and then we will open the floor for the question and answer session. Over to you Sir!

**Yogesh Jain:** I am Yogesh Jain. Good afternoon friends,

We welcome you all to participate in our Earnings Conference call to discuss on our performance for the quarter ended December 31, 2017. Along with me I have Mr. T R Rao - Executive Vice President (Infrastructure), Mr. D. K. Maheshwari - Assistant Vice President (Finance) and Strategic Growth Advisors, our Investor Relations Advisors.

I’ll start with a brief on the key updates from the Budgetary allocations for the sector which will be followed by industry updates and then will discuss the company’s performance.

The Government’s emphasis on infrastructure spending continues, which is evident from the increased allocation for the Infrastructure Sector in the Budget.

The Government has allotted about Rs. 30,000 crores under the Bharatmala Program for 2018-19 and Rs. 1200 crores for projects which are externally aided by World Bank/JICA/ADB etc.

Through this budget, the Government has also introduced levy of Road and Infrastructure Cess on petrol and high-speed diesel oil of Rs. 8.0 per litre. However, at the same time, budget has proposed to abolish Additional Duty of Excise of Rs. 6.00 per litre.

Overall, the total capital outlay for Ministry of Road Transport and Highways has been increased by approximately 10% from Rs. 1.10 lakh crores to Rs. 1.21 lakh crores.

Out of Rs. 1.21 lakh crores, approximately Rs. 59,000 crores will come through Gross Budgetary Support and Rs. 62,000 crores through Internal and Extra Budgetary Resources.

#### **Moving on to the Industry Update,**

During the current financial year, a total of approximately 2,700 kms of highway projects costing Rs.43,000 crore have already been awarded by NHAI till 2018. Of the total projects awarded, HAM constitutes 28% and EPC constitutes 68% in terms of Kms.

Apart from awarding of the projects, the NHAI is also focusing on the construction of projects and is set to complete construction of approximately 3,500 Kms against the last 5 years average of 2,170 kms.

Recently announced ambitious road building program of government “Bharatmala Pariyojna” will involve construction of about 83,000 Kms length of road network with a total capex of Rs. 7.0 lakh crore over the next five years.

Under the first phase of Bharatmala Program a total of 24,800 Kms of highways are to be constructed. NHAI has already invited bids for 69 projects under EPC mode and 96 projects under HAM mode with an aggregate estimated project cost over Rs. 1.30 lakh crore under the Bharatmala. Majority of these projects awards are expected to be awarded before 31.03.2018 for execution.

Given the huge opportunities, the outlook for highway development and construction firms will continue to be bright in the years to come.

#### **Now moving on to company and recent updates**

There are few updates that I would like to share with you before we discuss on our projects portfolio and the execution strategy.

We have recently received a Bonus of Rs. 58.23 crore towards the early completion of Agra-Lucknow Expressway EPC Project by 89 days. This Bonus amount will be accounted for in the Quarter 4 as the same has been received on 3rd February 2018.

I’m also happy to share that CARE has recently upgraded Credit Rating of our subsidiaries MP Highways Private Limited and PNC Raebareli Highways Private Limited. In fact CARE has upgraded rating of PNC Raebareli Highways Private Limited by 2 notches.

During the 3<sup>rd</sup> Quarter we have achieved Financial Closure for 3 of our HAM projects well within the stipulated time. The Rate of Interest for these projects has been one of the best among the financial closures of HAM projects achieved till date.

#### **Now I’ll discuss our execution strategy and our Project Portfolio:**

We are currently executing 19 road projects on EPC basis and over the years we executed 60 major infrastructure projects across 13 states.

Our strategy will continue to be execution projects faster with optimum efficiency and within the budgeted cost. And as a part of this strategy we have developed strong execution competency with end-to-end in-house construction capabilities from mining to commissioning and modern construction plant, equipment and logistic fleet.

As part of timely execution strategy we had already set-up full-fledged large construction camps at all our projects including at the recently awarded HAM project sites.

Our diversified client base act as a risk-mitigation for as we have a mix of Central & State Government agencies like NHAI, MORTH, UPEIDA, MES, State Public Works Departments etc.

We are qualified to bid for a single highway development project worth Rs. 3,500 crores on our own.

**Moving on to our Project Portfolio:**

Our project portfolio consists of 12 development projects on PPP model, in which we have 4 Toll Projects, 2 Annuity Projects, 5 Hybrid Annuity Model (HAM) Projects and 1 OMT Project.

Of our development project portfolio, 7 are fully operational and generating revenues and 2 HAM projects are under construction, 2 HAM projects are under development and for 1 HAM project we have received the LOI and concession agreement is to be executed.

Out of the 5 HAM projects, we have achieved the financial closure for the 4 HAM projects.

**Dausa-Lalsot-Kathun HAM project:** The project has achieved a financial closure with a debt of Rs. 370.9 crores on 3<sup>rd</sup> April 2017. The total equity requirement for the project will be Rs. 66 crores and NHAI would be paying Rs. 384 crores during the construction period. The Project is currently under construction and being implemented through PNC Rajasthan Highways Private Limited. The appointed date for the project is 31.05.2017

**Chitradurga-Davanagere HAM Project:** The Project has achieved financial closure on 12<sup>th</sup> December 2017 with a debt of Rs. 606 crores. The total equity requirement will be Rs. 107 crores and NHAI would pay Rs. 625 crores during the construction period. Currently the project is under construction and the appointed date for the project is 27<sup>th</sup> December 2017.

**Jhansi-Khajuraho (Package I) HAM Project:** The Financial closure was achieved on 1<sup>st</sup> November 2017 for a debt of Rs. 604 crores. The NHAI would pay of Rs. 610 crores over the construction period and Rs. 128 crores will be invested by us as our Equity contribution. Appointed date for this project is expected to be declared by the end of March 2018.

**Jhansi-Khajuraho (Package II) HAM Project:** The project has achieved financial closure for Rs. 590 crores as debt on 2<sup>nd</sup> November 2017. The equity required for the project will be Rs. 104 crores and NHAI will pay of Rs. 568 crores during the construction period. Appointed date for this project is expected to be declared before the end of February 2018.

The 5<sup>th</sup> HAM project of six laning of Chakeri to Allahabad section of NH-2, we have received the LOI and we have formed an SPV namely PNC Triveni Sangam Highways Private Limited and submitted the documents to NHAI for execution of concession agreement.

**Now moving on to our order book**

The order book in terms of EPC contracts pending execution was over Rs. 7,900 crores as on December 31, 2017.

The robust order book is expected to give us sustained revenue visibility for next 2-3 years, in terms of execution.

The total equity requirement of the recently won HAM projects totals is Rs. 600 crore over the next two and half years.

However, the projects which are already operational does not require any further equity infusion. The revenues come from the operational projects are sufficient to meet financial obligations on their own.

**Now I would now present the results for the period ended December 31, 2017.**

**Standalone Quarterly Result:**

Revenue of 3rd Quarter of FY18 is Rs. 472 crore which is higher by 2% compared to 3rd Quarter of FY17.

EBIDTA of 3<sup>RD</sup> Quarter of FY18 is Rs. 66 crore which is higher by 10% as compared to 3<sup>RD</sup> Quarter of FY17. EBIDTA margin is 14% as compared to 13% in 3<sup>RD</sup> Quarter of FY17.

Profit OF 3<sup>RD</sup> Quarter of FY18 is Rs. 93 crore which is higher by 21% as compared to 3<sup>RD</sup> Quarter of FY17. PAT is 19.7% as compared to 16.5% in 3<sup>RD</sup> Quarter of FY17.

The tax for 3rd Quarter of FY18 is adjusted for 80IA benefit amounting to RS. 49.8 crore pertaining to financial year 2014-15.

Cash profit of 3rd Quarter of FY18 is Rs. 113 crore which is higher by 24% compared to 3rd Quarter of FY17.

**Moving on to 9 months results on Standalone basis**

Revenue of 9 months of FY18 is Rs. 1,098 crore as against Rs. 1,338 crore in 9 months of FY17.

EBIDTA margin for 9 months of FY18 is 14.4% as compared to 13% for 9 months of FY17.

PAT for 9 months of FY18 is Rs. 140 crore as compared to 176 crore for 9 months of FY17. It is lower mainly due to lower revenue, other income and higher depreciation & higher financial cost

Our cash profit for 9 months of FY18 is Rs. 195.21 crore which is lower by 9% compared to 9 months of FY17

**ON THE BALANCE SHEET SIDE,**

As on 31<sup>ST</sup> December 2017, our stand-alone net worth is Rs. 1,696 crores. Total debt of the company on a standalone basis is Rs. 199 crores which includes Rs. 98 crores for working capital and remaining Rs. 101 crores for equipment finance.

Similarly, the cost of borrowing on working capital loans has reduced from 10.49% to 8.80% during the calendar year 2017 resulting in a substantial reduction in financial cost of working capital utilization.

In calendar year 2017, our cost of borrowing for our operational SPVs (having 100% holding) has reduced from 10.05% TO 8.84% resulting in savings of over Rs. 20 crore per annum.

**BRIEF DETAILS ON CREDIT RATINGS BY CREDIT ANALYSIS & RESEARCH LIMITED (CARE)**

During the current quarter

1. CARE has upgraded credit rating of MP Highways Private Limited from “CARE A MINUS; to “CARE A;
2. CARE has upgraded the credit rating of PNC Raebareli Highways Pvt. Ltd. from “CARE A Plus to “CARE AA; for senior debt And from “CARE A to “CARE AA Minus for subordinate debt

**With this, we now open the floor for question and answer.**

**Moderator:**

Thank you. Ladies and gentlemen, we will now begin with the question and answer session.

Ladies and gentlemen, we will wait for a moment while the question queue assembles. We will take the first question from the line of Ashish Shah from IDFC Securities. Please go ahead.

- Ashish Shah:** Good afternoon Sir. Sir the first question is on the revenue run rate increase, which can happen from here, so as we see at least a year-on-year decline has stopped in terms of the revenue, so what would be your estimate for the revenue for FY2018 and if you can give estimate for FY2019 and maybe FY2020 also based on whatever book we have at this point?
- Yogesh Jain:** We are expecting revenue growth of 10% compared to FY2017. For FY2019 we are expecting 40% to 50% growth.
- Ashish Shah:** 40% to 50% growth right. Sir just to understand the nature of this growth, so in this how much revenue you are factoring from projects for which you have still not got the appointed date, so basically can there be any risk to this number if the appointed dates get delayed that are my basic question Sir?
- Yogesh Jain:** You are talking for the FY2018?.
- Ashish Shah:** FY2019 Sir I assume that FY2018 we would have fair view of how we can relate it, but in terms FY2019 the 40% to 50% growth that we expect now how much of this growth is actually dependent on appointed dates coming on time? Is there any risk to this number is basically what I want to understand?
- Yogesh Jain:** We do not think that there is any risk.
- D. K. Maheshwari:** We are expecting appointed dates for all the projects including recently won HAM projects before the end of this financial year.
- Ashish Shah:** You would be excluding Chakeri-Allahabad out of that, I mean that will take some time.
- Yogesh Jain:** Chakeri Allahabad we have not taken.
- D. K. Maheshwari:** Actually out of the total order book of Rs. 7,900 Crores there are only three projects for which appointed date is awaited. One is Bhojpur to Buxar, Bihar and Jhansi Khajuraho HAM project package I and package II. For package II we are expecting appointed date by the end of February 2018 and for package I we are expecting appointed date by March 2018, so FY2019 we will get the revenues from all these three projects also.
- D. K. Maheshwari:** Chakeri-Allahabad we have not considered in our order book because so far concession agreement has not been signed.
- Yogesh Jain:** We have not considered any turnover from Chakeri to Allahabad for FY2019.
- Ashish Shah:** Sir what I was asking is Bhojpur-Buxar do we expect that to also come by March 31, 2018?

- Yogesh Jain:** Yes we are expecting.
- Ashish Shah:** Sir what is the status of land acquisition there in Bhojpur-Buxar?
- Yogesh Jain:** In Bhojpur-Buxar as on date, 37 kilometer out of 47 kilometer project land is available including 5 kilometer of existing ROW for working. So you can say, almost 75% land is available in Bhojpur-Buxar.
- Ashish Shah:** Sir can you give the toll revenues from the BOT projects?
- D. K. Maheshwari:** In Q3, MP Highway was Rs.17.2 Crores, Kanpur Ayodhya was Rs.81 Crores, Kanpur Highways was Rs.21 Crores, Bareilly-Almora was Rs.11 Crores, Narela Rs.11 Crores, and Raebareli-Jaunpur was Rs.32 Crores, so all six projects revenue is around Rs.173 Crores as against Rs.120 Crores in last year October to December quarter.
- Ashish Shah:** Sir Ghaziabad-Aligarh?
- D. K. Maheshwari:** It is Rs.51 Crores as against Rs.28 Crores in the last quarter.
- Ashish Shah:** Sure Sir I will come back if I have more questions. Thank you.
- Moderator:** Thank you. The next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.
- Shravan Shah:** Thank you. Sir just for clarifying our revenue guidance now we have seen for FY2019 is 40% to 50%, am I right?
- Yogesh Jain:** Yes.
- Shravan Shah:** Our margin will be in the same range 13% for 2018 and 2019?
- D. K. Maheshwari:** 13% to 13.5% EBITDA margin
- Shravan Shah:** Tax rate for 2018 and 2019?
- D. K. Maheshwari:** 12% to 15% in FY'18 and 18% to 21% FY'19
- Shravan Shah:** Capex in 9 month how much we have done for FY2018 and FY2019?
- D. K. Maheshwari:** In 9 months, we have taken Rs.61 Crores and in this quarter also we are expecting around Rs.50 Crores more, so in FY2018 it will be around Rs.110 Crores.
- Shravan Shah:** 2019?
- D. K. Maheshwari:** In 2019 it will be around Rs.50 Crores.

- Shravan Shah:** Sir can I get an unexecuted order book for some of the projects, which are not in presentation Aligarh-Moradabad, Sonauli-Gorakhpur, Koilwar-Bhojpur, Etah to Kasganj, Lucknow Airport, and Nanau-Dadon?
- D. K. Maheshwari:** You want the contract in hand of balance work?
- Shravan Shah:** Balance work as on December?
- D. K. Maheshwari:** Balance work Dausa-Lalsot is Rs.485 Crores, Aligarh-Moradabad Rs.374 Crores, Varanasi-Gorakhpur Rs.745 Crores, and then Sharda Canal Rs.118 Crores.
- Shravan Shah:** Koilwar-Bhojpur, Sir is it the same or have you done some execution?
- D. K. Maheshwari:** Koilwar-Bhojpur, we have executed Rs.16 Crores in this quarter. The remaining Rs.438 cores is outstanding.
- Shravan Shah:** Rs.438 cores is outstanding, okay and Etah to Kasganj and Lucknow Airport?
- D. K. Maheshwari:** Bakshi Ka Talab is Rs.97 Crores.
- Shravan Shah:** Etah to Kasganj?
- D. K. Maheshwari:** Rs.217 Crores.
- Shravan Shah:** Rs.217 Crores and now the Nanau-Dadon?
- D. K. Maheshwari:** That has not been started no far. It is Rs.120 Crores.
- Shravan Shah:** That is it from my side and all the best.
- Moderator:** Thank you. The next question is from the line of Rahul Agarwal from VEC Investment. Please go ahead.
- Rahul Agarwal:** Good evening. Sir one question to start with essentially you gave the breakup of the new HAM projects into equity debt and grant, I just wanted to understand one thing when we say bid project cost for example for Jhansi let us say package II, which is about Rs.1,310 Crores and the breakup of debt equity and grant totals to about Rs. 1,262 Crores so just as an example what would this difference be and this is similar across whatever breakup you have given?
- Yogesh Jain:** Bid project cost is something different and the total project cost is something different.
- Rahul Agarwal:** That is what I am asking what is the difference here?
- T. R. Rao:** There would be difference in the financial terms it includes the taxation and the margin and other costs. Actually there is no relation between the bid project cost and the project total cost.



- D. K. Maheshwari:** Usually total project cost is 91% to 92% of the bid project cost.
- Rahul Agarwal:** Bid project cost in terms of usage there is no usage for this number because whatever investment we are planning is all based on total project cost right?
- Yogesh Jain:** Exactly, bid project cost is only for the purpose of getting payments from NHAI.
- Rahul Agarwal:** Let us say what the difference we will get from NHAI right?
- Yogesh Jain:** Right.
- Rahul Agarwal:** That income is accounted as what?
- T. R. Rao:** That is project income. Total project cost cannot be compared with the bid project cost, as these are two different costs.
- Rahul Agarwal:** No problem I will take it offline. Secondly on the Narela last quarter you said there was some Supreme Court order you won and Rs.43 Crores were expected, has that already coming in or no?
- Yogesh Jain:** It has already been received. .
- D. K. Maheshwari:** We already received Rs.43 Crores in January 2018.
- Rahul Agarwal:** That was received in January is it, so how will that reflect in our balance sheet? Will the advance given to Narela will come back to the standalone entity?
- D. K. Maheshwari:** Yes, to that extent it will decrease.
- Rahul Agarwal:** Okay, got it and lastly on the bonus side, so Agra-Lucknow I think the total bonus expected was expected about Rs.96 Crores of that Rs.60 Crores obviously received, is there any visibility for the balance or this is what we are going to receive?
- Yogesh Jain:** We will try, but now we can say it is only Rs.58 Crores.
- Rahul Agarwal:** Anything on the Raebareli to Jaunpur about Rs.30 Crores is expected there as well?
- Yogesh Jain:** We are expecting this Rae Bareli to Jaunpur bonus in this quarter.
- Rahul Agarwal:** Thank you so much. I will follow up for more questions. Thank you.
- Moderator:** Thank you. We will take the next question from the line of Priyankar Biswas from Nomura. Please go ahead.
- Priyankar Biswas:** Good evening Sir. My question is this Q3 FY2018 number is net of GST right?

- Yogesh Jain:** Yes.
- Priyankar Biswas:** But when we are comparing Q3 FY2017 though has the indirect taxes in place like the previous Ind-AS, so what is the underlying revenue growth number? I think it should be somewhat higher than 2% right?
- Yogesh Jain:** It is net of GST.
- Priyankar Biswas:** Q3 FY2017 the number is gross sales, so what is the underlying growth like if we remove the taxation part is that included in that Q3 FY2017?
- T. R. Rao:** FY2017 only works contract part is included there and whereas here the GST is not included so even if you see a net works contract tax of 2% to 2.4% so you can consider the growth of around 4% to 4.5% in real terms.
- Priyankar Biswas:** So 4% to 4.5% is the real?
- T. R. Rao:** Yes on Q-on-Q basis.
- Priyankar Biswas:** That is first one. The second is like let us say after getting your appointed date for a particular project let us say, so in first year like how much percentage of the revenue can you typically get like based on your past experience?
- D. K. Maheshwari:** After receiving the appointed date usually in the next 12 months we execute around 30% to 35%.
- Priyankar Biswas:** 30% conservatively after appointed date?
- D. K. Maheshwari:** Right.
- Priyankar Biswas:** Like by March 2018 we will be having all the three HAM projects appointed date in place, right?
- D. K. Maheshwari:** Yes
- Priyankar Biswas:** So that is Rs.3,600 Crores something in order book, so roughly this can contribute like Rs.1,000 Crores in the next year right somewhere around that?
- Yogesh Jain:** Yes right.
- Priyankar Biswas:** On the underlying you are doing like Rs.1,700 Crores even without this, so next year you could be doing anything like Rs.2700 Crores plus if my calculation is correct?
- Yogesh Jain:** Yes we are expecting.
- Priyankar Biswas:** I just wanted to clarify on that. Thank you so much.

- Moderator:** Thank you. The next question is from the line of Jatin Nayak from ICICI Prudential Mutual Fund. Please go ahead.
- Jatin Nayak:** Good evening Sir. Thanks for taking my question. Sir I wanted to understand in Q1 our guidance was around 30%, which became 20% in Q2 and 10% in Q3 and I think in Q2 our FY2019 guidance was 25%, which you are now saying 40% to 50%, so just to not have a FY2018 kind of a scenario, what do you think can result in FY2019, which will ensure that this 40% to 50% guidance be much lower? What exactly goes wrong?
- D. K. Maheshwari:** Actually in Q1, we have given the guidance about 25% to 30% considering that we will receive appointed date of Nagina-Kashipur, Bihar and the these 2 HAM project before Q3, but there were some delay in Nagina-Kashipur, Bihar projects as well as HAM projects, the HAM project, which has already achieved financial closure in November. We are expecting package II in February and package I by March'18. So there is slightly shortfall in the revenue in FY2018, but we are expecting that in FY2019 by Q2 all projects will be on full swing. Conservatively we are sure that 40% to 50% there will be growth in FY2019 as compared to FY2018.
- Jatin Nayak:** Sir I have two questions one was Jhansi to Khajuraho package I, we were expecting the appointed date in January end right, so what is the status currently I missed it in your opening remarks?
- Yogesh Jain:** No we are expecting appointed date by March.
- Jatin Nayak:** What has resulted in this one and a half month delay?
- Yogesh Jain:** The land acquisition still is underway, so as per the contract at least 80% of the project land should be made available to us. There is a delay in the land acquisition process by the government as well as NHAI, so that is resulting in the delay in declaration of appointed date.
- Jatin Nayak:** Jhansi package II, which we were expecting on January 24, 2018 what is the status there?
- Yogesh Jain:** We are expecting by this month.
- Jatin Nayak:** What was the reason for delay in that project?
- Yogesh Jain:** Same problem, but package II is slightly better than package I in terms of land acquisition.
- Jatin Nayak:** Sir just last question from my side in this 40% of your guidance can you just tell me your project contribution from say if we exclude the Jhansi project, which you said will contribute 30% in the year post your appointed date, so I wanted to know in Nagina-Kashipur, Varanasi-Gorakhpur and Dausa-Lalsot what will be your revenue numbers in FY2019, which you are guiding from these three projects?
- D. K. Maheshwari:** The Dausa-Lalsot project will complete in FY2019, which will be outstanding on Rs.365 Crores in FY2019 and Nagina will be around Rs.250 Crores and Varanasi-Gorakhpur will be around

Rs.300 Crores.

- Jatin Nayak:** Okay. Thank you so much and all the best Sir.
- Moderator:** Thank you. The next question is from the line of Ashish Agarwal from Principal Mutual Fund. Please go ahead.
- Ashish Agarwal:** Thanks. Sir just two to three questions from my side. First of all just wanted to understand even after taking Chakeri-Allahabad in your order book, our order book will be close to Rs.10,000 Crores, which is almost like 5 times our revenues of this year, so what is the order inflow guidance going forward if you can start with that?
- Yogesh Jain:** NHAI has launched more than 165 highway projects for bidding under EPC and HAM modes with an aggregate estimated project cost of over Rs.1.3 lakh Crores for bidding in the next two months. So with majority of awards being planned before March 31, 2018, we are working on around 40 projects for bidding and expecting around Rs.5,000 Crores of new project orders by March 31, 2018.
- Ashish Agarwal:** Got it, but Sir that would mean that maybe by December of this year, CY2018 we will end up having an order book of close to Rs.13,000 to Rs.14,000 Crores, am I right if we win these Rs.5,000 Crores worth of new orders?
- Yogesh Jain:** By March 2018.
- Ashish Agarwal:** I am talking about December 2018 because Chakeri-Allahabad will be there and even by March assuming five, six months of financial closure, etc., even if we get the appointed date by October to November, the order book will look like Rs.12,000 Crores to Rs.13,000 Crores?
- D. K. Maheshwari:** Yes, you are right.
- Ashish Agarwal:** So we do not see any problem as far as execution is concerned?
- Yogesh Jain:** Not at all.
- Ashish Agarwal:** Because that will have to be completed in the next two to two and a half years?
- Yogesh Jain:** Sure.
- Ashish Agarwal:** Secondly Sir what is the status of land acquisition in Jhansi-Khajuraho how much would have been acquired till now or in possession?
- Yogesh Jain:** Jhansi-Khajuraho, there are two packages, package I that is out of 77 kilometer as on date 41 kilometer long existing ROW is available which is around 53% of land and it is expected that up to 80% of total project land would be made available by mid of March 2018 for declaration of appointed date. That is why we are expecting appointed date in March for this project.

- Ashish Agarwal:** What about package II?
- Yogesh Jain:** All the required resources had been mobilized and project camps and crushing plants are established, so we are in full swing to start work.
- Ashish Agarwal:** What about package II, how much land is available?
- Yogesh Jain:** Package II is better than package I as on date 43.2 kilometers long existing ROW and 12 kilometer long bypass is available for working. The total is 65% of total land and the remaining land acquisition is in progress in bypass and realignment stretches. It is expected that up to 80% of total land would be made available before February 28, 2018.
- Ashish Agarwal:** Got it and Sir lastly on the HAM project the financial closure, which has happened, what is the cost of debt?
- D. K. Maheshwari:** Around 9%.
- Ashish Agarwal:** Got it. Okay Sir, thanks a lot.
- Moderator:** Thank you. The next question is from the line of Rahul Singh from Ampersand Capital. Please go ahead.
- Rahul Singh:** My question is on this year you are saying revenue guidance of 10% it translates to last quarter revenue of almost Rs.750 Crores, so how confident are you and which projects would lead to this massive jump from Rs.470 Crores to Rs.750 Crores in Q3 to Q4, if you can just elaborate on that?
- D. K. Maheshwari:** Actually in the Dausa-Lalsot in Q3 it was Rs.82 Crores, which we are expecting Rs.120 Crores in this Q4. Similarly Varanasi-Gorakhpur it was Rs.40 Crores, we are expecting around Rs.115 Crores in this Q4. Similarly in Aligarh-Ghaziabad we have executed in Q3 Rs.90 Crores, we are expecting Rs.120 Crores. Similarly there will also be a jump in the Chakeri Airport, Bakshi Ka Talab projects and in Chitradurga-Davanagere we have only executed Rs.17 Crores, and we are expecting around Rs.50 Crores.
- Rahul Singh:** All these adds to about Rs.200 Crores, but your revenue guidance seems for Rs.750 Crores, so I was just trying to like... how confident you are of meeting that guidance in Q4?
- D. K. Maheshwari:** We will also execute the Jhansi package II HAM project around Rs.50 Crores to Rs.60 Crores in this quarter. Similarly Sharda Canal also expecting around Rs.40 Crores in this quarter, so total will be around Rs.700 Crores in Q4 we are expecting.
- Rahul Singh:** Rs.700 Crores?
- D. K. Maheshwari:** Yes.

- Rahul Singh:** The second question I had was on the margins, your margins in Q2 were higher because of some project completion, but in Q3 also, the margins seems to be holding up higher than your guidance of 13.5%, so for FY2019 with top line growing as per your guidance you still think the margins will be lower than what we have seen this year and why is that? Why should the margins be lower from...?
- D. K. Maheshwari:** Actually in Q3 EBITDA margin is 14.02%. This is higher because of the price variation of Agra bypass project amounting to Rs.3.3 Crores approved by the authorities during this Quarter, which was executed earlier period or otherwise it is 13.32%.
- Rahul Singh:** But that is more like a normal thing some project or the other, you will keep getting these?
- D. K. Maheshwari:** Certainly in case we will get the approval of price variation in Q4 definitely EBITDA margin to that extent will increase in case or otherwise normally it will be 13.25% or 13.5%.
- Rahul Singh:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of Rita Tahilramani from SBICAP Securities Ltd. Please go ahead.
- Rita Tahilramani:** Sir the equity requirement we mentioned is total Rs.600 Crores how much is the equity infused till date and if you could give us the breakup of equity requirement in FY2019 and consequently in FY2020?
- D. K. Maheshwari:** That we will give you separately because we are not having readily.
- Rita Tahilramani:** What is the land acquisition on the Nagina-Kashipur currently?
- Yogesh Jain:** As on date about 80% land is available.
- Rita Tahilramani:** Bhojpur-Buxar?
- Yogesh Jain:** As on date 37 kilometer out of 47 kilometer project land it is available. It is about 78% **Rita Tahilramani:** On the Chakeri-Allahabad?
- Yogesh Jain:** Chakeri-Allahabad around 60% land is available. At the time of appointed date, I think we will get the entire length.
- Rita Tahilramani:** Sir going forward how much is revenue are we expecting for Dausa-Lalsot, I missed the number in FY2018 and FY2019 both?
- D. K. Maheshwari:** Rs.345 Crores in FY2018 and the remaining Rs.364 Crores in FY2019.
- Rita Tahilramani:** In Chitradurga?

- D. K. Maheshwari:** Chitradurga we are expecting around Rs.70 Crores in FY2018.
- Rita Tahilramani:** In FY2019?
- D. K. Maheshwari:** Rs.250 Crores to Rs. 300 Crores.
- Rita Tahilramani:** In Aligarh and Varanasi in FY2019?
- D. K. Maheshwari:** Aligarh-Moradabad, we are expecting around Rs.250 Crores.
- 0.Rita Tahilramani:** Varanasi?
- D. K. Maheshwari:** For Varanasi around Rs.300 Crores.
- Rita Tahilramani:** Sir how much is the gross block as on date?
- D. K. Maheshwari:** On December 31, 2017 it is Rs.664 Crores. During the 9 months we have added around Rs.61 Crores machinery and during the quarter, we are expecting around Rs.50 Crores.
- Rita Tahilramani:** Sir one more question I missed the FC date for Chitradurga, can you please help me with that?
- D. K. Maheshwari:** December 12, 2017.
- Rita Tahilramani:** How much order intake are we guiding for FY2019 and are you looking at more orders in Q4 also?
- Yogesh Jain:** Yes we are expecting around Rs.5,000 Crores in Q4 of new projects.
- Rita Tahilramani:** In FY2019.
- Yogesh Jain:** Around Rs.8,000 Crores to Rs.10,000 Crores in FY2019.
- Rita Tahilramani:** That is it from my side and good luck in the future.
- Moderator:** Thank you. The next question is from the line of Ashish Shah from IDFC Securities. Please go ahead.
- Ashish Shah:** Thank you for the opportunity again. Sir how much mobilization advances we have received for the HAM projects so far?
- D. K. Maheshwari:** We have received from Dausa-Lalsot only 10%, Rs.88.1 Crores and Chitradurga, we are expecting by March 2018, 5% and the remaining 5% after in April 2018
- Ashish Shah:** So how much will that be totally?
- D. K. Maheshwari:** Chitradurga, we will get Rs.143.4 Crores.

- Ashish Shah:** Sir we have seen that the working capital levels have moved up this year, so do we expect them to sort of come down once you receive all these mobilization advances or you would expect that they should remain at the current levels of around 135 to 140 days or so?
- D. K. Maheshwari:** Actually by end of March 2018 we are expecting that it should increase further because presently working capital days is 139 days and when we will execute the work of HAM project, we are doubt we will be in a position to take disbursement from the lenders.
- Ashish Shah:** So you are saying the disbursements for these projects...?
- D. K. Maheshwari:** Yes, there may be some delay in the package I and package II because we have to take appointed date then thereafter there were certain formalities. So it may take time, so working capital days and debtor days may increase in FY2018.
- Ashish Shah:** But once you get the disbursements, they should again...?
- D. K. Maheshwari:** Yes in the Q1 on June 30, 2018 it will reduce.
- Ashish Shah:** Also one question on the Q3 results again even the employee expenses have shown quite a big increase from about a normalized level of Rs.24 Crores to 25 Crores, it is about Rs.36 Crores so any particular reason why such a sharp increase in just one quarter?
- D. K. Maheshwari:** Mainly due to appointment of new employees, bonus to the employees of Agra Lucknow project and annual increments. Actually increment was declared in Q3. The arrears were given for 10 months to all the employees, so the impact of these arrears reflected in the Q3.
- Ashish Shah:** What is the arrears impact that one should look at from this Rs.36 Crores?
- Ashish Shah:** What will the impact totally be so including the arrears and including the bonus for one project, which should be one-off I understand, so what is this impact totally?
- D. K. Maheshwari:** Exact figures we are not having readily, I will give you offline.
- Ashish Shah:** On an ongoing basis what should be the employee cost one should factor, assuming the increments which you have given?
- D. K. Maheshwari:** Increment on an average 15% to 20%.
- Ashish Shah:** Let us say if I take the first half level of employee expenses one should annualize that and take a 15% to 20% increase?
- D. K. Maheshwari:** No we cannot compare first half versus Q3 because most of the projects have been started, so we appointed several employees in Q3 also from senior to junior level in all the projects such as package I, package II, HAM projects, and a number of employees we increased in Q3.



- Ashish Shah:** So if I may ask what should be a fair employee cost one should take for FY2019 because you are in the process of adding to the employee base and increments, so can you give some rough estimate?
- T. R. Rao:** We heard you. We will give you offline.
- Ashish Shah:** Thank you. I am done. Thank you.
- Moderator:** Thank you. The next question is from the line of Jatin Nayak from ICICI Prudential Mutual Fund. Please go ahead.
- Jatin Nayak:** Thank you Sir for taking my question again. Just one question Sir with your Rs.5000 Crores of inflow guidance in the next quarter and Rs.8,000 Crores to Rs.9,000 Crores in FY2019 are there any plans for fund raise?
- Yogesh Jain:** We cannot discuss on this platform.
- Jatin Nayak:** No issues Sir. We will take it offline.
- Moderator:** Thank you. We take the next question from the line of Subramanium Yadav from Subhkam Ventures. Please go ahead.
- Subramanium Yadav:** Sir can you update us on the loans and advance given to Ghaziabad project?
- D. K. Maheshwari:** This is Rs.37 Crores in addition to Rs.118 Crores warrant.
- Subramanium Yadav:** Rs.118 Crores is warrant right?
- D. K. Maheshwari:** But recently NHAI approved Revenue Shortfall Loan of Rs.130 Crores, which we are expecting in due course, so account which is under category SMA-2 since the last one and a half years of Ghaziabad-Aligarh, the entire debt will get cleared until March; there will not be any outstanding.
- Subramanium Yadav:** So this warrant of Rs.118 Crores is given by promoter right?
- D. K. Maheshwari:** Yes Rs.118 Crores is share of PNC Infratech Ltd. Similarly Srei and Galfar have also given propionate to that.
- Subramanium Yadav:** Sir any chance by when this money would be coming back?
- D. K. Maheshwari:** After the regularization of accounts, we are planning of refinancing. With that it will be repaid.
- Subramanium Yadav:** Are we investing more money into project or currently we have stopped investing?
- D. K. Maheshwari:** Almost stopped.

- Subramanium Yadav:** Almost stopped and Sir on the Narela thing what is the current outstanding money?
- D. K. Maheshwari:** Current it is Rs.66 Crores outstanding as Unsecured loan, we have already received Rs.43 Crores.
- Subramanium Yadav:** Already you received Rs.43 Crores and now balance is Rs.66 Crores?
- Yogesh Jain:** Yes.
- Subramanium Yadav:** Okay. Fine, thank you.
- Moderator:** Thank you. The next question is from the line of Vibhor Singhal from PhillipCapital India Pvt. Ltd. Please go ahead. Vibhor your line is unmuted. Please go ahead.
- Vibhor Singhal:** Thanks for the taking my question. Sir just to understand the execution that probably we can do in the next couple of years can I just the appointed dates for some of the key projects, so I understand Bhojpur-Buxar is still awaited? What was the appointed date for Koilwar to Bhojpur?
- Yogesh Jain:** Appointed date was July 4, 2017.
- Vibhor Singhal:** July 4, 2017 sure Sir and similarly Sir if I can get the dates for Nagina-Kashipur and Varanasi-Gorakhpur also?
- Yogesh Jain:** We have got it on October 28, 2017 for Nagina-Kashipur.
- Vibhor Singhal:** October 28, 2017
- Yogesh Jain:** Yes; March 31, 2017 for Varanasi-Gorakhpur.
- Vibhor Singhal:** And Aligarh-Moradabad?
- Yogesh Jain:** January 26, 2017
- Vibhor Singhal:** Okay and you mentioned Sir in Bhojpur-Buxar we are expecting the appointed date by?
- Yogesh Jain:** Bhojpur-Buxar we are expecting in this quarter.
- Vibhor Singhal:** So let us say by March this year.
- Yogesh Jain:** Yes by March 31, 2018.
- Vibhor Singhal:** Fair enough Sir. Also Sir in the order book if I see if I look at the order book that was there in the last quarter and this quarter and the execution we obviously have not received any order in this quarter, there was a decline of around Rs.540 Crores, any order that we have removed from the order book or any change in scope of any of the orders?

- D. K. Maheshwari:** That is only because of the Rs.472 Crores, we have executed.
- Vibhor Singhal:** Sir I have taken that into account, so last quarter including L1 our order book was Rs.11,148 Crores and now including is Rs.10,135 Crores and excluding the execution that we have done, the order book has still come down by Rs.540 Crores?
- D. K. Maheshwari:** Actually earlier in Rs.11,000, we have considered the bid project cost whereas EPC cost is some different in all the three projects Chitradurga, and Jhansi package I & package II.
- Vibhor Singhal:** That would be your only difference between the two?
- Yogesh Jain:** Yes.
- Vibhor Singhal:** Lastly my question was basically on the revenue that we are looking to be executed over next quarter itself? Now Sir we have already through one and a half months in this quarter itself, so what is the kind of execution so given that number into perspective we could probably have around let us say Rs.300 Crores or at least somewhere to close to that number, so you think we are comfortable with that Rs.700 Crores of revenue for execution?
- D. K. Maheshwari:** Now whatever the revenue guidance we have given in Q4 after considering the execution of one and a half months.
- Vibhor Singhal:** Fair enough Sir. Great Sir. Thank you so much for taking my questions and wish you all the best?
- Moderator:** Thank you. The next question is from the line of Ankush Mahajan from JM Financial. Please go ahead.
- Ankush Mahajan:** Sir can I get an outstanding order backlog for Aligarh-Moradabad, Bhojpur-Buxar and Koilwar-Bhojpur?
- D. K. Maheshwari:** Aligarh-Moradabad is Rs.375 Crores.
- Ankush Mahajan:** This is outstanding?
- D. K. Maheshwari:** Varanasi-Gorakhpur it is Rs.745 Crores.
- Ankush Mahajan:** Sir I am talking of Bhojpur-Buxar and Koilwar to Bhojpur?
- D. K. Maheshwari:** Koilwar to Bhojpur so far it has not started. The entire value is outstanding of Rs.477 Crores.
- Ankush Mahajan:** Last one Sir how do you see this working capital Sir now that is the last one?
- Ankush Mahajan:** Our working capital cycle is higher on this quarter and how do you see Sir this working capital now going forward?

- D. K. Maheshwari:** Working capital has come down in this Quarter as compared to last Quarter. Actually it was 143 days. Now it is 139 days.
- Ankush Mahajan:** Yes Sir, so with the upcoming orders what is your outlook on it?
- D. K. Maheshwari:** Actually by end of March 2018 we are expecting that it should increase further because presently working capital days is 139 days and when we will execute the work of HAM project, we are doubtful we will be in a position to take disbursement from the lenders. There may be some delay in the package I and package II because we have to take appointed date then thereafter there were certain formalities. So it may take time, so working capital days and debtor days may increase in FY2018.
- Ankush Mahajan:** Sir I am talking about when it will come down, you are saying in the month of June it will come down, so what kind of working capital days we are looking?
- D. K. Maheshwari:** At that point of time, it should be around 120 to 125 days.
- Ankush Mahajan:** That is it. Thank you Sir. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Amar Survase from Individual Investor. Please go ahead.
- Amar Survase:** Thank you for the opportunity Sir. I just wanted to ask what the average cost of our total debt.
- Yogesh Jain:** For SPVs or. for PNC ?
- Amar Survase:** On a consolidated basis?
- D. K. Maheshwari:** For SPV, it is 8.84% on operational projects and on standalone it is 8.8% and if we consider overall it is around 8.83%.
- Amar Survase:** One more thing Sir are we considering any refinancing our loans as we can see the interest rates are basically at a lower side, so are we considering any refinancing?
- D. K. Maheshwari:** Usually the policy of the Company that we do not change the lenders who have financed at the time of construction. Usually those banks are reducing rate at the time of the COD that is why the rate has reduced from 10.1% to 8.84% in all the projects? In some of the projects it is 8.6%
- Amar Survase:** Got it. Thank you.
- Moderator:** Thank you. The next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.
- Shravan Shah:** Thank you. Sir in terms of the inflow of Rs.5,000 Crores in Q4 and Rs.8,000 Crores to Rs.10,000 Crores in FY2019 this would be mostly from the HAM?

- Yogesh Jain:** At HAM and EPC from both.
- Shravan Shah:** In terms of the percentage, how much would be HAM and EPC?
- Yogesh Jain:** Roughly 60% HAM and 40% EPC.
- Shravan Shah:** Even in FY2019 also out of Rs.10,000 Crores 60% would be HAM and 40% EPC?
- Yogesh Jain:** Yes.
- Shravan Shah:** Apart from road is there any other airport or railway, do you see any tenders coming up or are we looking at?
- D. K. Maheshwari:** One Rajkot Airport is there.
- Yogesh Jain:** We are examining that opportunity.
- Moderator:** Thank you. The next question is from the line of Vibhor Singhal from PhillipCapital India Pvt. Ltd. Please go ahead.
- Vibhor Singhal:** Thank you Sir for taking my question again. Just one quick clarification Sir in your presentation you mentioned that the equity requirement for all the five HAM projects is around Rs.600 Crores? Now if I look at only the four projects from which we have achieved financial closure taking into account the debt that we have taken on those projects and 40% of project cost as the grant from NHAI the equity requirement for those four projects itself comes to around Rs.685 Crores?
- D. K. Maheshwari:** In four projects?
- Vibhor Singhal:** Yes Sir?
- D. K. Maheshwari:** No.
- Vibhor Singhal:** So are cutting mobilization advance from the equity requirement and then giving that the net...?
- D. K. Maheshwari:** Not at all. Actually in four projects, which we have already achieved financial closure,. Total requirement is equity of Rs.400 Crores. That Rs.600 Crores what we have told after considering the equity requirement of Chakeri-Allahabad which is yet to be financed.
- Vibhor Singhal:** I think the way I calculated the grant is 40% of the project cost right?
- Yogesh Jain:** Right.
- T. R. Rao:** It will be slightly more 40%.

- Vibhor Singhal:** I will probably take this question offline Sir. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Rita Tahilramani from SBICAP Securities Ltd. Please go ahead.
- Rita Tahilramani:** One question from my side considering the order intake, which we are targeting going forward, how do we look at the debt levels maybe at FY2018 and FY2019?
- D. K. Maheshwari:** Actually working capital debt as on December 31, 2018 is Rs.98 Crores.
- Moderator:** Sir the line of the current participant had dropped off of the queue and that was the last question. Sir would you like to add any closing remarks.
- Yogesh Jain:** Thank you everyone for your participation in our earning call. We have uploaded the presentation on our company website. In case of further queries, you may get in touch with the Strategic Growth Advisors, our Investor Relations Advisors or feel free to get in touch with us. Thank you very much for your participation.
- Prem Khurana:** Thank you for giving us an opportunity to host you.
- Moderator:** Thank you. Ladies and gentlemen with that we conclude today's conference. Thank you for joining and you may now disconnect your lines. Thank you.