

Transcript

Conference Call of PNC Infratech Limited

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Presentation Session

Moderator:

Good afternoon ladies and gentlemen. I am Jithin moderator for the conference call. Welcome to PNC InfratechQ4FY17results conference call hosted by HDFC Securities. We have with us today Mr. Yogesh Jain, Managing Director, Mr. D.K. Agarwal, Chief Financial Officer, and Mr. D.K. Maheshwari, Assistant Vice-President Finance. At this moment all participants are in listen only mode. Later, we will conduct a question and answer session. At that time if you have a question please press * and 1 on your telephone keypad. Please note this conference is recorded. I would now like to hand over the floor to Mr.Parikshit Kandpal of HDFC Securities; thank you and over to you sir.

ParikshitKandpal:

Thank you Jithin. We would like to thank the management of PNC for giving us this opportunity to host the call. Without further delay I'd like to hand over the call to the management. Yogesh sir you can start with the opening remarks and the performance basically on the quarterly presentation on the financial performance. Over to you sir.

Yogesh Jain:

Good afternoon friends. We welcome you all to participate in our Earnings Conference call to discuss on our performance for the quarter and year ended March 31, 2017. Along with me I have Mr. D. K. Agarwal - Chief Financial Officer, Mr. D. K. Maheshwari - Assistant Vice President (Finance) and Strategic Growth Advisors, our Investor Relations Advisors.

I'll start with a brief on the few key industry updates and then will discuss the company's performance.

During 2016-17, the industry has faced significant headwinds in form of heavy and prolonged rains during Q2, followed by Demonetization drive by Govt. of India in Q3 and slow pace of projects award, commencement and execution due to persistent delays in Land Acquisition across several projects. On the awarding front, NHAI has awarded 30 highways projects worth Rs. 28,000 crores totaling to 1,822 kms under the Hybrid Annuity Model and awarded 6,631 Kms of projects in total including EPC, BOT-Toll etc. during FY17. Under the Pradhan Mantri Gram Sadak Yojana (PMGSY), 133 - km roads per day in 2016-17 were constructed as against average of 73-km per day constructed during the period from 2011 till 2014. The government is planning to develop 35,000 Kms of roads which include 21,000 Kms of economic corridors and balance 14,000 Kms of feeder routes with a total estimated investment of Rs. 3 lakh crores over the next few years. Over the last 2-3 years, the Road Transport & Highways Ministry has invested approx. Rs. 3.2 lakh crores for building highways infrastructure in the country. Not only Central Government agencies, but the State level agencies also have huge plans to invest in strengthening State Level Road Network. Over the next 5 years, various States are expected to invest a total of Rs. 4.4 lakh crores to develop and strengthen the secondary road network of the country.

To fund the ambitious investments plans of various agencies, the government has taken several steps to address the challenges faced by various stakeholders in the sector. To start with the Govt. has been increasing the budgetary allocations to the sector year by year. The Government is also trying to explore new avenues of raising fund like the recent issue of Masala Bond totaling to Rs. 3,000 crores by NHAI which attracted investors from various geographies and categories. The initial success of Masala Bond Issue by NHAI shows bright prospects for the Indian Bonds as an instrument of raising rupee denominated resources internationally which will lower the cost of borrowings. The success of issue would also lower dependency by various government agencies on budgetary allocations and offers them alternate routes to raise funds on their own.

The recent success of India's first Infrastructure Investment Trust also opens up new avenue to raise funds for the sector and release capital which can be deployed in new projects by developers. This new avenue will help deleverage the balance sheet of various companies and provide relief to the cash-starved sector. The deleveraging will ease the Debt Service Coverage Ratios which will further strengthen the credit profile of these companies. The deleveraged balance sheet will also help to restart the investments into the sector and revive the investment cycle.

Now moving on to company and recent updates

The successful execution of 59 major Infrastructures projects across 13 States is a testimony of company's expertise in construction & development of highways across cultures and geographies. The company has a strong foothold in the Northern region due to established set-up of large project execution support infrastructure. Currently we are executing 17 EPC projects across states simultaneously. We have a diversified clientele with a mix of Central & State Government authorities like NHAI, MORTH, UPEIDA, MES, State Public Works Departments etc.

On the project bidding front, our past successful execution has helped us to strengthen our qualification credentials which allow us to bid independently for a single highway development project for a value of over Rs. 3,000 crores. We are among the very few companies, who have been accredited as Super Special Class Contractor by Military Engineering Services (MES) which qualifies us to independently bid for large runway projects of MES. This has helped us to establish ourselves as one of the important player in Airport Runways EPC sector also.

We also have to our credit the re-development of Narela Industrial Area in Delhi. This is an unique project being India's first Industrial area re-development project undertaken on PPP model.

Moving on to our BOT Projects:

We currently have a balanced BOT portfolio which has 4 Toll Projects, 2 Annuity Projects and 1 Project on OMT basis; all are fully operational. Apart from 7 operational BOT Projects, we have recently secured 4 highway projects on Hybrid Annuity Model aggregating over Rs. 5,000 crores.

As a risk mitigation and diversification strategy, we have a mix of Toll, Annuity & HAM Projects and majority of the BOT projects have Grant Component which makes the execution and operation of these projects financially viable and sustainable.

Till now we have invested Rs. 463 crores as equity in the 7 operational BOT projects and there is no further equity investment pending for any of these operational projects. However, the four HAM projects we have won during FY 17 would require equity investments over the next 2-3 years.

The revenue from the BOT portfolio is currently as per our expectation and overall revenue growth in our BOT portfolio is over 13% in FY17 as compared to FY16 and it is sufficient to meet the financial obligations of the projects on their own. Here I would like to highlight that the user fee collection on national highways were suspended from 9th November till 2nd December due to the demonetization drive by the Government of India. However, the toll collection has resumed from midnight of 2nd December and since the toll operations are going smooth at all our toll plazas.

Now moving on to our order book

The order book in terms of contracts pending execution was over Rs. 5,300 crores as on March 31, 2017. During the current financial year, we have received total orders worth Rs. 5,528 crores. The details of new orders secured are as follow:

- 1) 4 HAM projects with an aggregate bid project cost of Rs. 5,035 crores
 - a. 2 laning with paved shoulders of Dausa-Lalsot-Kauthun section of NH-11 A (Extension) in the state

of Rajasthan under NHDP IV with a bid project cost of Rs. 881 crores

- b. 6 laning Chitradurga - Davanagere including Chitradurga bypass, design chainage km 0.000 to km 20.700 and Km 208.000 to km 260.000 of NH 48 (Old NH-4) in the state of Karnataka under NHDP V with a bid project cost of Rs. 1,434 crores
 - c. 4 laning Jhansi-Khajuraho section of NH 75/76 (Package I) from km 0.00 to km 76.30 in the states of UP & MP under NHDP III with a biid projects cost of Rs. 1,410 crores
 - d. 4 laning Jhansi-Khajuraho section of NH 75/76 (Package II) from km 76.30 to km 161.70 in the states of UP & MP under NHDP III with a bid project cost of Rs. 1,310 crores
- 2) Three EPC Projects for an aggregate contract value of Rs. 493.0 crore
- a. ADB Funded PWD road project in UP (up-gradation of Nanau - Dodon section in the district of Aligarh) worth Rs. 120 crores
 - b. Extension and resurfacing of runway at Air Force Station, Bakshi Ka Talab, near Lucknow worth Rs. 140 crores
 - c. Project involving 4 laning of Etah to Kasganj road in Uttar Pradesh worth Rs. 233 crores.

The Dausa – Lalsot - Kathun HAM project being implemented through PNC Rajasthan Highways Private Limited has achieved a financial closure of Rs. 370.9 crores at an attractive rate of interest before time. The equity investment will be Rs. 66 crores and NHAI will be paying Rs. 384 crores as Grant during the construction period.

Order book as on 31st March 2017, does not include the following 3 HAM projects where the company has been issued with award letters in March 2017 for an aggregate Bid Project Cost of Rs. 4,154 crores

- 1) Chitradurga - Davanagere highway project in the state of Karnataka

- 2) Jhansi-Khajuraho highway project (Package I) in the states of UP & MP
- 3) Jhansi-Khajuraho highway project (Package II) in the states of UP & MP

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

Now I would now present the financial results for quarter ended March 31, 2017.

Standalone Quarterly Results:

Revenue of 4th Quarter of FY17 is Rs. 351 crores as compared to Rs. 589 crores in 4th Quarter of FY16.

Revenues were affected due to delay in declaration in appointed dates for projects by NHAI due to persistent delay in land acquisition by respective state Governments and NHAI.

EBITDA of 4th Quarter of FY17 is Rs. 47 crores as compared to Rs. 80 crores in 4th Quarter of FY16.

Profit Before Tax of 4th Quarter of FY17 is Rs. 36 crores as compared to Rs. 59 crores in 4th Quarter of FY16.

Profit of 4th Quarter of FY17 is Rs. 34 crores as compared to Rs. 146 crores in 4th Quarter of FY16.

Cash Profit of 4th Quarter of FY17 is Rs. 48.93 crores as compared to Rs. 164 crores in 4th Quarter of FY16

Consolidated Quarterly Results:

Consolidated Revenue of 4th Quarter of FY17 is Rs. 519 crores as compared to Rs. 747 crores in 4th Quarter of FY16.

Consolidated EBITDA of 4th Quarter of FY17 is Rs. 121 crores as compared to Rs. 164 crores in 4th Quarter of FY16. Consolidated PBT of 4th Quarter of FY17 is Rs. (-)21 crores as per Ind-As, otherwise as per IGAAP it is positive at Rs. 13 crores.

Consolidated PAT of 4th Quarter of FY17 is Rs. (-)22crores as per Ind-As, otherwise as per IGAAP it is positive at Rs. 12 crores.

Our consolidated cash profit for 4th Quarter of FY17 is Rs. 45 crores as compared to Rs. 179 crores in 4th Quarter of FY16

Moving on to full year results on Standalone Basis

Revenue for FY17 is Rs. 1,689 crores as compared to Rs. 2,014 crores in FY16.

Revenues were affected due to heavy rains in Q2, demonetization drive by Govt. of India in Q3 and delay in declaration of appointed dates for projects by NHAI due to persistent delays in land acquisition. Progress of ongoing works also suffered on account of ban on Inter-State transportation of minor mineral, sand mining etc. in the state of up particularly during second half of the year.

EBITDA for FY17 is Rs. 221 crores as compared to Rs. 266 crores in FY16.

Profit Before Tax for FY17 is Rs. 194 crores as compared to Rs. 194 crores in FY16.

PAT for FY17 is Rs. 210 crores as compared to Rs. 235 crores in FY16.

Our cash profit for FY17 is Rs. 263 crores as compared to Rs. 292 crores in FY16.

Now the Consolidated Results for FY17 are as follows:

Consolidated Revenue for FY17 is Rs. 2,252 crores as compared to Rs. 2,837 crores in FY16.

The Revenue decline is mainly due to application of Indian Accounting Standards (Ind-As), otherwise as per I GAAP it is Rs. 2,394 crores. the revenues were also significantly affected by demonitazation drive by Govt. of India in Q3 FY17.

Consolidated EBITDA for FY17 is Rs. 624 crores as compared to Rs. 622 crores in FY16.

Consolidated PBT for FY17 is Rs. 113 crores as compared to Rs. 177 crores in FY16.

Consolidated PAT for FY17 is Rs. 118 crores as compared to Rs. 209 crores in FY16.

Our consolidated Cash Profit for FY17 is Rs. 360 crores as compared to Rs. 421 crores in FY16.

On the Balance Sheet side,

Our consolidated net worth as on March 31, 2017 is Rs. 1,461 crores whereas total debt is Rs. 1,908 crores. Net debt to equity on consolidated basis comes at 1.3 times.

On stand-alone basis, our net worth is Rs. 1,572 crores. total debt of the company on a standalone basis is Rs. 169 crores. We have total cash on standalone basis of Rs. 35 crores as on March 31, 2017. Net debt to equity on standalone basis comes at 0.1 times.

CREDIT RATING UPGRADES / REAFFIRMED / ASSIGNED DURING THE YEAR BY CREDIT ANALYSIS & RESEARCH LIMITED (CARE)

1) Reaffirmation of Rating of PNC Infratech Limited

During the year CARE has Reassigned “**Stable**” **Outlook** to the rating assigned for the Long Term Facilities and Reaffirmed the Long Term Rating at “**CARE AA- (Double A Minus)**” and Short Term Rating at “**CARE A1+ (A One Plus)**”.

2) Rating of Commercial Paper

During the year CARE has assigned “**CARE A1+ (A One Plus)**” rating on Commercial Paper (CP) issue for a limit of Rs. 100 crores with a maturity not exceeding one year

3) Upgraded Credit Rating of MP Highways Pvt. Ltd.

During the year CARE has upgraded Credit Rating from “CARE BBB- (Triple B Minus)” to “**CARE A- (Single A Minus; Outlook Stable)**” for Long Term Bank Facilities

4) Upgraded Credit Rating of PNC Raebareli Highways Pvt. Ltd.

During the year CARE has upgraded the Credit Rating from “CARE A- (Single A Minus)” to “**CARE A+ (Single A Plus; Outlook: Stable)**” for Long Term Bank Facilities (Senior Debt) and from “CARE BBB+ (Triple B Plus)” to “**CARE A (Single A; Outlook: Stable)**” for Long Term Bank Facilities (Subordinate Debt)

5) Upgraded Credit Rating of PNC Kanpur Highways Ltd.

During the year CARE has upgraded Long Term Bank Facilities from “CARE BBB (Triple B)” to “**CARE BBB+ (Tripe B Plus; Outlook: Positive)**”

It is expected that the above up-gradations and reaffirmations will lead to further reduction in cost of borrowings for the company.

Considering the performance of company, the board has recommended 25% dividend for FY17.

With this we now open the floor for questions and answers.

Question and Answer Session

Moderator: Thank you sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press * and 1 on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing * and 1 again. Sir, we have the first question coming from Mr. Nitin Arora from Aviva Life. Please proceed sir.

Nitin Arora: Good afternoon sir. 1) If we talk about your four important projects which is Nagina - Kashipur, Varanasi, Bhojpur and Aligarh; we just want to know the status as of now 2) If you look at all these four projects which have been delayed by almost a year, Bhojpur - Buxar more than 1-1/2 years now, what sort of thought process we are running at this point? Are we looking to cancel some of the projects or 2) the thought process here is the authority which has given you the project will upward revise the escalations on that and we'll continue with the project. and 3) If these projects are going to start from FY18 onwards, as per the authority billing rate, what could be the monthly billing rate we should be building in?

Yogesh Jain: Aligarh and Moradabad project is going on well and Dausa-Lalsot project has also started. We expect Nagina-Kashipur will take further 3-4 months for land acquisition and same is with Bhojpur - Buxar. For Koilwar - Bhojpur, we will get appointed date by June'17.

Nitin Arora: So sir, if Dausa - Lalsotand, Aligarh - Moradabad has started as we are seeing in your presentation, then the two major projects which is Nagina - Kashipur and Bhojpur - Buxar which accounts for almost Rs. 1,600 crores of work, when we can expect revenue flowing from these project

Yogesh Jain: We are not expecting revenue from these projects in the first half.

Nitin Arora: So, what sort of revenue we should look at in FY18 from the total construction arm?

Yogesh Jain: Expected revenue in Q1 will be in the same range of Q4 of FY17. Second half will be much better than first half of FY18. We are expecting 30% growth in FY18 as compared to FY17.

Nitin Arora: Sir what sort of cost escalations you have asked across the four, five projects which have seen a delay?

- Yogesh Jain:** These projects are on EPC basis and there is an escalation clause, so we will get escalation
- Nitin Arora:** But you see the project cost getting revised upwards in a big way or is it 10%, 15%...?
- Yogesh Jain:** We will get escalation as per the formula given in the contract.
- Nitin Arora:** With respect your tax rate, for standalone this time the tax rate is about 5.3%. Now we know the works contract is any which ways getting into a tax zone of 18%. So just want to know any further MAT credit still left which will eventually lower your tax rate in the next year or how should we build in your tax rate numbers for FY18 and 19?
- D.K. Maheshwari:** In FY18 we are expecting the reversal of FY14-15 of Rs.42 crore and the tax rate for FY18 will be in the range of 12% to 15% because we will get 80IA benefit for the project which has already started before March 17 and the project like Nagina - Kashipurand second project of Bihar we will not get the 80IA benefits.
- Nitin Arora:** So FY19 will eventually take your tax rate to roughly around 20%, 25%.
- D.K. Maheshwari:** It should be around 18% to 21%.
- Nitin Arora:** With respect to your HAM projects can you share what sort of equity requirement you will have from here and in how much time it is spread over?
- D.K. Maheshwari:** In the Rajasthan Highway SPV, we have already got the financial closure and the tie up with the bank. The equity requirement is Rs.65 crores because we have achieved the financial closure at debt to equity of 85% to 15%, for 60%of cost of the project. Even on total project cost, equity requirement is 8%, 42% is the debt and 48% is Grant component. Remaining three projects we have already requested our bankers for similar equity, but we are expecting around Rs.350-Rs.360 crores in all the three projects. We require the equity in the next 2-2½years
- Nitin Arora:** Okay. I will come back in the queue for more questions sir, thank you.
- Moderator:** Thank you sir. We have got the next question coming from Mr. Gaurav Sanghvi from Bajaj Allianz Life Insurance. Please proceed sir.

- Gaurav Sanghvi:** Sir you mentioned about the equity requirements but the overall in terms of the execution how different projects will get executed? If you can guide us in terms of execution?
- D.K. Maheshwari:** The Rajasthan project we already started the execution and we got Revenue of Rs.35 crores in the 4th quarter. This year we are expecting revenue from this project in the range of Rs.300 to Rs.350 crores and remaining three HAM projects, our financial closure date is due in November. We are expecting that in the 3rd and 4th quarters we will get the revenues from all the 3 projects.
- Gaurav Sanghvi:** In terms of margins, because of delay in appointed date, do you think there will be pressure on the margins this year?
- D.K. Maheshwari:** No, margins will not be impacted because there are escalation clauses in all the projects.
- Gaurav Sanghvi:** Sir over all we have seen a significant increase in the receivables this year, so if you can help us understand that? What is the reason for that?
- D.K. Maheshwari:** Yeah receivable is 136 days because of the Rs.130 crore advance with UPEIDA, which they will adjust in the outstanding balance. Actually, out of the total receivable of Rs.600 crores around Rs.275 crores is with UPEIDA which includes Rs.130 crore against mobilization advances. In case if we reduce the advances from receivables then, debtor days comes to 107 days. Also, there was no disbursement in the HAM projects, in this quarter.
- Gaurav Sanghvi:** Okay sir.
- Moderator:** Thank you sir. Sir we have the next question coming from Mr. Abhijit Vara from Sundaram Mutual funds. Please proceed sir.
- Abhijit Vara:** Thanks for taking my question. Sir, when you will receive bonus of Agra - Lucknow and what will be the quantum?
- Yogesh Jain:** We think it will take some time as there is change in Government and the new CEO of UPEIDA has taken charge. I think it will come in the second half of this year.
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- Abhijit Vara:** How much is the quantum sir?
- Yogesh Jain:** It is Rs.96 crores.

- Abhijit Vara:** So 96 crores will be received to the parent entity PNC Infratech?
- Yogesh Jain:** Yes, as it is under the PNC Infratech and is an EPC contract so directly it will come in the PNC Infratech.
- Abhijit Vara:** Okay sir, and can give toll collections as project wise i.e. Ghaziabad-Aligarh, Bareilly - Almora, Kanpur – Kabrai for the Q4?
- D.K. Maheshwari:** The collection of MP Highway was Rs.16.11 crores, Kanpur Ayodhya was Rs.63.4 crores, Kanpur Highway was Rs.23 crores, NarelaRs.10.3 crores, Bareilly - Almora is Rs.10.1 crores, Raebareili - Jaunpur is Rs. 32.15 crores on account of Annuity and Ghaziabad-Aligarh was Rs.52.79 crores.
- Abhijit Vara:** For MP Highways is it Rs.16.11crores?
- D.K. Maheshwari:** Yeah, in case if we exclude Ghaziabad - Aligarh project, growth for the current year is around 14% compared to FY16.
- Abhijit Vara:** How much is because of tariff hike and how much because of traffic?
- Yogesh Jain:** Tariff hike is around 4% to 5%; remaining is traffic growth.
- Abhijit Vara:** Sure sir. Sir my second question is on the guidance. You said for the first half we can take Rs. 350 crores per quarter of run rate which is Rs. 700 crores and for the full year 30% sort of growth rate. So, if I look at the second half requirement; it is coming to Rs. 700 crores per quarter of requirement sir. 20% year on year growth is Rs. 2,150 crores and Rs. 700 crores for the first half leaves about 1500 crores for second half therefore Rs. 750 crores per quarter you will have to execute. So, this if you can give, project wise what you are expecting in terms of revenue booking for FY18, it would be helpful.
- D.K. Maheshwari:** We will share separately.
- Abhijit Vara:** Okay sir, what is the order pipeline looking like? How many projects have you already bid in the current quarter and what is the order inflow guidance for FY18?
- Yogesh Jain:** We have recently submitted bid for 3 packages of construction of third railway line between Mathura and Jhansi to RVNL with an estimate of Rs.1800 crores with a JV of Kalindee Rail. Also, we are working on 8 highway projects including 6 projects on HAM and some are EPC project also. We are also submitting qualification document

for the bid package of Nagpur - Mumbai Super Communication Expressway shortly. Also, we are expecting around Rs.4000 to Rs.5000 crores from the new project in the FY18.

Abhijit Vara:

Thank you sir, I will get back to you.

Moderator:

Thank you sir. We have the next question coming from Mr. Kapil Agarwal from Max Life Insurance. Please proceed sir.

Kapil Agarwal:

Good afternoon sir. My question is primarily on the choice of projects that we took, for example Bihar projects and one Nagina - Kashipur, the land acquisition delay has been quite a lot now. So, when you are bidding for projects, how much factor does land acquisition play at that point of time?

Yogesh Jain:

We were expecting that land will be fully handed over within six months, but it has delayed extremely. We did not consider at the time of bidding this type of delay. For Koilwar - Bhojpurwe will get appointed date within this month. For Bhojpur - Buxar and for Nagina - Kashipur we are expecting that the appointment dates will be declared within 2-3 months

Kapil Agarwal:

Sir, while bidding for projects, do we have an internal parameter like you will bid for projects where land is 95% or 90%....do you have such internal parameters?

Yogesh Jain:

We have seen the contract document in which NHAI has given in the contract document that 100% land is available in Bihar.

Kapil Agarwal:

Okay. Sir my second question is on the BOT projects, Ghaziabad-Aligarh. There you initially guided for at least Rs.60 lakhs kind of toll collection, when do you see such kind of toll collection happening?

D.K. Maheshwari:

Presently we are getting Rs.55 to 57 lakhs per day, as we are not able to collect overloading fully. So, I think within 2-3 months it should cross Rs.60 lakhs per day.

Kapil Agarwal:

Okay. Are you looking to buy or sell any of the stake as you have three partners, any buying or selling stake in that project?

Yogesh Jain:

We can't say that right now.

Kapil Agarwal:

Okay, thank you very much sir and all the best.

- Moderator:** Thank you sir. Sir we have got the next question coming from Mr. Ashish Shah from IDFC Securities. Please proceed sir.
- Ashish Shah:** Yogeshji, good afternoon. Sir in the three new HAM projects, can you highlight what is the current status of land acquisition for Karnataka and the two UP projects, how much land has been acquired as on date?
- Yogesh Jain:** Karnataka project is a six lane project which is Chitradurga - Davanagere where almost 80%-82% land is available. The same situation is in second package of Jhansi-Khajuraho. However, in first package of Jhansi - Khajuraho only 50% land is available.
- Ashish Shah:** Okay. But how confident we are that we should be able to get the remaining land in another 3-4 months?
- Yogesh Jain:** NHAI is in process of acquiring land and I think we will get 100% land before financial closure in Jhansi-Khajuraho second package and Chitradurga - Davanagere.
- Ashish Shah:** Okay and sir would we be able to maintain the margins broadly in the 13% range or they could go down because we are having a larger share of EPC contracts now?
- Yogesh Jain:** We will be able to maintain the margins in the range of 13%.
- Ashish Shah:** Right sir, thank you very much.
- Moderator:** Thank you sir. Sir the next question comes from Mr. Devam Modi from Equirus Securities. Please proceed sir.
- Devam Modi:** Yes sir, Dausa - Lalsothad actually got a bid project cost of around Rs.880 crores so what was the total EPC package which was given to PNC Infra at the standalone level?
- Yogesh Jain:** It was Rs.745 crores.
- Devam Modi:** And sir with this whole sand mining challenge and also some changes in the functioning under the new government plus the whole GST thing coming through, do we see any challenges on margins and particularly on the HAM projects where probably it is a fixed price contract?
- Yogesh Jain:** Margins will be maintained.
- Devam Modi:** But I am asking this particularly because in hybrid annuity will you be allowed for increase in project cost based on subsequent law in case if the input cost go up post GST?

- Yogesh Jain:** If there is a change of law; we will get back Change of law provision is there in the contract.
- Devam Modi:** And sir, now that we have won so many contracts, what kind of CAPEX would be required in FY18 and '19 in the machinery side?
- D.K. Maheshwari:** In FY18 we are expecting around Rs.125 crores. Last year we had purchased equipment of around Rs.171 crores and gross block was Rs.429, now it is Rs.600 crores. So, this year also basically for the 3 HAM projects, we require around Rs.125 crore of capex.
- Devam Modi:** Okay. Sir similar to the Dausa - Lalsot project, you have got other projects also, so almost another Rs.4200 crores of bid project cost, over there on those 3 HAM projects, over there what would be the EPC contract on PNC level?
- Yogesh Jain:** In three projects, it would be around Rs. 3,600 crores on EPC basis at PNC Infratech level
- Devam Modi:** What I understand is that the EPC cost should be lower than the total of the bid project cost. So, the bid project cost of those three projects is around Rs. 4200 crores?
- Yogesh Jain:** Bid project cost is Rs.4150 crores for three projects, and EPC cost will be around Rs.3600 crores.
- Devam Modi:** Okay. With regards to the Bihar project, are we seeing some progress on the land acquisition front because it has been pending for very long so what confidence do we have, is it going to start in a couple of quarters?
- Yogesh Jain:** Out of two maybe we will start one project Koilwar - Bhojpur by June'17, the second one is Bhojpur - Buxar it will take 2-3 months' time. As land acquisition is going on.so we think it will be done in 3 months
- Devam Modi:** These are the projects wherein you have a JV with S.P. Singla for both the projects?
- Yogesh Jain:** Right
- Moderator:** Okay thank you so much sir. Participants are kindly requested to restrict to two questions in the initial round. Sir, the next question comes from Mr. Shravan Shah from Dolat Capital, please proceed sir.

- Shravan Shah:** Can I have the project wise EPC revenue break up, for the fourth quarter?
- D.K. Maheshwari:** Agra bypass is Rs. 54 crores, Barabanki Rs. 34 crores Gorakhpur - Sonauli Rs.57 crores and Aligarh Moradabad Rs.77 crores; these are the major.
- Shravan Shah:** Okay sir, on the Bihar projects, what is the land acquisition right now, because Q3 concall it was close to 40%, 45%. So right now, what is the status on this and even for Nagina - Kashipur, what is the land actually available right now?
- Yogesh Jain:** Presently for Nagina - Kashipur the land acquisition has been stopped by the government
- Shravan Shah:** What percentage of land is available?
- Yogesh Jain:** Whatever it was there last time, same thing. No more land was acquired. Around 30% to 40% land is available in Nagina - Kashipur. In Bihar, the first project we are going to take appointed date where around 72-73% land is available. But in Second package, Bhojpur - Buxar, around 50% land is available.
- Shravan Shah:** Okay for Nagina - Kashipur, when you are saying that land acquisition is only 40% and it has stopped. We are saying in 2-3 months we can start the execution?
- Yogesh Jain:** We are expecting the execution from Nagina - Kashipur in the second half.
- Shravan Shah:** Okay. So sir, the way we guided even in the last three, four quarters when we kept on guiding that we will keep on getting the land and we can start. Even in terms of revenue guidance slowly, slowly we keep on lowering our guidance starting from the third quarter onwards. Earlier we were thinking, 10%, 15% revenue growth in FY17, but actually we ended up with 16% de-growth. So once again just wanted to understand your strategy and what factors are we considering, what confidence we have that we can give 30% growth and if we take Rs.350 crores of revenue in first and the second quarter each, it seems the revenue growth of 30% is next to impossible to achieve for FY18.
- Yogesh Jain:** See now for the three projects, we have already got the appointed dates for Aligarh - Moradabad, Varanasi-Gorakhpur and Dausa - Lalsot. We are expecting the appointed dates for the Bihar one also. So, these four projects will give a constant revenue stream. Apart from that the three new HAM projects what we have got, will

also start generating revenues from the third quarter onwards. So, last year there were no appointed dates were declared but now having declared the appointed dates, so we don't see it is impossible to achieve 30% growth. We are not considering whatever new projects that we are going to get this year. We may get some projects in this year also which may also fetch us some income. But considering the projects in hand, we expect a revenue growth of 30% which we don't see its impossible.

Shravan Shah:

Sir, in the last year, Agra-Firozabad was the major project in terms of close to Rs.900 - 950 crores revenue contribution where the working capital was lower as we were getting early payments. So now we are getting the revenue from different projects in different states and the working capital has already started inching up. So, don't you think the working capital will keep on increasing and accordingly the debt which has already increased will keep on increasing which will affect our interest cost? So, what we are trying to understand, is that from the P&L front, we may reach top line target, maybe the margin we can maintain but with an increase in the working capital the interest cost can inch up and at the same time the tax rate may go up. So, on the PAT front my calculation says, there may be a de-growth in FY18 also.

D.K. Maheshwari:

The EBITDA margin will remain same. Almost in range of 13% but as regards the financial cost, we are also entitled to get the 10% interest free advance in all the projects. Even in the HAM project, we will get the 10% advance of the bid project cost for all the three projects. We don't think working capital utilization will increase.

Shravan Shah:

Okay that's it from my side.

Yogesh Jain:

In all the EPC project, we are entitled to get the 10% interest free advance which we have not taken so far.

Shravan Shah:

Okay. Thank you, sir.

Moderator:

Thank you sir, the next question comes from Mr. Adhidev Chatopadhyay from Emkay Global. Please proceed sir.

Adhidev Chatopadhyay:

Yes sir, my question is on the 3 new HAM projects we have won, so order value of around Rs. 4,150 crores, what is the EPC portion roughly which we will get?

D.K. Maheshwari:

If the Rajasthan Highways Dausa - Lalsot is awarded to PNC of Rs.745 crores, in addition to that, the EPC cost of 3

HAM projects which is yet to be awarded to PNC will be around Rs. 3,600 crores.

Adhidev Chatopadhyay: Sir, I missed it, what is the total CAPEX we are requiring for FY18?

D.K. Maheshwari: Around Rs.125 crore.

Adhidev Chatopadhyay: Now for all the 4 HAM projects including the Dausa-Lalsot project, what is your equity requirement under HAM now?

D.K. Maheshwari: Equity requirement for Rajasthan Highway is Rs.65 crores and for the remaining 3 projects we require around Rs.350-Rs.360 crores. The total will be around Rs.425 crores.

Adhidev Chatopadhyay: Where do we see your debt levels trending in a couple of years from now on the standalone level?

D.K. Maheshwari: The debt of all these 4 HAM projects will be around Rs. 2,200crores.

Adhidev Chatopadhyay: Sir, on standalone, what will be the equity you will require to put in on the new HAM projects

D.K. Maheshwari: Standalone we don't require much debt because we are having the sanction of Rs.650 crores and the utilization will be in the range of Rs.250 to Rs.300 crores on an average.

Adhidev Chatopadhyay: So, your debt level from currently Rs.100crores should go to Rs.600, Rs.700 crores in two years. Is it right way?

D.K. Maheshwari: No, no it will be in the range of Rs.200 to Rs.300 crores.

Adhidev Chatopadhyay: Okay thank you sir, that's it from my side.

Moderator: Thank you sir. The next question comes from Mr. Bharanidhar Vijayakumar from Spark Capital. Please proceed sir.

Bharanidhar: Good afternoon sir. Question on other financial assets and other non-current assets in the standalone balance sheet from September to March in the six-month period has gone up by Rs.165 crores. So, can you help me understand why this has increased?

D.K. Maheshwari: This is mainly on account of deferred share warrant and MAT credit entitlement.

Bharanidhar: Can you elaborate a little more how it has come about?

- D.K. Maheshwari:** We will inform you separately.
- Bharanidhar:** Okay sir. As you mentioned the receivable dates which is at 136, that is because of the position as in March when the balance sheet was formed, so it will likely go down in FY18 right the receivable days?
- D.K. Maheshwari:** Yeah. Definitely.
- Bharanidhar:** Okay, our guidance of about Rs.4000 crores of order inflow for FY18. So how much of that will be EPC and how much will be HAM?
- Yogesh Jain:** Roughly 50:50 you can say.
- Bharanidhar:** I understand that the project awards from NHAI has been very low, given the land acquisition and how the new chairman is trying to enforce the land acquisition limits stringently now. So, when do you think this NHAI project awards will actually start for FY18 and what will be the target set by NHAI this year?
- Yogesh Jain:** We are targeting about Rs.2000 crores project from NHAI, Rs.2000 crores project from the State governments like Maharashtra (MSRDC). Also, we will be bidding for Nagpur - Mumbai expressway project.
- Moderator:** Thank you so much sir. The next question comes from Mr. Nitin Arora from Aviva Life. Please proceed sir.
- Nitin Arora:** Hi sir. Can you tell us the figure of loss funding you will be doing in Ghaziabad - Aligarh for this year?
- D.K. Maheshwari:** In total funding will be around Rs.123 crores till March '17, which includes Rs.98 crores up to March '16
- Nitin Arora:** This was our share of loss funding done, right?
- D.K. Maheshwari:** Yeah, we are talking about our share.
- Nitin Arora:** In FY18 how much you are expecting to be done?
- D.K. Maheshwari:** It will be around Rs.20 or Rs.25 crores because we have to make the payment on the repayment which already has started of Rs.30 crore on a quarterly basis,
- Nitin Arora:** Right.
- D.K. Maheshwari:** For the interest payment, we need not infuse any funds but for repayment of principal we would require to fund. Out of

14 banks, 10 banks have already reduced the interest rates by 2% and as soon all the banks reduce rate, we will not require to infuse any amount.

Nitin Arora:

Okay in that case, in FY18 what internal assumptions we are running in a toll collection basis, it is Rs.60 lakh number or a Rs. 55 lakh number on an average?

D.K. Maheshwari:

On an average, we are taking around Rs.58 to Rs.60 lakhs.

Nitin Arora:

Okay. Sir you talked about one project which you are building for the RVNL with a JV of Kalindee Rail of about Rs.1800 crores, if I've heard correctly, what is the scope of work? Are we going to do a track laying work here?

Yogesh Jain:

This is a complete new railway track line between Mathura, Agra and Jhansi. The work will comprise, civil work, track, traction and signaling. So track and signaling will be done by Kalindee Rail and civil works will be done by us.

Nitin Arora:

So what would be our scope of work in that Rs.1800 crores?

Yogesh Jain:

Around 52%. around say Rs.950 crores.

Nitin Arora:

Just last one from my side, as Bharani was asking in the previous call, we have seen the new chairman, the way he is acting at this point because of the hit back he has got in the last six months with the developers with respect to not giving land on time, this is not with you but a lot of projects. We have also seen in Jharkhand though it was a new state to start the CAPEX, so we can understand some delay but do you think or do you see that the first half is going to be very weak and the first nine months looks to be even weaker if they follow a 100% land acquisition game which eventually we have never followed in the last 15 years in our country; not possible if you have to tender the project. Do you see that slowdown? Number two, if you can throw some light finally the Lucknow – Ballia is being cancelled and it's going for a rebid. Those two are my last questions, thank you.

Yogesh Jain:

Lucknow-Ballia, the rebidding will commence soon but officially they have not informed to us, but they are planning to cancel the Lucknow-Ballia bid.

Moderator:

Thank you sir, we have the next question coming from Mr. Vibhor Singhal from Phillip Capital. Please proceed sir.

- Vibhor Singhal:** Good afternoon sir. Thanks for taking my question. Sir I just want to dwell more on the receivable days. So, you mentioned that the receivable amount included Rs. 130 crores of advance, this was which authority sir?
- D.K. Maheshwari:** UPEIDA
- Vibhor Singhal:** Okay fair enough.
- D.K. Maheshwari:** We had outstanding Rs.275 crores, out of that Rs.130 crores they will adjust in advance.
- Vibhor Singhal:** So basically Rs.130 crores out of that should move out of the receivable amount in the next couple of quarters itself?
- D.K. Maheshwari:** Yeah,
- Vibhor Singhal:** Okay, right now we see, that the receivable days have jumped significantly to 135, so where do you see them ending by the end of this year, taking into account that we would also have to have two HAM projects in which I think the receivable days should not be more, they would be upfront payment of 10% from them and the grant from NHAI also. So where do you see this number ending at the end of this year?
- D.K. Maheshwari:** Debtor days should be in the range of 90 to 100 days.
- Vibhor Singhal:** By the end of the year?
- D.K. Maheshwari:** Yes.
- Vibhor Singhal:** Fair enough. Also, I wanted the tax numbers, you mentioned that basically in FY18, there is a Rs.42 crores of reversal that we can expect from the MAT credit and FY19 you are expecting the tax to be 18% to 20%, so is that also that there would be some credit available in FY19 also? Shouldn't we be moving to full tax rate by FY19?
- D.K. Maheshwari:** Partly. Because the project which has already been started before March 17, we are entitled to get the 80IA benefit.
- Vibhor Singhal:** So, there will be some benefit in FY19 also is what you are trying to say right?
- D.K. Maheshwari:** Yes right.
- Vibhor Singhal:** And sir, Varanasi-Gorakhpur what was the appointment date?

- Yogesh Jain:** 31st March 2017 is the appointed date for Varanasi-Gorakhpur.
- Moderator:** Thank you sir. The next question comes from Mr. Abhijit Vara from Sundaram Mutual Fund. Please proceed sir.
- Abhijit Vara:** Sir I have two questions. 1) The CAPEX seems to be too high sir because two years you've not grown. My question was you have incurred Rs.170 crores in FY17 and Rs.125 crores you are incurring in FY 18. How much top line will it add to and can it be a little postponed because in the interim debt might go up from the balance sheet.
- D.K. Maheshwari:** Actually, machinery we are purchasing for the projects of concrete roads only. Because earlier this Rs.140 crore were not planned but as soon as we have been awarded these three projects from HAM, we started planning.
- Abhijit Vara:** Okay. So, these Rs.330 crores of CAPEX is only for concrete roads?
- D.K. Maheshwari:** Mainly for concrete roads and in addition to some new projects also, grader, loader etc.
- Abhijit Vara:** How much top line can it give? The current gross block how much top line can it support? How much execution can it support per year?
- D.K. Maheshwari:** Around 5 times. Presently gross block is Rs.600 crore in March '17. So comfortably we can execute the work of Rs.3200 to Rs.3500.
- Abhijit Vara:** Fine sir. My last question is on GST since GST will start getting implemented shortly, we were hearing that there might be some sort of confusion or disruption in terms of billing and those sort of activities, will that impact your receivables and bills getting passed maybe in Q1 or Q2 of FY18?
- D.K. Agarwal:** We are just studying it because a lot of changes are going to be expected next month. They have increased the rate and the clarity is not there, as to what rate to be executed, 12%, 18% or what. Government may come out with more clarity on this part, next month and thereafter we can work out the impact on our financials and other things.
- Abhijit Vara:** Sure sir, I will get in touch next month. Thank you.
- Moderator:** Thank you sir. The next question comes from Mr. Bharanidhar Vijayakumar from Spark Capital. Please proceed sir.

Bharanidhar: Thanks once again. In our order book where we are showing other projects of Rs.1598 crores, definitely I think the Koilwar, Etah – Kasganj ,Airport runway and the Nanau - Dodon project are also included in that?

D.K. Maheshwari: Yes.

Bharanidhar: Okay. That was my question, thank you for answering my question and all the best sir.

Moderator: Thank you so much sir. The next question comes from Mr. Vibhor Singhal from Phillip Capital. Please proceed sir.

Vibhor Singhal: Thanks for taking my question again. Just a small question on our strategy going forward. Sir we have already got an order book for Rs.9500 crores, and we traditionally have been a company which has been focused in the northern part of the country in UP and Bihar. But over the last few months we have seen we have taken project in Karnataka, we are now bidding for the Expressway in Maharashtra; so with a strong order book that we have and the pipeline of projects coming up in UP and Maharashtra, why are we feeling this need to go out of our comfort zone of our UP and Bihar area in which we also have the locational advantages, we have our machinery mobilized, so don't you think basically moving out of those areas into different geographies could dilute your margins? So, what is your thought process that we are venturing into these different places at this point of time?

Yogesh Jain: Actually, in Maharashtra we are bidding for Nagpur expressway We have just completed Agra-Lucknow Express Way so it would be in the same pattern, which we will be beneficiary and we may get good rates also.

Vibhor Singhal: Okay but don't you think mobilization of machinery in unknown geographies, unknown terrain will potentially lead to dilution of margins?

Yogesh Jain: No, these are very good projects and bigger in size so we can get decent margins.

Vibhor Singhal: Thanks for taking my question and all the best.

Moderator: Thank you sir. The next question comes from Mr. Ankush Mahajan from Edelweiss Wealth. Please proceed sir.

Ankush Mahajan: Sir, in the HAM route projects, are we able to get an early bonus part? In the contract it is given that we are capable to get an early bonus, any percentage sir?

- Yogesh Jain:** Yes, definitely we will get early bonus in HAM projects.
- Ankush Mahajan:** Sir can you quantify how much it is? Actually, I want to know what is written in the contract sir.
- Yogesh Jain:** It depends on the number of days we complete before. It is on 60% of the cost and then there is 0.5% bonus for each month of early completion after minimum one month of early completion. Formula is there, but we can't quantify at this point of time.
- Ankush Mahajan:** So sir, what is written on the contract side, how much percentage we will get?
- Yogesh Jain:** There is no upper limit, we'll get 0.5% for each month of early completion of 60% of the completion cost. That is the formula.
- Ankush Mahajan:** Okay and sir, we are doing a CAPEX of Rs.125 crores for the new HAM projects, so basically, we are doing these projects for the pavers or other machinery?
- D.K. Maheshwari:** Pavers, concrete plants and crushers.
- Ankush Mahajan:** So all the HAM projects are made on concrete basis?
- Yogesh Jain:** Except Chitradurga, all 3 HAM projects are concrete roads.
- Ankush Mahajan:** And sir where are we importing these pavers from?
- Yogesh Jain:** From Germany.
- Ankush Mahajan:** Timeline to reach these pavers to India?
- Yogesh Jain:** Around six months. We have already ordered.
- Ankush Mahajan:** Thanks sir, that's from my side.
- Moderator:** Thank you sir. The next question comes from Mr. Rahil Jasani from ICICI Securities. Please proceed sir.
- Rahil Jasani:** Thanks for taking my question. I wanted to ask on standalone basis in FY17, the other income has almost doubled to Rs.47 crores from Rs.25 crores in FY16. So what do you mainly attribute this to? What is the reason for the same?
- D.K. Maheshwari:** Standalone financials for FY17, includes interest of Rs. 14 crores we received from Ghaziabad-Aligarh project in Q1.

- Rahil Jasani:** Okay. And sir, second question, the interest income for FY17 was also half and you said mainly that was because of lower working capital requirement. But now we see that the interest expense has been increasing over Rs.8 crores this quarter, and also the debt has increased in the balance sheet on standalone basis, so how do you expect that going forward?
- D.K. Maheshwari:** Actually, it has not increased much. Rs. 6 crore has increased due to Ind-AS accounting; because of the provision of the retention money receivables.
- Rahil Jasani:** Okay, so how do you expect the interest going forward? Then you also said that you will get advances, so will it start the same run rate of this quarter?
- D.K. Maheshwari:** Almost the same.
- Rahil Jasani:** Okay, that's it thank you.
- Moderator:** Thank you sir. This would be the last question for the day, now I would like to hand over the phone to Mr. Parikshit Kandpal for the closing comments. Over to you sir.
- Parikshit Kandpal:** Sir I have one question which you could not answer in the call to a participant. What is the appointed date for the Varanasi-Gorakhpur project?
- Yogesh Jain:** 31st of March 2017.
- Parikshit Kandpal:** I am just on the projects where we could not get appointed date before 31st March so we would have worked with some tax estimates on those projects, so how will it impact from the margin, profitability on this project? It would have come before 31st ideally but because of the delay in land acquisition; and NHAI is going to give us some compensation, to address the taxation part.
- Yogesh Jain:** We will claim to NHAI.
- Parikshit Kandpal:** Okay sir any last comments you have, then we will close the call.
- Yogesh Jain:** Thank you everyone for your participation in our earnings call. We have uploaded the presentation on our company website. In case of further queries, you may get in touch with Strategic Growth Advisors, our investor relations advisors or please free to interact with us. Thank you very much for participation.
- Parikshit Kandpal:** Okay Jithin we can close the call.

Moderator:

Thank you sir. Ladies and gentlemen this concludes your conference call for today. Thank you for your participation and for using Door Sabha's conference call service. You may all disconnect your lines now. Thank you and have a pleasant day.
