



“PNC Infratech Limited
Q1 FY2020 Earnings Conference Call”

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Moderator: Ladies and gentlemen good day and welcome to PNC Infratech Q1 FY2020 Results Conference Call hosted by Equirus Securities Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Shreyans Mehta of Equirus Securities Limited. Thank you and over to you Sir!

Shreyans Mehta: Thank you very much. We welcome you all for the Earnings Call of PNC Infratech. We have with us Mr. Yogesh Kumar Jain, Managing Director of PNC Infratech Limited and Mr. D.K. Maheshwari, Vice President – Finance, PNC Infratech Limited.

Now I hand over the call to you for the opening remarks. Over to you Sir!

Yogesh Jain: Good Morning friends, a very warm welcome to all of you, to participate in our earnings conference call, to discuss on our financial and operational performance for the quarter ended June 30th, 2019.

Along with me, I have Mr. T.R. Rao, Executive Vice President (Infra.), Mr. D. K. Maheshwari, Vice President (Finance) and Strategic Growth Advisors, our Investor Relations Advisors.

I will start with brief highlights from the industry and then, we will discuss Company’s performance.

FY20 has started on a subdued note in terms of project awarding activity by the Authorities. However, the target set by NHAI for awarding 6,000 Kms of projects during the remaining part of the year, gives certain hope of accelerated project awarding. It is learnt that the key reason for decelerated awarding activity is to ensure to availability of minimum 80% of acquired, possessed and vacant land before award of projects for execution to avoid possible contractual and financial implications later. During the current year, NHAI is expected to launch projects with balanced mix of EPC and HAM projects apart from few bundles on T-O-T model.

After successful launching of large number of highway projects under Bharatmala Phase1, the government is all set to rollout Bharatmala Phase 2, which will focus on constructing 3,000 Kms of expressways and 4,000 Kms of green-field highways. NHAI has initiated appointing consultants for undertaking project studies and for preparation DPRs, so that the projects are ready for bidding as soon as the projects under the first phase are bid out completely.

On funding side, the sector has received Rs. 83,000 crores in the form of budgetary allocation in the Union Budget 2019-20 for development of highways. The Finance Minister in her budget

speech also increased the Central Road & Infrastructure Cess on petrol and diesel by Rs. 1.00 per liter, which will also help generating more funds for development road infrastructure in the Country. Apart from the budgetary allocation, NHAI has also signed an MoU with National Investment & Infrastructure Fund (NIIF) essentially to fund large green-field projects in future. It is also learnt that recently LIC has offered Rs. 25,000 crores of Credit Line to NHAI for funding highway projects.

Now I'll discuss our execution strategy of our Project Portfolio:

At PNC, we have always focused on delivering projects within the stipulated timelines. This strategy is backed by our in-house end-to-end execution capabilities, which has successfully helped us deliver more than 60 projects so far within the timelines and quite a few of them entitled us for early completion bonus.

One of the key success factors for achieving faster execution is, large pool of equipment owned by us, which we keep upgrading regularly. In Q1FY20, we have incurred a CAPEX of Rs. 50.0 crores, which will take our total gross block of plant & machinery to Rs. 1,066 Crores. With more projects being anticipated in near future, we plan to incur a CAPEX of Rs. 125-150 Crores in FY20.

With more projects expected to be tendered out in the current year, we are going to enhance our fund-based limits to Rs. 1,000 crore and non-fund-based limits to Rs.5,000 crore, which will facilitate uninterrupted bidding and execution of the projects.

We have always tried to de-risk our project execution by diversifying and bidding projects of various central and state government authorities and maintain right mix of order-book comprising HAM and EPC projects. Some of our clients include NHAI, MoRTH, UPEIDA, MES, MSRDC, State Public Works Departments among others.

Now moving on to Credit Ratings:

Our ratings have always been one of the best in the industry which has helped us keep our credit cost at competitive levels.

Recently CARE Ratings have re-affirmed our credit ratings at CARE (Double AA Minus) for Long Term Bank Facilities and CARE (Single A1 Plus) for Short Term Bank Facilities.

CARE Ratings has also evaluated and reaffirmed CARE Single A Minus rating on long term bank facilities of our subsidiaries.

- PNC Chitradurga Highways Private Limited
- PNC Khajuraho Highways Private Limited
- PNC Bundelkhand Highways Private Limited

Credit Rating of PNC Delhi Industrialinfra Private Limited has been revised to CARE Triple B **Plus** indicating improving credit profile after the receipt of arbitration award.

Now moving on to our Project Development Business:

We have currently 14 projects under our development portfolio, which includes BOT-Toll, BOT-Annuity, OMT and HAM assets. We have total 7 HAM projects, which are on various stages of development and remaining 7 fund-based projects are already operational, out of which 4 are BOT-Toll, 2 BOT-Annuity and 1 OMT.

Presently, out of the 7 HAM projects, 6 projects are in full-swing construction. As of 30th June 2019, we have already infused equity of Rs. 282.0 Crores out of the total equity requirement of Rs. 832.0 Crores and the balance equity contribution will be invested in the next 2 to 2 ½ years, from the internal accruals.

Now, I would like to update you on the status of divestment of Ghaziabad-Aligarh BOT-Toll Project.

As discussed during the last earnings call, we have signed a Share Purchase Agreement (SPA) with Cube Highways for sale of our entire 35% stake in Ghaziabad-Aligarh Project along with the other partners of the Project.

Post the signing of SPA, we have applied to the Lenders for their approval of stake sale and already received the approvals from majority of Lenders. The approval of NHAI is also being desired. We expect to receive all the approvals by the end of calendar year 2019.

During the first quarter of FY20, we have received Rs.145.63 crores towards final arbitration award in Narela Annuity Project, apart from the interim award of Rs. 43.0 crore received in the same project during fourth quarter of FY18, totalling to Rs. 188.63 crore. On August 3rd 2019 we have received Rs. 145.27 crores towards another arbitration award in NH-24 project of upgrading of Garh Mukteshwar to Moradabad section of NH-24 to four lane standards. This arbitration award was published in September 2018 and we have successfully defended the award before the Single and Division Benches of Hon'ble Delhi High Court. We are also pursuing arbitration matters in four other projects, where the 'Arbitral Tribunals' have already been formed.

Apart from the above arbitration award amounts realised by us; we are also eligible for early completion bonus Rs.14.11 crores in one of EPC projects - Aligarh-Moradabad stretch of NH 93. We have received 'Provisional Completion Certificate' on 13th May 2019, which is 73 days ahead of the scheduled completion date of 25th July 2019.

As we account for all the bonus and arbitration amounts on receipt basis, we have accounted Rs. 145.63 crores arbitration award in Narela Project in Q1 FY20 and we will account for Rs. 145.27 crores award in NH-24 project in Q2 FY20, which was received on 3rd August 2019. With regards to early completion bonus for Aligarh-Moradabad project, we will account the same accordingly, upon its receipt from NHAI.

Now moving on to our order book

Our unexecuted order-book as on 30th June 2019 stood at Rs. 10,950 Crores. Out of which, EPC and HAM projects constitute 57% and 43% respectively. As the execution period of current order book is 2-3years, will facilitate sustained growth in revenue going forward.

Now I would present the results for the quarter ended June 30, 2019.

In the standalone financials of Q1 FY19, the early completion bonus of Rs. 25.3 crores for Raebareli-Jaunpur BOT (Annuity) project received and Rs. 12.55 crore received towards sale of a crusher are not considered for an objective and evenhanded comparison.

Revenue of 1ST Quarter of FY20 is Rs. 1,322 crore which is higher by 86% compared to 1ST Quarter of FY19.

EBIDTA of 1ST Quarter of FY20 is Rs. 180 crore which is higher by 72% as compared to 1ST Quarter of FY19.

Profit after tax grew by 55% in 1ST Quarter of FY20 to Rs. 100 crore compared to Rs. 65 crores in 1ST Quarter of FY19.

In the consolidated financials also early completion bonus and sale of crusher have not been considered, for an objective comparison.

Consolidated revenue for 1st Quarter of FY20 is Rs. 1,525 crore which is higher by 71% compared to 1ST Quarter of FY19.

Consolidated EBITDA for 1ST Quarter of FY20 is Rs. 351 crore as compared to Rs. 256 crore in 1ST Quarter of FY19 registering a year-on-year growth of 37%.

Consolidated net profit after taxes, for 1ST Quarter of FY20 is Rs. 178 crore which is higher by 123% compared to 1ST Quarter of FY19.

On the balance sheet side our,

On stand-alone basis, our net worth is Rs.2,215 crores as on 30TH June 2019. Total debt of the company on a standalone basis is Rs.452 crores of which Rs. 383 crores availed for equipment

finance and Rs. 69 crores was the working capital loan. The total cash and bank balance was Rs. 10 crores as on 30TH June 2019. The net debt to equity stands at 0.20 times.

On consolidated basis our net worth is Rs. 2,208 crores, whereas total debt is Rs. 2,959 crores as on 30TH June 2019. The total cash & bank balance including current investments at consolidated basis is Rs. 507 crore. This translates to net debt to equity of 1.34 times.

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

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin the Question-and-Answer Session. We have our first question from the line of Mohit Kumar from IDFC Securities. Please go ahead.

Mohit Kumar: Good morning Sir. Congratulations for good set of numbers. Sir I am trying to figure out Sir, is there any one-off in the sense completion of bonus anything which you booked during in the consolidated and standalone financial in the quarter I believe there are none but can you confirm it.

D. K. Maheshwari: In the first quarter, we have not received any bonus and arbitration award, which impacted the profit and loss account in the books of PNC (standalone).

Mohit Kumar: When do you expect to book all this, the arbitration award which you have mentioned in the presentation, I believe Rs. 1.4 billion is in the Q2 FY2020?

D. K. Maheshwari: It will be accounted for in the second quarter, because we have received the payment on August 3. It will reflect in the profit and loss of the second quarter accordingly.

Mohit Kumar: My second question is Sir you have given the inflow guidance of Rs. 70 to 80 billion at the start of the fiscal year. Are you maintaining the guidance and can you give us update on the tender of the Bundelkhand Expressway, what is happening there and when do you expect it to be awarded?

Yogesh Jain: On award front the Bundelkhand and Gorakhpur Link Expressway, the Cabinet of UP has to give a formal approval before bidding, which is expected this month. As of now the bid due dates are August 26 and August 28 respectively. We expect picking-up in the awarding activity of NHAI also from September onwards.

Mohit Kumar: Sir one last question, what is the breakup of revenues for Q1 FY2020. I am talking about standalone revenues in terms of EPC and HAM projects, is it possible to give the breakup?

- D. K. Maheshwari:** 49% was EPC and 51% was HAM project.
- Mohit Kumar:** Thank you Sir. That is it.
- Moderator:** Thank you. We have next question from the line of Mayank Goel from SBICAP Securities. Please go ahead.
- Mayank Goel:** Thanks for the opportunity. Congrats on a great set of numbers. Couple of questions; Sir we did massive Rs. 1,300 Crores in this quarter. So this kind of benchmark or minimum quarterly run rate going forward or is it just a one-off because you are saying in last call also that contribution of HAM projects in fourth quarter was not there for which we had received the appointed date, the revenue from them was not booked in fourth quarter. So is it that their contribution in revenue has been booked in this quarter and that is why the numbers look high or is it the benchmark number that in the forthcoming quarters we can do?
- D. K. Maheshwari:** You are right to some extent, we have booked the revenue towards works, which we have executed during February and March last year for Chakeri-Allahabad, and Aligarh-Kanpur. That is why, it is Rs. 1,321 Crores.
- Yogesh Jain:** But we are expecting similar revenues in third and fourth quarter also except second quarter due to rainy season.
- Mayank Goel:** Basically Sir I wanted to understand the growth of execution which we have seen for FY2020 because you have guided for 40%, 45% growth in revenues, but with this kind of performance in first quarter itself, this is almost one-third of your guidance, so what is the outlook you have for the full year because one of your HAM is still to going to execution so the numbers would be increasing here forward except for the monsoon quarter?
- Yogesh Jain:** See we want to maintain the same guidance, what we had mentioned earlier because in the second quarter the monsoon is very active across all our project sites. So we do not want to revise or upgrade our guidance as of now and we will revisit our guidance during the third quarter, after the rainy season.
- Mayank Goel:** Sure Sir. Sir some book keeping questions, can you give us the toll numbers for this quarter?
- D. K. Maheshwari:** MP Highway is Rs. 13.13 Crores; Kanpur-Ayodhya is Rs. 102.36 Crores, Kanpur Highways is Rs. 24.32 Crores; and Bareilly-Almora is Rs. 9.90 Crores.
- Mayank Goel:** Sir this thing Narela Industrial Estate?
- D. K. Maheshwari:** Narela is Rs. 11.4 Crores and Ghaziabad-Aligarh is Rs. 55 Crores.

- Mayank Goel:** I think Raebareli-Jaunpur Sir?
- D. K. Maheshwari:** It is Rs. 32.1 Crores, see this is an annuity project with annuity of Rs. 64.3 Crores is paid, half yearly.
- D. K. Maheshwari:** On every June 3 and December 3 we are receiving the annuity.
- Mayank Goel:** Sir can you help me with the pending order book balance for other projects which are not mentioned in your PPT the four HAM projects and EPC projects?
- D. K. Maheshwari:** Yes, in Nagpur-Mumbai Rs. 1,908 Crores, Chakeri-Allahabad Rs. 36.5 Crores
- Mayank Goel:** Sir the ones which are not mentioned in your PPT, Varanasi-Gorakhpur, Bhojpur-Buxar, Koilwar-Bhojpur, and the Dausa-Lalsot, Jhansi-Khajuraho, Chitrakoot-Davanagere, these ones?
- D. K. Maheshwari:** Koilwar-Bhojpur is Rs. 337 Crores, Bhojpur-Buxar is Rs. 381 Crores, Varanasi-Gorakhpur is Rs. 337 Crores, then Dausa-Lalsot is Rs. 143 Crores, Etah-Kasganj Rs. 62 Crores, and Sharda Canal is Rs. 30 Crores.
- Mayank Goel:** Jhansi-Khajuraho 1 and 2 and Chitradurga?
- D. K. Maheshwari:** Jhansi-Khajuraho Package II is a Rs. 581 Crores and Chitradurga is Rs.680 Crores.
- Mayank Goel:** Jhansi-Khajuraho Package I?
- D. K. Maheshwari:** Package I is Rs. 710 Crores.
- Mayank Goel:** Thank you Sir. That is it from my side and all the best for future.
- Moderator:** Thank you Sir. We have next question from the line of Shriram Kumar from Spar Capital. Please go ahead.
- Shriram Kumar:** Sir when was the appointed date revived for the HAM project Aligarh-Kanpur and Chakeri-Allahabad?
- D.K. Maheshwari:** For Chakeri-Allahabad it is January 12 2019 and for Aligarh-Kanpur is is January 29, 2019.
- Shriram Kumar:** Sir with current pace of execution what will be the order inflow we are targeting for next two years?
- Yogesh Jain:** We are expecting award of new project on EPC and HAM would be around Rs. 6,000 to 7,000 Crores in this year.

- Shriram Kumar:** The approximate split up in terms of HAM and equity what would be that Sir?
- Yogesh Jain:** It should be around 50:50.
- Shriram Kumar:** Sir and what is the status of monetization of the other three projects Sir and have we started the process for monetizing our under-construction HAM projects also?
- D. K. Maheshwari:** We are currently touch with various investors for stake sale in our HAM projects, but at this point of time we cannot comment on the valuation or the timelines, but discussions are going on this with three-four investors.
- Shriram Kumar:** What about the status of the other three projects that we are trying to monetize the BOT projects.
- D. K. Maheshwari:** That at this point of time we are not discussing, because remaining period of concession agreement time is only 3-4 years in MP Highway and Kanpur-Kabrai projects.
- Shriram Kumar:** Sir one bookkeeping question, Sir what goes into the calculation of this 70 days of working capital that we have mentioned in the PPT Sir apart from receivables, payables and inventory?
- D. K. Maheshwari:** You want the working of that?
- Shriram Kumar:** Yes Sir, so apart from this receivables, payables and inventory anything else that goes into the calculation Sir?
- D. K. Maheshwari:** No.
- Shriram Kumar:** Sir final question will be what is the impact we are looking at, in terms of monsoon that has been witnessed in Maharashtra and Karnataka where we have project sessions?
- Yogesh Jain:** Yes, the progress is getting affected both at Nagpur-Mumbai Expressway as well as Chitradurga-Davanagere, but we expect things will improve towards the end of this month.
- Shriram Kumar:** Will there be, let us say there is an erosion of what is, we have already constructed or something like that of course the liability will be on us or on the NHAI or the respective authorities?
- T.R. Rao:** See in case of Chitradurga-Davanagere being widening from four laning to six laning there would not be any erosion, but there would be some kind of a rain-cuts at Nagpur, basically this liability will not go to MSRDC then we have to seek the compensation, if any from the insurance companies.

- Yogesh Jain:** We have a contractors all risk policy which covers the damages caused by monsoon also including flooding so we will see and will raise the claims on insurance companies and will try to realize that.
- Shriram Kumar:** Thanks Sir.
- Moderator:** Thank you. We have next question from the line of Vibhor Singhal from PhillipCapital. Please go ahead.
- Vibhor Singhal:** Thanks for the opportunity. Sir just one small thing that I wanted to ask, I need know the debt numbers. So what is the standalone debt and cash at the end of this quarter?
- D. K. Maheshwari:** Actually the gross debt is Rs.452 Crores, which includes term loan of Rs.384 Crores and working capital is Rs. 68 Crores. The gross debt comes to Rs. 452 Crores and cash in bank is Rs. 10 Crores, the net debt is Rs. 442 Crores.
- Vibhor Singhal:** Sir I just wanted can Aligarh-Moradabad project we have finished it?
- Yogesh Jain:** We have finished.
- Vibhor Singhal:** There is no more pending in the order book?
- Yogesh Jain:** No, nothing is pending right now.
- Vibhor Singhal:** Can I get the figure of Nagina-Kashipur, how much of work is pending in the order book as of now?
- D. K. Maheshwari:** Rs. 750 Crores.
- Vibhor Singhal:** Just second question from my side. Sir on the, this Mumbai-Nagpur project that we have, now we are hearing from the state government that the state government is looking to basically push the project deadline earlier. Have we heard anything from the state government of that side and when do you think our package would be complete in terms of execution?
- Yogesh Jain:** We have not received any formal communication from the state government. We are not bound to complete early.
- Vibhor Singhal:** As of now Sir when do we expect it to complete our package?
- Yogesh Jain:** 30 months from January 2019.

- Vibhor Singhal:** Thank you so much for taking my questions and wish you all the best.
- Moderator:** Thank you. We have next question from the line of Prem Khurana from Anand Rathi. Please go ahead.
- Prem Khurana:** Good afternoon Sir. Thanks for the opportunity. Sir three questions from my side; one was I think this quarter from HAM projects are under construction we seem to have done around Rs.650-odd Crores of revenues and when I look at a project sheet that you give wherein eventually you give us how much is the equity invested on all these projects and how much of that we would have already drawn that gives me a number of around Rs.100 Crores, the Rs. 51 Crores is what you infused in terms of incremental equity during the quarter and that drawdown of almost around Rs.50-odd Crores, so how did we fund the remaining Rs. 550-odd Crores in these hybrid annuities, how much would have been taken on our balance sheet as receivables now and how much would be and when you would have revived mobilization advances from NHAI and is it the reason why our net debt is up this quarter from last quarter of around Rs. 67 Crores, Rs. 66-odd Crores to Rs.440-odd Crores?
- D. K. Maheshwari:** Actually, remaining equity to be infused in the HAM project is 550 Crores as on June 30, and this quarter we have received the advance also. So as on date we are having mobilization advance draws from authorities of around Rs.520 Crores.
- Prem Khurana:** Sir, in this quarter we have worked for about Rs. 650 Crores in SPVs then we would have got around Rs. 100 Crores from debt and equity and how much would have been funded through the mobilization?
- D. K. Maheshwari:** We have also taken the disbursement in these SPVs.
- Prem Khurana:** That is around Rs. 50 Crores which is seen in the presentation.
- D. K. Maheshwari:** Yes, because the consolidated debt is Rs. 2,959 Crores. So we have therefore taken the disbursement in the all the SPVs except Chakeri-Allahabad, and Aligarh-Kanpur.
- Prem Khurana:** I will take this off line and Sir second thing was on Narela, the money which was to be received which is a balance of Rs.145 Crores of balance I think standalone entity was suppose to receive around Rs.100 Crores right, so has that money come to you or is it there to come to you?
- D. K. Maheshwari:** In PNC we have revived Rs. 87 Crores at unsecured loan and Rs. 29 Crores as interest which were accrued and lying in the books. So total Rs. 114 Crores, we have received in PNC and remaining Rs.58 Crores on account of interest, which is reflected in the balance sheet and P&L of Narela, SPV.

- Prem Khurana:** So you expect this came to in Q1 itself right?
- D. K. Maheshwari:** Yes.
- Prem Khurana:** Sir just one last on this Garhmukteshwar arbitration claim that you have been able to get a success rate, how much of this is already provided for, essentially the idea was, I mean, how would it add in terms of P&L, how much profit we would book if we were to book any number in terms of profit on this claim that you would have been approved in Q2 so this entire that we provided for or we have something lying in our balance sheet?
- D. K. Maheshwari:** The entire amount will reflect in the profit and loss of PNC. Rs.109 Crores on account of award and Rs. 36 Crores on account of the interest both these will be credited in the profit and loss of second quarter.
- Prem Khurana:** And ideally as an exceptional item right?
- D. K. Maheshwari:** Yes.
- Prem Khurana:** Thank you.
- Moderator:** Thank you Sir. We have next question from Ashish Shah from Centrum Broking. Please go ahead.
- Ashish Shah:** Sir just one question, in the consolidated accounts do we have the recognition of the Narela arbitration award of Rs. 145 Crores or that is not there in the consolidated P&L?
- Yogesh Jain:** In consolidated account we have considered and only on interest element of Rs.58 Crores.
- Ashish Shah:** In terms of accounts Rs. 58 Crores is included?
- D. K. Maheshwari:** In consolidated account as other income.
- Ashish Shah:** But there is nothing in the revenue or nothing in the standalone right on this account?
- D. K. Maheshwari:** Yes.
- Ashish Shah:** Sir also what is the status of the Challakere where we are yet to having sign the concession agreement. So what is holding up the signing?
- D.K. Maheshwari:** This concession agreement was already signed. Now only appointed date has to be declared.
- Ashish Shah:** Can I ask what is the financial closure statement as well as the land acquisition status in this?

- Yogesh Jain:** The financial closure is done. Around 80% land has already been notified and vested with NHAI but at some stretches of proposed bypass, local people are seeking higher compensation for their land and agitating. NHAI want to declare the appointed date on the only after possessing the land free from all encroachment in cumbrances, including trees, existing electrical and water supply lines, structures, buildings etc so that the vacant land is available for uninterrupted working after declaration of appointed date. So we expect appointed date would be declared around November this year.
- Ashish Shah:** At what stage of the land acquisition?
- T.R. Rao:** Land has already been vested with NHAI. Only they have to get the vacant possession. So we can say it is 80% land already vested and they are waiting to get the fully vacant land and take the physical position. Last one year much progress could not be done because of the political uncertainty, now the government has formed and State Government and the Central Government being the same i.e. NDA and BJP, we expect some progress in taking possession of the land, so we expect appointed date would be declared by November this year.
- Moderator:** Thank you Sir. We have next question from the line of Jiten Doshi from BOB Capital Markets. Please go ahead.
- Jiten Doshi:** Thanks for the opportunity. Congratulations for good set of numbers. Sir just one thing you are going to book Rs.145 Crores of the arbitration claim next quarter. So what would be the tax order on this, so what would be the net exception amount we shall be booking in Q2?
- D. K. Maheshwari:** The full tax will be levied on Rs.145 Crores.
- Jiten Doshi:** 33% tax.
- D. K. Maheshwari:** Yes.
- Jiten Doshi:** Sir Can you just give us the number for Nanau-Dadon, what is the closing, Nanau-Dadon closing order backlog and again if you could for Varanasi-Gorakhpur please?
- D. K. Maheshwari:** Varanasi-Gorakhpur is Rs. 333 Crores.
- Jiten Doshi:** And Nanau-Dadon?
- D. K. Maheshwari:** Rs. 37 Crores.
- Jiten Doshi:** Sir about the margin. So what is the guidance for the EBITDA margin the full year because this quarter probably it was a bit lower obviously we were expecting around 14% so any reason for the lower margin this quarter and the overall margin guidance for the full year?

- Yogesh Jain:** No, overall we are expecting around 13.5% to 14% EBITDA margin.
- Jiten Doshi:** Thank you Sir. That is it from my side. All the best.
- Moderator:** Thank you Sir. We have next question from the line of Ankita Shah from Elara Capital. Please go ahead.
- Ankita Shah:** Sir just wanted to check how is the overall infrastructure activity happening in Uttar Pradesh and other projects also in infrastructure projects there and although we have booked very good execution in this quarter but how has been the payments from the government in that area Sir?
- T. R. Rao:** The Government of UP is focusing on the construction of expressway projects so they made adequate budgetary allocations for both Purvanchal Expressway and also for upcoming Bundelkhand and Gorakhpur Link Expressways. The DPR preparation is going on for the other Expressway from Meerut to Allahabad, as government is very keen to develop Greenfield Expressways in the state of Uttar Pradesh. We are not facing any problem in receiving the payments and we have already received our payments for the work done till end of June. We are getting the payments regularly in case of Uttar Pradesh.
- Ankita Shah:** That was helpful. Secondly Sir by when do we expect the Ghaziabad-Aligarh transaction to be completed and what is the progress on the approval front?
- D. K. Maheshwari:** Actually, as regards the lenders out of 14 lenders we have received the approval from 13 lenders and remaining one is expected on 17th or 18th August. As regards to NOC from NHAI, it is under process and we are expecting that by the end of this calendar year and then we will receive the payment.
- Ankita Shah:** That is it from my side. Thank you.
- Moderator:** Thank you. We have next question from the line of Parvez Akhtar from Edelweiss Capital. Please go ahead.
- Parvez Akhtar:** Good afternoon Sir. Congratulations for a great set of numbers. Couple of questions from my side. Sir just wanted to confirm you said for the Ghaziabad-Aligarh project, we expect to receive the cash by this calendar year end?
- D. K. Maheshwari:** Yes.
- Parvez Akhtar:** The second thing is Sir what is the quantum of equity that we need to infuse in the balance part of FY2020 and as well as the amount in FY2021?

- D. K. Maheshwari:** During FY2020, we have to infuse around Rs.240 Crores and in FY2021 it would Rs. 220 Crores based on the contracts in hand, but this amount may vary depending on the execution of the work, which may increase, or may go-down., Our total equity requirement is Rs. 550 Crores, which we have to infuse in next 2 and half years.
- Parvez Akhtar:** The second thing is you said that we are targeting maybe about Rs 6,000-7,000 Crores of order intake this year of which half of it will be HAM. Even if you assume let us say similar number in FY2021 of what are our thoughts about managing the equity commitment for all these projects because as you said Rs. 550 Crores we need just on existing projects and you will have probably a similar component as we go ahead so how are we are managing the equity commitment for all these projects?
- D. K. Maheshwari:** Equity wise there should not be any problem because the remaining amount to be infused at Rs. 550 Crores. Suppose if we received Rs. 3000 Crores worth of new HAM projects, 10% comes to Rs.300 Crores, then the total requirement will be Rs. 850 Crores to Rs. 900 Crores in the next three years. Whereas our own generation would be around Rs.1,600 Crores in next 3 years, conservatively. In addition to the above we are also expecting Ghaziabad-Aligarh Rs.300 Crores, similarly we have received Rs. 145 Crores in this year on account of NH-24 arbitration award. So we do not think there should be any problem in next three-four years, even we receive new HAM projects of Rs. 4,000 to 5,000 Crores worth.
- Parvez Akhtar:** Sir last question where do we expect to end FY2020 in terms of our debt levels?
- D. K. Maheshwari:** Debt level on standalone basis, we are expecting that term loan should be around Rs. 325 Crores and the working capital should be in the range of Rs. 150 Crores to Rs. 200 Crores. So total gross debt should be in the range of Rs. 500 Crores, which includes the term loan of Rs. 325 Crores and cash in bank will be around Rs.100 Crores, so net debt will be Rs.375 to 400 Crores.
- Parvez Akhtar:** Sir what will be our tax rate this year?
- D. K. Maheshwari:** Tax rate as we expect should be 30% of FY'20.
- Parvez Akhtar:** That is it from my side. Thanks and all the best for future.
- Moderator:** Thank you. We have next question from Shravan Shah from Dolat Capital. Please go ahead.
- Shravan Shah:** Sir first of all congratulations for great set of numbers. Sir couple of things in terms of the existing projects, if I look at the fourth quarter versus this quarter, Jhansi-Khajuraho Package II in terms of the execution it has reduced significantly from Rs. 158 Crores to Rs. 97 Crores, in Nagina-Kashipur, Varanasi-Gorakhpur also slightly means Varanasi-Gorakhpur definitely bid

has reduced from Rs. 77 Crores to Rs. 44 Crores. So is there any issues or everything will come back to the normal level?

D. K. Maheshwari: Nagina-Kashipur is Rs. 70 Crores in this quarter.

Shravan Shah: But last quarter it was Rs. 87 Crores fourth quarter FY2019.

D. K. Maheshwari: Right, yes.

Shravan Shah: Even the Dausa-Lalsot also now actually we are close to the project is almost 80% completed but now we are booking only Rs. 30 Crores revenue so is there any issues now would when the project is at the end of the completion, trying to understand what is the issue?

Yogesh Jain: In Varanasi-Gorakhpur, Nagina-Kashipur, Jhansi-Khajuraho at all the projects, the nature of highway pavement is rigid. So during the peak summer i.e. in May and June, we avoid construction of the concrete pavement, as quality might suffer due to extreme temperatures and variations. So PQC being the high value item, there was some relative reduction on work done in the quarter one and same in Dausa-Lalsot. Dausa-Lalsot is also at the completion stage.

Shravan Shah: Yes, so but in terms of this year FY2020 which are the projects that likely to be completed definitely Dausa-Lalsot would be there and in which of the projects we can expect our early completion bonus?

Yogesh Jain: We are expecting that Dausa-Lalsot, Etah-Kasganj, Sharda Canal, Varanasi-Gorakhpur and Nanau-Dadon and Chakeri Airport project will be completed in FY'20.

Shravan Shah: And in any of these projects early completion bonus expected.

Yogesh Jain: We are almost at par in terms of time lines, so we don't expect.

Shravan Shah: In terms of the working capital, do we expect marginal increase in the number of days by end of FY2020 or will it remain at the current levels in the same range?

D. K. Maheshwari: It may increase as compared to the current, the debtor days should be around 95 days, working capital days should be in the range of 105 to 110 days. So in the month of March our debtors may increase, because few payments might get stuck at the end, whereas we would have done more work in February and March.

Shravan Shah: I understand Sir. The Aligarh-Moradabad Rs. 14 Crores of early completion bonus, the second quarter is probability or third quarter we will get it? Will we book it in the third quarter in the P&L book?

- Yogesh Jain:** We are expecting in the third quarter.
- Shravan Shah:** In terms of Chakeri-Allahabad, the appointed date which you told that last time we expected September now definitely there is some issues with the land and will this be over in November or it will be delayed one or two months?
- D. K. Maheshwari:** Chakeri-Allahabad is already under construction.
- Shravan Shah:** Sorry Challakere to Hariyur
- Yogesh Jain:** Challakere to Hariyur we are expecting appointed date in November this year.
- Shravan Shah:** Sir the HAM project monetization that we are talking will it be at one go in all HAM or may be two or three projects initially and then how is it looking?
- D. K. Maheshwari:** We are speaking about the project to project basis not as a bundle, because for all the projects, the appointed dates and COD dates are different..
- Shravan Shah:** Thank you and all the best.
- Moderator:** Thank you Sir. We have next question from the line of Shreyans Mehta from Equirus Securities Limited. Please go ahead.
- Shreyans Mehta:** Thanks for the opportunity. Sir are you also looking to bid for one big ticket size project of airport which is lined up in UP?
- Yogesh Jain:** We are not considering for bidding. We are seeing this opportunity as EPC contractor. They have two runways, parallel taxiway system and large number of parking aprons, hence we are looking at this airport as an EPC contractor.
- Shreyans Mehta:** Sir when is it schedule to be awarded?
- T.R. Rao:** See as of now the October 30 is the due date for the bid submission, so subsequently, they have to take the approvals from government before award and then EPC contracts may be awarded early next year.
- Shreyans Mehta:** Sir my second question is now there are lot of talks on the BOT front so any thoughts on that are we going to bid for it in case if HAM and EPC take a backseat?
- Yogesh Jain:** No, we are not interested in BOT-Toll at this point of time. Presently, we will bid for EPC and HAM projects.

- Shreyans Mehta:** Sir any bid which we have participated as of now?
- Yogesh Jain:** We have already submitted our bid for Lucknow Ring Road. The costing was around Rs. 1,000 Crores.
- T.R. Rao:** This is under evaluation.
- Yogesh Jain:** We are also going to bid for Bundelkhand Expressway and Gorakhpur Link Expressway projects.
- Shreyans Mehta:** Sir just wanted to understand what is the issue at Bundelkhand and Gorakhpur projects because it has been postponed since last four or five months?
- T.R. Rao:** The land acquisition is in progress, normally what happened in case of UPEIDA when they award any project, they ensure that at least 80% to 90% land is available. I think in Bundelkhand it is around 80%, in Gorakhpur Link Expressway also it is around 50% of land. As of now bid due dates are August 26 and 28.
- Shreyans Mehta:** Thank you very much Sir. That is it from my side.
- Moderator:** Thank you Sir. We have next question from the line of Shravan Shah from Dolat Capital. Please go ahead.
- Shravan Shah:** Sir just wanted to know the MAT credit negative number for first quarter FY2020?
- D. K. Maheshwari:** In first quarter MAT credit is zero but pending MAT credit is Rs. 166 Crores as on June 30.
- Shravan Shah:** Sir you said the entire arbitration the second quarter, which we are going to book that will be booked as an exceptional item and not as part of the revenue?
- D. K. Maheshwari:** Portion of the award which is Rs. 109 Crores will come in the revenue and the interest portion of Rs. 36 Crores will come in the other income.
- Shravan Shah:** Thank you Sir.
- Moderator:** Thank you. As there are no further questions from the participants, I now hand the conference back to the management for closing comments. Sir over to you!
- Yogesh Jain:** Thank you everyone for your participation in our earnings call. We have uploaded the presentation on our company's website. In case of further queries, you may get in touch with the Strategy Growth Advisors, our Investor Advisors, or feel free to get in touch with us. Thank you very much for your participation.

Moderator: Thank you Sir. Ladies and gentlemen, on behalf of Equirus Securities Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.