



“PNC Infratech Limited
Q1 FY2021 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day, and welcome to the PNC Infratech Limited Q1 FY2021 Results Conference Call, hosted by Emkay Global Financial Services. We have with us today Mr. Yogesh Kumar Jain, Managing Director; T R Rao, Director and Mr. D.K. Maheshwari, Vice President, Finance. 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 would now like to hand the conference over to Mr. Amar Kedia from Emkay Global Financial Services. Thank you and over to you, Sir.

Amar Kedia: Thank you, Faizon. Good afternoon, everyone, and on behalf of Emkay Global Financial Services, I welcome you to the Q1 FY2021 Post Results Earnings Conference Call of PNC Infratech. As Faizon mentioned, we have with us the management of PNC Infratech, represented by Mr. Yogesh Kumar Jain, Managing Director; T R Rao, Director and Mr. D.K. Maheshwari, Vice President, Finance. I request the management to give their opening remarks, after which we can have the Q&A. Over to you, Sir.

Yogesh Kumar Jain: Good afternoon 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 June 30th, 2020.

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

I will share key points on the impact of COVID-19 pandemic on sector, the future outlook and then will discuss Company's performance.

Like most of the economic activities, infrastructure sector also impacted by the COVID-19 led disruptions including lockdowns and restrictions imposed by both state and central government authorities across the country during the first quarter of the year.

Both construction and operations significantly affected for 30 to 45 days during the quarter due to suspension of tolling operations, exodus of migrant labour, disruptions in the supply chains and paucity of construction materials like cement, steel, construction chemicals, aggregates etc. across the project sites. While most of the fixed costs being unchanged, reduction in production, toll revenues and income had an adverse impact on operating margins.

Apart from the pandemic induced pressure on the income and margins, maintaining adequate liquidity has also been another challenge being faced by the industry.

According to CRISIL, construction across national highways is picking unsteadily from May onwards. However due to irreversible loss of golden working period for construction from 4th week of March till the end of May.

Most of the migrant workforce are slowly returning to work. Labour availability which rose to 70 to 75% of pre-COVID levels in the month of June, is now around 80 to 90%.

However, with a bit early onset of monsoon and its being active and heavy at many parts of the country, the execution will continue to remain subdued during most duration of the second quarter also.

With the given constraints and challenges, the sector may have to sustain an overall decline of 10 to 15% this year, as compared to last year.

However, with complete receding of monsoon by the end of September, return of labour to 100% levels post monsoon and early flattening of COVID 19 curve, we expect progress could be accelerated substantially during the second half of the year, to make-up the shortfalls in the first half, to a large extent.

Relief measures announced by Government including loan moratorium up to 6 months, extension of concession & contract periods up to 6 months, release of retention money & bank guarantees, offering COVID loans at low rate of interest by MORTH and NHAI are expected to provide support to the industry during the challenging times.

The positive impact of the above relief measures and the fiscal priorities of the government on the sector will only depend on the timely implementation, at the ground level.

Order awarding activity is picking up gradually, which is being largely driven by NHAI, after the slump we witnessed till May 2020. Overall, bidding pipeline of NHAI is modest at around Rs. 50,000 crore, with bids to be submitted before the end of September 2020.

Apart from central authorities, some of the state governments also started awarding projects incrementally in roads, irrigation, water supply and mining sectors.

On traffic front, toll collections were severely impacted as tolling was suspended from 25th March 2020 to 20th April 2020. Traffic volumes have started ramping up gradually from the middle of May, post relaxation of goods movement by the government.

Toll collection at national highways from June onwards started rebounding. In the last fortnight of June 2020, the average toll collections have almost reached 90% of pre-COVID levels for many stretches of highways.

According to CRISIL, traffic on national highways is bouncing back with electronic toll collection reaching nearly 75% of the pre-Covid lockdown level with the lifting of most of the curbs.

According to the report, the overall ramp up in toll collection particularly with regard to commercial vehicles has been faster than envisaged. The trends of sustained improvement for more than two months indicate that the rebound it is not just due to pent-up demand.

Now moving onto the operations of the company.

Our revenue for the quarter was impacted due to complete shutdown of operations for the initial 20 days of the Q1, subsequently also execution has not picked up due to migration of labour, disruption in supply chains and the early onset of monsoon in the month of June, at quite a few project locations.

Post relaxation of lockdowns, execution was resumed across at all our projects with about 60 to 70% operating efficiency, with around 70% of pre-COVID labor strength. Presently at most of our project sites labour strength has reached around 90% of pre-lockdown levels.

We resumed toll collections from 20th April onwards at all NH projects. Current traffic levels are about 90% of pre-lockdown levels across all project, primarily due to rebound in commercial traffic. We expect the traffic to reach normal level from October onwards after the monsoon.

We are following the directions issued by various authorities to contain the spread of COVID-19 by strictly adhering to laid down Standard Operating Procedures at all construction site as well as toll operation sites.

Our key competencies like end-to-end execution capability, large fleet of modern plant & equipment and multi-disciplinary execution team with proven credentials led to a strong execution track record. Additionally, our prudent leverage and strong balance sheet enable seamless project execution without any financial or liquidity challenges

Our robust techno-financial credentials provide us with flexibility to continue to bid large sized projects on EPC, and HAM.

Now moving on to our Project Development Business:

Over the years, we have been able to create a diversified portfolio of 18 fund-based projects comprising BOT-Toll, BOT-Annuity, OMT and HAM.

Out of these 18 projects, 8 projects are operational which also includes Dausa-Lalsot HAM project, which achieved the commercial operations with effect from 14 February 2020. Including already operational Dausa HAM project, we have a total of 11 HAM projects of which 6 are under construction, 1 is awaiting appointed date and for the remaining 4 projects we have received the Letters of Award and the process of financial closure has begun.

For the 7 projects under construction, the total equity requirement is Rs. 848 crores out of which we have already infused Rs. 469 crores as on 30th June 2020 and balance will be infused over the next 2 years through internal accruals.

For Challakere-Hariyur HAM project, we expect NHAI will declare the appointed date by the middle of October 2020. Land acquisition for our four new HAM projects stands around 80% and we expect to receive the Appointed Dates for these projects, as envisaged in the concession agreements say within the five months from their signing.

The company's internal accruals should be sufficient for funding the future equity requirements for all the 10 HAM projects.

Now moving on to our order book

COVID-19 crisis has not affected the order book position of the company so far. In June 2020, we have received Letters of Award from NHAI for 53.95 km long four laning of Meerut - Nazibabad section of HAM project for in Uttar Pradesh for Bid Project Cost of Rs. 1,412 crore

In July 2020, we have received Letters of Acceptance from NHAI for 2 EPC Projects of Delhi-Vadodara Eight Lane Access Controlled Greenfield Expressway, for an aggregate contract value of Rs. 1,548 crore

Our unexecuted order book as on 30th June 2020 was over Rs. 7700 Crore. Out of which, the EPC and HAM projects constitutes 66% and 34% respectively.

This order book does not include:

- Challakere to Hariyur HAM project, four new HAM projects and 2 EPC Projects of Delhi-Mumbai Expressway of an aggregate cost of over Rs. 8000 crore.

Including the above projects our order book would be over Rs. 15,500 crores, which gives a robust revenue visibility over the next 2-3 years.

Now I would present the results for the quarter ended June 30, 2020.

Standalone Quarterly Result:

During the quarter, the company's operations has been impacted due to COVID-19 lockdown and therefore it is not really comparable with corresponding quarter of last year.

Revenue of 1st quarter of FY21 is Rs. 905 crore and EBIDTA is Rs.120 crore. The EBIDTA margin for Q1 FY21 is 13.2%.

Profit of 1st quarter of FY21 is Rs. 60 crore.

Consolidated Financials for quarter ended 30TH June 2020.

Consolidated revenue of 1st quarter of FY21 is Rs. 1,093 crore, consolidated EBIDTA is Rs. 287 crore. The EBIDTA margin is 26.3%.

Consolidated pat for quarter is Rs. 95 crore.

On The Balance Sheet Side,

Our working capital cycle is 84 days. The debtor days as on 30th June 2020 is 73 days as compared to 71 days on 30th June 2019.

Our net worth on standalone basis is Rs. 2607 crores as on 30th June 2020 total standalone debt is Rs.326 crores which is for equipment finance debt and there is no working capital loan. The total cash and bank balance as on 30th June 2020 is Rs. 668 crore. We have a net cash available is of Rs. 342 crore. Net debt to equity is 0.13 times.

On consolidated basis our networth is Rs. 2647 crore total debt is Rs. 3590 crore as on 30th June 2020. The total cash & bank balance including current investments is Rs. 1116 crore. Net debt to equity is 1.36 times.

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

Moderator:

Thank you very much. We will now begin the question and answer session. The first question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.

- Mohit Kumar:** Congratulations on a good quarter given the challenging situation. I have 3 questions. First is, is there any kind of number or guidance you can provide for FY2021, given the labor availability and progress on the project sites?
- Yogesh Kumar Jain:** Due to the pandemic, we expect around 10% decline in the turnover of FY'21 as compared to FY'20.
- Mohit Kumar:** Okay, and Sir, any comment on the project-wise improvement in the situation?
- T.R. Rao:** Project-wise situation more or less is similar. Initially progress impacted because of the COVID, lockdowns, followed by the exodus of migrant labor, now the monsoon being active across all project sites, progress gets hampered. Once the situation becomes normal, we will certainly try to make up the shortfalls of the first and second half of the year, but as of now, still things are not certain, and given the unpredictability, we are expecting around 10% decline in comparison to last year's turnover. Otherwise, the situation across the project sites is similar.
- Mohit Kumar:** Understood. Secondly, Sir, what is the absolute number, absolute amount of debtors and working capital? And are we facing any challenges in getting money from UP in the current quarter, especially from Purvanchal?
- D.K. Maheshwari:** Debtors are 73 days as compared to 60 days in March 2020 and working capital days are 84 days as compared to 57 days in March 2020.
- Mohit Kumar:** Sir, my question was, why the debtor days have increased Q-o-Q? And is there any issue in payment with Purvanchal Expressway execution in the sense that the payments are delayed?
- T.R. Rao:** Yes, there is some delay in Purvanchal Expressway payments, but the delay is not substantial.
- D.K. Maheshwari:** Actually, this is temporary, and we will be able to reduce in the coming quarters because we have not taken the disbursements also in 2 of our SPVs during this quarter, but this is temporary, and we do not think the working capital days will be more than 70 days in the next, third and fourth quarters.
- Mohit Kumar:** Okay, Sir. Lastly, on Gwalior Bypass Project Limited, can you just throw a light, what is the bid, what is the arrangement and...
- T.R. Rao:** For Gwalior Bypass SPV, we submitted our resolution plan under CIRP process initiated pursuant to the NCLT order. The committee of creditors have issued the letter of intent to us. As we are bound by certain confidentiality provisions included in the letter of intent, we

can't share further details. Otherwise, it is a conventional annuity i.e. BOT annuity project and has a balance concession period of 7 years as of now.

Mohit Kumar: Understood. Thank you, Sir.

Moderator: Thank you. The next question is from the line of Shravan Shah from Dolat Capital Market. Please go ahead.

Shravan Shah: First of all, congratulations on better-than-expected results. Sir, continuing to the working capital question, so in terms of the days you have mentioned, but if I just look at overall, 27 days has increased. So in terms of absolute if I just calculate, close to Rs. 330 Crores kind of an additional increase in the working capital has happened. So is it possible to give the absolute number of inventories, debtors, payables and from where the paying, whether it is from the HAM SPVs the debtor has increased or any other EPC project it has increased?

D.K. Maheshwari: Actually, in case if we will compare with March 2020 because during lockdown in the COVID-19, last 10 days of FY'20, we have received all the payment from NHAI, UPEIDA, Milestone Payment and , advance payment, and that is why, to some extent, it is down in March 2020. It was 54 days only, but coming quarters, we do not think that working capital days will go more than 70 days. As regards the complete details, we will give you off-line..

Shravan Shah: Okay. Secondly, as we are saying that we are now expecting 10% decline, that is definitely we are always conservative in terms of the revenue for FY2021. So related to this, that remaining 4 HAM projects, when we are expecting appointed date? And for this both Vadodara-Delhi, when we are expecting? And have we factored any revenue from these remaining projects which are not part of order book in FY2021 guidance that we are giving?

D.K. Maheshwari: Out of the 4 new HAM projects, for 3 HAM projects we have signed the concession agreements on 5th of August. So appointed dates would be due in January 2021. In our guidance as mentioned by Yogesh Ji, we have not considered the revenue from these projects in FY21. We are expecting that appointed dates for all the 4 HAM projects, will be declared by January/February 2021.

Shravan Shah: Yes, Sir. Because even the last time in June when we had a call, at that time also we were expecting appointed date for all the 4 projects by October, November and for the Challakere-Hariyur, by mid of July, and now for that, we are saying from July mid to October mid and here from October, November to January despite the 80% land is available. So just trying to understand why there is a 3 to 4 months delay.

D.K. Maheshwari: Actually, we have a time of 5 months for achieving the financial closure from the date of signing of the concession agreement. We have signed, 3 HAM projects on 5th of August.

Therefore appointed date and financial closure will fall due in January first week. That is why we are expecting that appointed dates will be declared in January'21.

Shravan Shah: Okay. So Sir, continuing to that, in terms of the equity investment, so the ongoing under construction projects, Rs. 380 Crores would be required. Out of that, how much we would be putting in FY2021 and in FY2022? And these 4 HAM projects and, actually, the fifth one also, Challakere-Hariyur, so how much equity required for these 5 projects? And when we would be putting in FY2021, FY 2022 and FY 2023, how much?

D.K. Maheshwari: Total equity requirement is around Rs. 1,000 Crores, which includes the under construction and the new HAM projects, and we are expecting that in FY2021, we have to infuse Rs. 257 Crores in the remaining 9 months, Rs. 430 Crores in FY2022, and Rs. 155 Crores in FY2023, but this amount could be varying because equity is infused at the time of taking the disbursement, just to maintain the debt-equity. These are the tentative amounts.

Shravan Shah: So Sir, this number varies sizably significantly. So 848 Crore is for the 7 HAM projects, including the Challakere-Hariyur and for remaining 4 projects, you are saying only Rs. 150 Crores would be needed?

D.K. Maheshwari: No, total requirement, for all 11 HAM projects are Rs. 1,000 Crores; which includes Rs. 380 Crores for ongoing 7 HAM projects, including Challakere and Rs. 620 Crores for recently awarded 4 HAM projects.

Shravan Shah: Sorry, Sir. Come again, Sir?

D.K. Maheshwari: Actually, equity commitment for 7 projects was Rs. 848 Crores, and we have infused Rs. 470 Crores till June. The remaining amount is Rs. 380 Crores, which includes Challakere, and for all the new 4 HAM projects we require around Rs. 620 Crores. So total equity requirement will be Rs. 1,000 Crores.

Shravan Shah: And at this Rs. 1,000 Crores, we would be putting in FY2021.

D.K. Maheshwari: In FY2022 and FY2023 and partly in FY2024.

Shravan Shah: Sir, broadly, once again, can you tell in 2021, 2022, 23 how much?

D.K. Maheshwari: Rs. 257 Crores, Rs. 430 Crores and Rs. 150 Crores.

Moderator: Thank you. We will take the next question from the line of Ashish Shah from Centrum Broking. Please go ahead.

- Ashish Shah:** Sir, first question is on the Ghaziabad-Aligarh asset sale. So last time, you had indicated that we are in talks with some other investors. So can you update on the status of that discussion?
- D.K. Maheshwari:** Actually, as per the terms of the share purchase agreement, which was signed with Cube Highways on 4th May, 2019, expired before closure of the deal and the parties have decided not to extend the term further, but we are in the discussion with another prospective investor, who has evinced interest in the project asset. Accordingly, process of due diligence gets underway and almost it has completed, and we expect to enter into a deal with the investor in 1 or 2 months, if valuation is acceptable to us.
- Ashish Shah:** Okay. Right. So are we expecting a valuation similar to...?
- D.K. Maheshwari:** We expect that they will come back with the valuation shortly as they have almost completed technical, legal and financial due diligence along with traffic study.
- Ashish Shah:** Sir, valuation will be the same or will change.
- D.K. Maheshwari:** It should not change drastically. Let us see.
- Ashish Shah:** Right. Sir, secondly in Lucknow Ring Road, so there, we have the appointed date, but the execution has not started. So is there any issue on the ground?
- Yogesh Kumar Jain:** In Lucknow Ring Road there is no issue for execution of the work but immediately after receiving the appointed date there was lockdown and thereafter rainy season started. We expect that from October onwards project will start in full pace.
- Ashish Shah:** Sir, last question. In Chalakere is there any chance of cancel that? Because it is getting prolonged a lot, any probability of cancellation? Or will it come 100% with couple of months here and there?
- Yogesh Kumar Jain:** We are mobilized there. As per the last discussion, Authority will hand over land for main carriage way by 15th October. Even if the land for service road is not handed over, we will start the work.
- Ashish Shah:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Vibhor Singhal from Phillip Capital. Please go ahead.
- Vibhor Singhal:** Congrats for great set of numbers. Sir, my question is more on the bidding activity going forward. So given that 5 HAM projects sanction of the appointed dates will be in January,

February and EPC projects, as you said, construction will start, so going ahead if the order book is three times to sales. So will we go slow in bidding in, or we have already started HAM projects which is in pipeline, or go towards to EPC or there is change in strategy?

Yogesh Kumar Jain: We are keen in EPC projects, but in case if we get any good projects of HAM, we do not have any problem.

Vibhor Singhal: Okay. Sir, what should we expect from the NHAI, as they have awarded 400 to 600 km and we hear that there is around 700 to 800 km in the b.i.d., which is already submitted, and they should come out in the next couple of months?

Yogesh Kumar Jain: NHAI is doing their best to award projects. There are various pending bids since last year. HAM and EPC both bids will be coming up, around 25 bids NHAI has floated under EPC and 18 bids are in HAM. Totally, it is around Rs. 42,000 Crores worth of bids which are coming up, which would have been floated by November- December.

Vibhor Singhal: Maheshwari Sir, just one question. If you can just give the project-wise sales, Bhojpur-Buxar, Koliwar-Bhojpur and all these projects and also Jhansi-Khajuraho, how much order booking is there still left?

D.K. Maheshwari: Remaining Order Book of Bhojpur-Buxar Rs. 278 Crores; and Koliwar-Bhojpur, Rs. 248 Crores; Varanasi-Gorakhpur, Rs. 174 Crores; and Lakhimpur-Kheri is Rs. 82 Crores; then Jhansi-Khajuraho, Package I is Rs. 416 Crores; and Jhansi-Khajuraho, Package II, Rs. 313 Crores.

Vibhor Singhal: Okay, and Sir, Chitradurga and the Aligarh-Kanpur?

D.K. Maheshwari: Chitradurga at Rs. 421 Crores, and Aligarh-Kanpur, Rs. 448 Crores.

Vibhor Singhal: Thank you so much Sir. Thanks for taking my questions and wish you all the best.

Moderator: Thank you. The next question is from the line of Ramesh Mariyappa, individual investor. Please go ahead.

Ramesh Mariyappa: First thing is, great results for the quarter. I appreciate the team has been doing well. The question is more on minority shareholders in terms of dividend payouts. For an EPS of Rs. 20, we get a dividend of 1, how can you justify that? Is it not very low?

D.K. Maheshwari: Can you repeat, please?

Ramesh Mariyappa: So my question is on dividend payout, basically. Last year, for an EPS of Rs. 20, the dividend payout is Rs.1. Is it not low?

- T.R. Rao:** Mr. Mariyappa, though EPS is there around Rs 20, because we are more focused on the reinvestment of the profit again into the company, for both equity as well as capex and to some extent for purchase of capital equipment, so that in the long term, the valuation would be beneficial to all stakeholders.
- Ramesh Mariyappa:** Sorry, Sir, but see, for the last 4, 5 years, it has been the same, though the profits, revenues, everything almost doubled.
- D.K. Maheshwari:** Actually, if you will see our results, we are infusing profit either in the Capex or in the equity in the HAM projects. Even then we have maintained the dividend 25% as we were giving last 2, 3 years. Company requires the money for Capex as well as for infusion of equity in the HAM project. After monetizing of assets, when more cash will come, at that point of time, we will rethink and definitely recommend your case to our Board of Directors.
- Moderator:** Thank you. We will take the next question from the line of Jiten Rushi from Axis Capital. Please go ahead.
- Jiten Rushi:** Congratulations on a decent set of numbers. Sir, my question is related to the balance sheet numbers. If you can share the balance sheet numbers, like, debtors, creditors, inventories, mobilization advances, retention money and unbilled revenues.
- D.K. Maheshwari:** See mobilization advance taken from the client as on June 30 was Rs. 345 Crores. The remaining detail of creditors, debtors, we will give you off-line.
- Jiten Rushi:** And Sir, how much mobilization advances you are expecting to get in the next quarter, in Q2 or Q3? I mean fresh advance is expected or...
- D.K. Maheshwari:** In Q2, we are not expecting any mobilization advance, but in Q3 & Q4 we expect mobilization advance from NHAI on recently awarded 2 EPC projects and 5 HAM Projects
- Jiten Rushi:** So Purvanchal and Mumbai-Nagpur is all, there is no pending advances, right, Sir?
- D.K. Maheshwari:** In Mumbai-Nagpur, we have already taken. Purvanchal, we have taken only 5% because we are already having cash and bank balance,
- Jiten Rushi:** And Sir, toll collection numbers, can you give me project-wise toll collection, Kanpur-Kabrai, Gwalior-Bhind, Bareilly-Almora, Kanpur-Ayodhya, Ghaziabad-Aligarh and Narela?

- D.K. Maheshwari:** Yes. MP highway is Rs. 8.3 Crores, and Kanpur-Ayodhya is Rs. 72.3 Crores. Kanpur Highway is Rs. 19.6 Crores. Narela is Rs. 10.4 Crores. Bareilly Almora is Rs. 7.8 Crores, and Ghaziabad-Aligarh is Rs. 27.6 Crores.
- Jiten Rushi:** So as you said, Sir, the labor availability is around 80% to 90% and execution efficiency is around 70% level right now, am I right, Sir?
- T.R. Rao:** See, execution efficiency has declined due to the monsoon. Though labor availability is up to 90%, because of the monsoon, the progress is hampered.
- Jiten Rushi:** So we can assume safely that the execution is almost at 50% now compared to the pre-COVID levels?
- T.R. Rao:** Yes, around 50% to 60%.
- Jiten Rushi:** And Sir, one last question on tax rate. So what is the tax rate this year you are expecting? Because there were some balance MAT Credit remaining. So our tax rate for this quarter was almost 30% plus. So what is the run rate you are expecting going forward for this year and next year?
- D.K. Maheshwari:** In the first quarter, tax rate was 30.5%, and we are expecting between 31% to 34% in FY2021.
- Jiten Rushi:** And 2022, Sir?
- D.K. Maheshwari:** it will be around 34%- 35% in FY'22
- Jiten Rushi:** 34%. Okay. So Sir, MAT Credit is still remaining? How much is left, Sir?
- D.K. Maheshwari:** MAT Credit was Rs. 94 Crores as on 30th June, 20.
- Jiten Rushi:** That is it from my side and all the best I will come back in the queue, if I have any questions. Thank you.
- Moderator:** Thank you. The next question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.
- Mohit Kumar:** Sir, which of our HAM projects you expect to be achieved PCOD in this financial year? And do you expect any bonus accretion to us?

- T.R. Rao:** As you know, in the last financial year, we received COD for one of the HAM projects, namely Dausa-Lalsot in February. This financial year, we are expecting COD for 4 of the HAM projects.
- Mohit Kumar:** And what was, Sir, are we ahead of time? Are we on time? So can we expect any bonus?
- T.R. Rao:** See, all these projects, because of the COVID pandemic and other reasons, are slightly lagging. So we do not expect any bonus from these 4 projects, but, however, we will see whether we can take up the bonus issue with the NHAI, considering the justifiable extensions.
- Mohit Kumar:** Anything on the EPC side where we are ahead of?
- T.R. Rao:** EPC is not known as of now , but we are endeavoring both expressway project and the Purvanchal as well as Nagpur, we are endeavoring to complete substantially before end of the current financial year.
- Mohit Kumar:** And secondly, on HAM project, all the HAM projects are reaching closure. Are we in talks with the investors for exit? So what kind of timeline we are looking at?
- T.R. Rao:** Please come again?
- Mohit Kumar:** Sir, all these 3, 4 HAM projects, which are getting, which most likely will get completed in this financial year and one Dausa-Lalsot got achieved PCOD last year, are we in talks with investors for an exit in this project? And is there any timeline you are looking at for complete exit?
- T.R. Rao:** See, there is no timeline we decided, but definitely we are looking into getting an exit from these projects and if we will get right valuation.
- Mohit Kumar:** Understood Sir, thank you Sir.
- Moderator:** Thank you. The next question is from the line of Prem Khurana from Anand Rathi. Please go ahead.
- Prem Khurana:** Congratulations on good set of numbers. Sir, so two questions I have. So one was, did we extend any stopgaps loan into any of our operational assets this quarter? Because, I mean, the numbers that you gave in terms of toll collection seem on a lower side, I mean, when compared to last quarter. So I think last quarter of collection of BOT toll of Rs. 130 Crores, Rs. 140 Crores and there was some repayment we have invested. So are we required to support any of these entities in this quarter, especially Bareilly-Almora, it seems we have made some repayments during the quarter.

- D.K. Maheshwari:** In the first quarter, certainly, there was a lower collection, but in July and August, it has ramped up, and per day, collection, it has come to Rs. 11 lakhs per day as against the Rs. 9 lakhs or Rs. 8.5 lakhs in April and May in Bareilly project.
- Prem Khurana:** Sir, have you given any money either Bareilly or Ghaziabad-Aligarh?
- D.K. Maheshwari:** No, we have not given any money neither to Ghaziabad nor to Bareilly in this quarter, and we do not require to pay any more money to infuse in the Bareilly-Almora
- Prem Khurana:** Sir, Rs. 97 Crores of reduction is there largely in debt, we were sitting on some cash, which is how they have been able to meet this obligation? Or how have we been able to manage this Rs. 90-odd Crores of reduction in Bareilly-Almora this quarter?
- D.K. Maheshwari:** Actually, we had given the unsecured loan to Bareilly-Almora and in current year, through one of our subsidiaries, which is debt-free and there was surplus and , given the Rs.100 Crores to Bareilly-Almora, therefore the size of the debt has reduced and now Bareilly Almora is self-sustained for Debt Service.
- Prem Khurana:** Sure, and I think, Sir, last quarter you have said Ghaziabad-Aligarh some Rs. 25 Crores of requirement will be there on the higher side. So that number stays or that number would go on to change because of this COVID scenario now?
- D.K. Maheshwari:** In case if required we may have to infuse Rs. 20 Crores to Rs. 25 Crores till March'21 in Ghaziabad Aligarh project.
- Prem Khurana:** Thank you that is it from my side and all the best.
- Moderator:** Thank you. The next question is from the line of Vibhor Singhal from Phillip Capital. Please go ahead.
- Vibhor Singhal:** Sir, my question was on Purvanchal Expressway. We are reading this in the newspaper that the state government wants to complete this project basically next year by December and basically in time for the elections that are upcoming. So do you believe we should be able to complete that project? And do we expect any early completion bonus also in this?
- T.R. Rao:** Yes. In Purvanchal, we expect early completion bonus. The government wants at least operationalization of the main carriageway in the first quarter of next year, I would say, before March, and subsequently, finishing and other all balance works will be completed. So we expect early completion bonus from both of the packages.
- Vibhor Singhal:** Okay, but not a similar thing, I would say, in Mumbai-Nagpur, right? Or would it be possible there also?

- Yogesh Kumar Jain:** Yes, there also we would be completing ahead of schedule.
- Vibhor Singhal:** Great, Sir. Sure. Sir, just one last question. Sir, in this quarter, the interest expense basically came down from the last quarter, which was quite high. So previous quarter from Rs. 32 Crores came down to Rs. 25 Crores. So any reason for this coming down? And what can we expect as, let us say, the overall interest expense for the full year?
- D.K. Maheshwari:** Actually, mainly reduction only on account of the repayment of the mobilization advance of Nagpur-Bombay in this quarter because that advance got 12% interest. We have taken in the month of October
- Vibhor Singhal:** Okay. So this run rate will be there for the remaining part of the year?
- D.K. Maheshwari:** It should be around Rs.120 Crores in FY'21
- Vibhor Singhal:** Sure Sir. Thank you so much Sir, wish you all the best.
- Moderator:** Thank you. The next question is from the line of Alok Deora from Yes Securities. Please go ahead.
- Alok Deora:** Just a couple of questions. Sir, with the current order book which we have, so what is the order inflow we are looking at for this year? Because the execution is also sort of very tepid. So what is the order inflow target for this year and possibly next year?
- T.R. Rao:** This year, we are expecting total order inflow of around Rs. 7,000 Crores, meaning, thereby, Rs. 3,000 Crores orders we had already secured, so another Rs. 4,000 Crores order this year, and next year also, we are looking at the similar size, maybe Rs. 1,000 Crores, plus.
- Alok Deora:** And Sir, one more thing, the HAM projects which have been completed and which we might be looking to exit, so in that, the recent decline in the bank rate, so that would be impacting the valuation, right? If you can just elaborate on that?
- D.K. Maheshwari:** So we are talking in 2-3 structured manner. We are discussing on that way. So these interest rate, bank rate is temporary, maybe 6 months or 1 year, like that.
- Alok Deora:** Okay, but could that lead to some delay in the, getting a deal sort of executed had this not happened?
- T.R. Rao:** No, as of now, see, still we have 6 months' time to get the COD for these 4 projects. So we are watching it carefully and at the right time for the right valuation, we will take a call.

- Alok Deora:** Okay Sir, I think that is all from my side. Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Manish Goyal from Enam Holdings. Please go ahead.
- Manish Goyal:** Just taking forward from the previous question, like in current circumstances, like even for new HAM projects, what we have won, do you believe that banks would be willing to come and provide funding for the same because the challenge is, like, in terms of the negative carry which is happening due to lower interest rates?
- D.K. Maheshwari:** We do not have any problem in the recent awarded in 4 HAM projects. We have already tied up with the banks.
- Manish Goyal:** So at what rate do you think that, we should be able to get the loans at what rate, Sir?
- D.K. Maheshwari:** Discussions are going on. It has not been finalized. In principle, we got the sanction.
- Manish Goyal:** So because, like what we will hear is that still banks are not willing to offer loans below 9%, and on other side, the current bank rate is 4.25%, 4.5% and plus 3%, 7.5%. So I am just wondering that would it be feasible for us to take it forward.
- D.K. Maheshwari:** We will let you know the rate of interest as soon as we receive the final sanction from the banker, but it is not like that.
- T.R. Rao:** We do not foresee any major challenges in this regard.
- Moderator:** Thank you. The next question is from the line of Pankaj Kumar from Kotak Securities. Please go ahead.
- Pankaj Kumar:** Sir, this year, we are expecting around 10% kind of decline in the revenue. So any guidance for next year FY2022, based on low base of FY2021?
- T.R. Rao:** See, as of now, we are waiting, and we are closely watching how these socio-economic conditions would unfold given the pandemic and how the curve will get flattened. So at this point of time, it would be quite speculative to say anything on the guidance for the next year, but definitely, we should be able to tell at the end of third quarter what could be the possible scenario.
- Pankaj Kumar:** Okay. Okay, and Sir, any update on this Ganga Expressway, by when we can expect the bids and all?

- T.R. Rao:** There is no update because we do not know with the current pandemic situation how are the state government finances and will able support that. So as of now, there is no major development in that particular project and there will be any kind of significant development in the next 3 to 4 months in that project.
- Pankaj Kumar:** And lastly, Sir, from any other sector we are expecting projects, or we are looking at, say, earlier, we were looking at metro project or on the railway side or any other sector we are looking at in terms of project addition?
- T.R. Rao:** In water sector, we had submitted bids. This is a rural drinking water supply under central government's Jal Jeevan Mission, where government of India is providing 50% grant. We submitted 3 bids amounting to around Rs. 575 Crores aggregate value. This at is the sector we are currently looking at to enter into in a limited way ie rural water supply sector.
- Pankaj Kumar:** What would be the scope of that?
- T.R. Rao:** It is a water supply project. It is a combination of surface water as well as underground water. We have to take it from the source and functional tap connections to be given to rural population, rural households. It is a typical rural water supply project. We submitted our bids in the month of July. We are expecting the financial bids to be opened in the first week of September.
- Pankaj Kumar:** Okay. Related to this project, water?
- T.R. Rao:** Exactly. Correct.
- Pankaj Kumar:** Okay Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Priyankar Biswas from Nomura. Please go ahead.
- Priyankar Biswas:** So Sir, my question has been, so like you are saying that in case of this Purvanchal Expressway, there has been some slowdown in payments in the first quarter, but has these things normalized? Now that is, are the payments coming on time now? Or are we still facing issues?
- T.R. Rao:** Yes. Actually, what has happened in the first quarter, payments across the projects and across the project proponents because of these disruptions due to COVID and most of the offices were not functioning in the month of April and in the month of May also, so this payment and also other fundings getting delayed. We do not foresee any major delays in the payments in the coming months, but the clear picture will emerge only after 1 or 2 months.

- Priyankar Biswas:** Okay. So let us say, by end of September, you would be in a better position to comment on this, like, whether things have normalized on the payment front. So is that right?
- T.R. Rao:** Yes, you are right.
- Priyankar Biswas:** One more question is, Sir, like you submitted this bid for the Gwalior bypass. So are there any other potential NCLT assets that you are targeting or have submitted the bids?
- T.R. Rao:** As of now, we have not zeroed in on any particular asset, but this Gwalior only we submitted because we find that there is a synergy, it is a highway, it is Gwalior bypass highway project and it is conventional annuity. So as of now, we have not identified any other project.
- Priyankar Biswas:** Okay, and Sir, last question from me. You had highlighted that mobilization advances for Mumbai-Nagpur, which were very high interest-bearing, were repaid in the first quarter. So can you quantify that how much would this, repayment would have been? Because maybe that also explains a part of the working capital increase. So if you can just highlight. I mean how much the repayment has been of mobilization.
- D.K. Maheshwari:** Around Rs.94 Crores.
- Priyankar Biswas:** Okay Sir, that is all from my side.
- Moderator:** Thank you. The next question is from the line of Rachit Kamath from Anand Rathi Shares and Stockbrokers. Please go ahead.
- Rachit R. Kamath:** Congratulations on a good set performance during Q1. Sir, my first question is in regard to toll segmental revenues that you have reported in your consolidated entity. So last quarter, you had booked around Rs. 187 Crores, and this quarter, again, you have booked Rs. 187 Crores, but the thing is that in April, we had these 20 days lockdown and then you also had this, collections also down. So will you kindly throw some light on that?
- D.K. Maheshwari:** It is coincidence as the amount in segmental are same, i.e., Rs. 187 Crores,. Actually, accounts have been prepared based on the Ind AS. So with the impact of the HAM projects which are under construction. This is how we considered it.
- Rachit R. Kamath:** Sir, can you tell me, Maheshwari Sir has just cited that we have this Rs. 94 Crores of MAT credit, which will most likely be used up in FY2021 itself, but we still said that we will have a tax rate of around 34% for FY2022. So can you just throw some light on that also?
- D.K. Maheshwari:** Partly, it will be adjusted in the FY2021 and remaining will be adjusted in FY2022.

- Rachit R. Kamath:** So how much kind of adjustments do we envisage would be done in FY2021, Sir, of this Rs. 94 Crores?
- D.K. Maheshwari:** Around Rs. 70 Crores, we will utilize in this FY2021 out of 95 Crores.
- Rachit R. Kamath:** Sure, and Sir, one last question on bookkeeping with Dausa-Lalsot, what is the income booked, consolidated entities?
- D.K. Maheshwari:** Which project?
- Rachit R. Kamath:** Dausa-Lalsot.
- D.K. Maheshwari:** I will let you know off-line.
- Rachit R. Kamath:** Sure Sir. Thanks a lot for this opportunity and best of luck for the next quarter.
- Moderator:** Thank you. The next question is from the line of Jiten Rushi from Axis Capital. Please go ahead.
- Jiten Rushi:** Sir, Aligarh-Moradabad, we are supposed to receive some bonus. So what is the status of that, Sir, that Rs. 14 Crores-odd you are supposed to receive?
- T.R. Rao:** We are expecting, it will take 2 months more.
- Jiten Rushi:** In Q3, we can receive, sir?
- Yogesh Kumar Jain:** We are expecting.
- Jiten Rushi:** So we are going to receive with interest or without interest? Because this is pending for quite some time.
- T.R. Rao:** No, NHAI does not normally pay interest.
- Jiten Rushi:** And Sir, any arbitration, ongoing arbitration, can you highlight on the same and the Capex guidance for full year?
- D.K. Maheshwari:** Capex guidance, in this year, we are expecting around Rs. 120 Crores to Rs. 125 Crores because after receiving 2 EPC projects in Gujarat, we have changed our guidance from Rs. 75 Crores to. Around Rs. 120 - Rs. 125 Crores.
- Jiten Rushi:** Nice, Sir, and arbitration, ongoing arbitration updates?

- T.R. Rao:** See, as of now, it is very uncertain. So we do not expect any arbitration awards realized in the current financial year
- Jiten Rushi:** What are the ongoing arbitrations? Just can you highlight that. Like, obviously, no award expected, but...
- T.R. Rao:** We will share you off-line, as these are not readily available. We will share you off-line.
- Jiten Rushi:** Fair enough, Sir, unutilized fund limit and nonfunded limit, can you give us the percentage? Obviously, the presentation mentions the limits in terms of value, but what is the unutilized portion of that?
- D.K. Maheshwari:** We are having the sanction of Rs. 1,000 Crores in fund-based category, and utilization is NIL as on date.
- Jiten Rushi:** And non-fund based, Sir?
- D.K. Maheshwari:** Non-fund-based, utilization is around 55% -60%.
- Moderator:** Thank you. The next question is from the line of Mayank Goel from SBICAP Securities. Please go ahead.
- Mayank Goel:** Sir, I had just 2 questions. First one, Sir, we are to privy to the remedies and extension that NHAI has been providing to deal COVID, but since you are also working with 2 major states, what kind of support these state authorities are giving? Are they also mirroring the relief which NHAI is providing some blanket extensions? Or is it something different?
- T.R. Rao:** Sir, they are not exactly mirroring, but in case of Schedule G, like payments, weightages etc , in Purvanchal, they substantially relaxed. So we are getting payments for the work done irrespective of the minimum length and other requirements. With regard to extension they have not given any extension as of now because these projects are going as per the schedule till now, and they expect these projects would be completed before the scheduled date. So it is not exact mirroring by the state governments, but they are also considering some of the reliefs what government of India is giving.
- Mayank Goel:** Okay. So if we have to apply for some extension in these projects, will it be project and package-wise or they might come up with a blanket extension for all the packages in Purvanchal or all the packages of Mumbai-Nagpur?
- T.R. Rao:** No, no, it may be on a case-to-case basis, or a project-to-project basis, they are not taking any policy decision in this regard.

- Mayank Goel:** Okay and Sir, secondly, so the ordering in the first half has been slightly better compared to previous year, but again, we have seen competition increasing in not just in EPC, but also in HAM. I think in this year, all the HAMs which were awarded saw the highest competition ever. So though we are open to both EPC and HAM, will we wait for some time till these small one-timer companies get their share? Or will we continue bidding? And does this also mean that maybe we might resort to 1 or 2 BOT projects also, which NHAI may award in coming time. So, if they do so?
- T.R. Rao:** Here our focus will continue to be on EPC slightly more than HAM because we had won 4 major HAM projects recently. Yes, there is a very fierce competition in the EPC segment, but we would be focusing on a larger project sizes, where competition would be less, and also, we will wait. We always look for a right project at a right time at a right price. So we just wait for the expansion of order book also for the right opportunity to bid.
- Yogesh Kumar Jain:** So we are not in a hurry.
- Yogesh Kumar Jain:** We have sufficient order book for 2-3 years.
- Mayank Goel:** Okay, and Sir, in regard to BOT because, I am asking this because, if I am not wrong, I think we had participated in the 2 Bengal BOTs. So are you planning to get 1 or 2 BOT on board which NHAI nodded?
- T.R. Rao:** Those BOTs, NHAI has canceled, both the BOT projects are in West Bengal, NHAI has cancelled those bids, and NHAI has not come back on those bids.
- Yogesh Kumar Jain:** And is planning to come on HAM also.
- T.R. Rao:** Yes, they may convert them into HAM also, we do not know. Still we will wait and watch what kind of projects are coming on BOT Toll model.
- Mayank Goel:** Okay Sir that is it from my side and all the best for future.
- Moderator:** Thank you. The next question is from the line of Shravan Shah from Dolat Capital Markets. Please go ahead.
- Shravan Shah:** Sir, a couple of clarifications. Sir, in terms of the tax rate, last time we have talked about, we will be moving to a new tax rate in FY2022, but now we are seeing some portion, Rs. 60 Crores to Rs. 70 Crores MAT of 95 Crores we will be utilizing and remaining in 2022, and that is what we are expecting a 34% tax rate in FY2022. Just a further clarification, this is what we are expecting? Or it can be lower than 34% tax rate in FY2022?

- D.K. Maheshwari:** See, earlier, we were expecting that there will be growth in the turnover of FY2020. Because of a lower turnover, we cannot utilize the entire MAT Credit in the book. So, partly, we have to utilize in the FY2022.. In case if turnover increase, certainly, we will utilize this MAT Credit in FY2021 only.
- Shravan Shah:** Okay. and secondly, Sir, we are expecting a bonus, early completion bonus on Purvanchal and Mumbai-Nagpur. This would be in the range of 3% or 5%?
- T.R. Rao:** It will depend upon the number of days. Ahead of the schedule we will complete because the percentage is 0.4% per each day. So let us see. It can go up to 5% and 6% also, but we have to see then when we will be able to achieve the CODs, provisional as well as final COD.
- Shravan Shah:** Okay. and Sir, Jhansi-Khajuraho, outstanding order book, you said Rs. 216 Crores or, I just wanted the number again because it seems the execution is sizable compared to last time. The outstanding order book was 470 Crores. So just trying to get the number once again.
- D.K. Maheshwari:** Jhansi-Khajuraho Package I is Rs. 416 Crores remaining; and Package II, Rs. 312 Crores is remaining as on June 30.
- Moderator:** Thank you. The next question is from the line of Faisal Hawa from HG Hawa & Company. Please go ahead.
- Faisal Hawa:** Congratulations for a very good set of numbers even under the distressing circumstances. My question is that do we see any kind of competitive intensity decreasing in the coming years due to a lot of companies not being able to tie up finance, etc., in the HAM regime?
- And my second question is, even though government announced almost, like, a Rs. 20 lakh Crore package for various industries and concession, there was absolutely no mention of any kind of road projects being given extra or road ministry being given some kind of a headway, even despite the fact that the Road Minister, Mr. Nitin Gadkari, is one of the best-performing ministers of this government. So do you feel that roads will continue to get impetus during the balance tenure of this government?
- T.R. Rao:** Yes. Certainly, the road sector will get preference over other sectors, even in the national infrastructure pipeline also, what we are talking about Rs 111 lakh Crores. 20% of outlay has been identified for the road sector projects in the next 5 years. Definitely, road sector will be the focus sector for the government because it creates large-scale employment and also it will have a trickle-down effect on the socio-economic development.

But with regard to the reliefs announced under the Atmanirbhar Abhiyaan, some reliefs are given, like, release of retention money, granting of extension of time and other things, there is no direct kind financial support, but definitely, we expect the government will support the infrastructure and particularly in the highway sector going forward.

Faisal Hawa: Sir, about my question on the competitive intensity decreasing. Do you see any competitive intensity decreasing due to a few players having balance sheet problems?

T.R. Rao: May be, competitiveness may be decreased in case of a fund-based projects like HAM because funding needs to be tied up, and they should have a good financial credibility. We do not foresee a sharp decrease in the competitive environment of the EPC projects, particularly in small and medium size projects. Definitely, in fund-based projects, the competitiveness could get depleted down the line.

Faisal Hawa: And Sir, cement as well as steel prices are rising. Do you see problems on that account in the future?

T.R. Rao: No. Again, see, it is a supply-demand kind of a scenario. With lockdown, most of these units have been closed. So there is a pent-up demand, and there is slight supply/demand mismatch, demand being higher. We do not see in the long term the prices rise would be there. We expect the prices will get stabilized maybe after 2, 3 months, once complete normalization of the effects.

Yogesh Kumar Jain: We will get price escalation in our EPC, HAM, both projects.

T.R. Rao: Yes, in HAM, we will get the price indentation, and in EPC, we will get the price variation in case there is any sharp increase in prices of these commodities.

Moderator: Thank you. Ladies and gentlemen, due to time constraint, we will take that as the last question. I now hand the conference over to Mr. Yogesh Kumar Jain for closing comments.

Yogesh Kumar 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 the Strategic Growth Advisors, our Investor Relations advisers, or feel free to get in touch with us. Thank you very much for participation. I urge you all to stay safe and make others safe. Thank you.

Moderator: Thank you. On behalf of Emkay Global Financial Services, that concludes this conference. Thank you for joining us. You may now disconnect your lines.