

“PNC Infratech Limited Q1 FY18 Results Conference Call”

August 17, 2017

MANAGEMENT: **MR. YOGESH JAIN – MANAGING DIRECTOR, PNC INFRATECH LIMITED**
MR. D. K. MAHESHWARI – ASSISTANT VICE PRESIDENT (FINANCE), PNC INFRATECH LIMITED

MODERATOR: **ASHISH SHAH – IDFC SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to the PNC Infratech Limited Q1 FY18 Results Conference Call hosted by IDFC Securities. 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. Ashish Shah from IDFC Securities. Thank you, and over to you, sir.

Ashish Shah: Yes, good afternoon. I welcome everybody for the Q1 FY18 earnings conference call for PNC Infratech Limited. From the management we have Mr. Yogesh Jain the Managing Director and Mr. D. K. Maheshwari the Assistant Vice President (Finance).

I will hand over the call to Mr. Yogesh Jain for the initial remarks and then we can proceed with the Q&A. Over to you, sir.

Yogesh Jain: Good afternoon friends, we welcome you all to participate in our Earnings Conference call to discuss on our performance for the quarter ended June 30, 2017. Along with me I have Mr. D. K. Maheshwari - Assistant Vice President (Finance) and Strategic Growth Advisors, our Investor Relations Advisors.

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

Recently, the Government has announced an investment of nearly Rs. 6.9 Lakh crores in highway sector in next five years. The share of private sector investment is estimated to be about Rs. 1.06 lakh crores and funds through monetization of projects under TOT model is expected to be about Rs.34,000 crores. The Government also envisages to increase the existing National Highway network of 1.15 lakh kms to 2 lakh kms in the country. Recently, MoRTH has approved "In-principle" declaration of approximately 51,300 Kms of State Highways as New National Highways subject to the outcome of Detailed Project Reports. The Government has set an ambitious target of awarding Rs. 5.0 lakh crore worth of highway contracts, totaling about 50,000 km, in the next two years, surpassing the cumulative road length awarded in the last five years. This shows bountiful opportunities in the Road Sector.

On the Roads Construction side, the pace of construction has picked up in Q1 FY18, with average of 25.21 Kms per day compared to 22.55 Kms per day in FY17. For the current year, the Government has set a target of completing 15,000 km Roads which is at same level with FY 2017. The Government under the Pradhan Mantri Gram Sadak Yojana aims to construct 57,000 km with an average of completing 156 km per day in FY18 against 130 km per day during FY17.

Q1FY18 project awarding has been minimal due to stricter land acquisition and utility shifting norms for new project awards. The awarding process by NHAI has slowed down when compared with earlier period. Unlike in the past, MoRTH or NHAI do not award any highway project now unless 90% of the land is available. About 43 Hybrid Annuity (HAM) projects were awarded during FY 2017 of which 22 projects have achieved financial closure. More focus has been made on awarding HAM projects, while significant reduction has been seen for

awarding BOT-Toll projects. In FY 2017, NHAI awarded around 56% of the projects under HAM, around 35% under EPC and around 10% on BOT-Toll.

To fund the projects NHAI had recently raised Rs. 3,000 crore by selling the rupee-denominated Masala Bonds and sold 30 year bonds worth approximately Rs. 5000 crore to LIC. Government is actively considering for leasing out projects to private operators to attract investments and free up funds to step up public investment in green-field projects. Toll-Operate-Transfer (TOT) Model, a new Model developed by MORTH will give right for collection of Toll Fees for operational public funded NH projects to concessionaires against upfront payment of a lump-sum amount for a pre-determined concession period ranging from 15 to 30 years. So far, 75 National Highways projects have been identified under this Model.

The NHAI initiative to set up expert panels for resolving disputes with contractors will also provide a quick way out for pending claims and early settlement of all disputes.

Now moving on to company and recent updates

Our core expertise is highway construction & development. We have executed a total of 59 major Infrastructures projects across 13 States till date which shows testimony of company's expertise in construction & development of highways pan India and we are currently executing 17 projects on EPC basis. The company has a strong foothold in the Northern region due to robust set-up of project execution infrastructure. We have a diversified clientele with a mix of Central & State Government agencies like NHAI, MORTH, UPEIDA, MES, State Public Works Departments etc.

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

Moving on to our BOT Projects

We currently we have a mix of BOT portfolio which has 4 Toll Projects, 2 Annuity Projects, 4 Hybrid Annuity Model projects and 1 project on OMT basis. As a risk mitigation and diversification strategy, we have a mix of Toll, Annuity & HAM Projects and majority of the BOT projects have 'Grant Component' which makes the execution and operation of these projects financially viable and sustainable.

Of the total 11 projects in our portfolio, 7 are fully operational projects, 1 project is under construction and balance 3 are in project-development stage. The project which is under construction is our first HAM project that we won in FY17. In addition to that, we have been awarded another 3 HAM projects in the last quarter of the previous financial year and we have already executed agreements for these projects and are currently working on achieving the Financial Closure of these 3 HAM projects. In total, we have been awarded a total of 4 HAM totaling to over Rs. 5,000 crore bid project cost.

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

The revenue from the BOT portfolio is currently as per our expectation and is sufficient to meet the financial obligations of the projects on their own.

Now moving on to our order book

The order book in terms of contracts pending execution was over Rs. 5,000 crores as on June 30, 2017.

We have been awarded 4 HAM projects during the last financial year, of which 1 is under construction and balance 3 are under process to achieve financial closure. We expect to achieve the financial closure for these projects well within the stipulated timeframe of 150 days.

The details of 4 HAM projects with an aggregate bid project cost of Rs. 5,035 crores are as follows:

- 2 laning with paved shoulders of Dausa-Lalsot-Kauthun section of NH-11 A (Extension) in the state of Rajasthan under NHDP IV with a bid project cost of Rs. 881 crores
- 6 laning Chitradurga - Davanagere including Chitradurga bypass, design chainage km 0.000 to km 20.700 and Km 208.000 to km 260.000 of NH 48 (Old NH-4) in the state of Karnataka under NHDP V with a bid project cost of Rs. 1,434 crores
- 4 laning Jhansi-Khajuraho section of NH 75/76 (Package I) from km 0.00 to km 76.30 in the states of UP & MP under NHDP III with a bid projects cost of Rs. 1,410 crores
- 4 laning Jhansi-Khajuraho section of NH 75/76 (Package II) from km 76.30 to km 161.70 in the states of UP & MP under NHDP III with a bid project cost of Rs. 1,310 crores

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

Order book as on June 30, 2017, does not include the following 3 HAM projects for an aggregate Bid Project Cost of Rs. 4,154 crores where the company has been issued Letter of Awards in March 2017 and agreements have been signed in Q1

- Chitradurga-Davanagere highway project in the state of Karnataka
- Jhansi-Khajuraho highway project (Package I) in the states of UP & MP
- Jhansi-Khajuraho highway project (Package II) in the states of UP & MP

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

Now I would now present the results for the period quarter ended June 30, 2017.

Standalone Quarterly Result

Revenue of 1ST Quarter of FY18 is Rs. 357 crore which is lower by 31% compared to 1ST Quarter of FY17 but it is almost similar as Q4 FY17.

EBITDA of 1ST Quarter of FY18 is Rs. 52 crore which is lower by 23% compared to 1ST Quarter of FY17 but higher by 10% as compared of Q4 FY17.

EBITDA margin for 1ST Quarter of FY18 is 14.6% which is higher by 160 basis points compared to 1ST Quarter of FY17.

Profit of 1ST Quarter of FY18 is Rs. 30 crore which is lower by 53% compared to 1ST Quarter of FY17 mainly due to lower revenue and other income.

Cash profit of 1ST Quarter of FY18 is Rs. 47 crore which is lower by 38% compared to 1ST Quarter of FY17.

On the balance sheet side

On stand-alone basis our net-worth is Rs. 1,602 crores. Total debt of the company on a standalone basis is Rs. 170 crores which includes Rs. 79 crores for working capital and remaining Rs. 91 crores for equipment finance. We have total cash on standalone basis of Rs. 32 crores as on June 30, 2017. Net debt to net-worth on standalone basis comes at 0.09 times.

With this, we now open the floor for Q&A

Moderator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. We'll take the first question from the line of Parkishit Kandpal from HDFC Securities. Please go ahead.

ParkishitKandpal: Sir, what is the land acquisition status of the 3 HAM projects which are under the financial closure right now?

Yogesh Jain: In Chitradurga-Davanagere, of total 73 kms package, 53 kilometers land is available and for Chitradurga bypass, it is under process and expecting that more than 80% land will be available by October 2017. So we are expecting appointed date by November, financial closure will also be achieved in time.

ParkishitKandpal: Okay, and Jhansi Packages?

Yogesh Jain: Jhansi-Khajuraho, in Package-I, almost 50% land is available and we are expecting that 80% of the land will be available by 15 th of November. In Package-II, 3G stage is completed, and we are expecting 80% of the land will be available by October. So, we expect we will take appointed date by 15th of November.

ParkishitKandpal: Okay. And as you said in the opening remarks that until and unless the 90% land is available, the appointed date will not be issued by the NHAI?

Yogesh Jain: In HAM project, if 80% of land is available then NHAI issues appointed date.

Parkishit Kandpal: When we'll be able to do financial closure of these 3 HAM projects ? Is it likely to happen within this month or like what is the status on financial closure for these three projects?

D. K. Maheshwari: We have already received the sanction of two projects, Chitradurga–Davanagere and Jhansi-Khajuraho (Package-I) for which documents are under execution, and the third project, Jhansi-

Khajuraho (Package-II) we are expecting by third week of this month. So, we are expecting that by September we will get the final sanction of all the three HAM projects.

Parkishit Kandpal: Ok and the work of all 3 HAM projects will start from 3rd quarter, like December?

Yogesh Jain: Yes. Definitely.

Parkishit Kandpal: Okay. And this Nagina-Kashipur and Bhojpur-Buxar, so, any update on that like are we on track to start the work by October? What is the land acquisition status of these two EPC projects?

Yogesh Jain: Yes. We are expecting appointed date of Nagina-Kashipur by October. Actually, out of 98 kms in Nagina-Kashipur, 58 kms falls in UP and 40 kms falls in Uttarakhand. As on date, out of 58 kms in UP, about 30 kms land is already acquired and balance land is also expected to be acquired by end of September. And in Uttarakhand out of 40 kms, 10 kms is available. So, by October, we hope 70% land will be available for construction. We will take appointed date in October. And it is expected that balance land of 30 kms will be available in Uttarakhand by November. So, we will start the work by October in this package.

Parkishit Kandpal: And Bhojpur-Buxar?

Yogesh Jain: In Bhojpur-Buxar, the good news is that, with the formation of NDA government in the Bihar, thrust on land acquisition has increased. Distribution of compensation is in progress, but only 30% land is available, so we are expecting 50% land and structure will be available by end of October. We are expecting appointed date by December, in this package with 70% available land.

Parkishit Kandpal: Ok so it will not impact anyways the cost estimates or assumptions

Yogesh Jain: No, since there is a escalation clause in this project.

Parkishit Kandpal: So, by last quarter all the projects will be contributing revenues, all the HAM projects and both these two EPC projects?

Yogesh Jain: Yes.

Parkishit Kandpal: And sir, lastly any new order inflow during this quarter?

Yogesh Jain: Not till now.

D. K. Maheshwari: Although, we have submitted Chakeri-Allahabad HAM project bid, the bid evaluation is in progress.

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

- Shravan Shah:** Yes. Sir, just wanted to reconfirm our guidance of Revenue, EBITDA margin and CAPEX for FY18 and for FY19?
- D. K. Maheshwari:** Revenue, there will be growth about 25% to 30% as compared to FY17
- Shravan Shah:** And for FY19?
- D. K. Maheshwari:** FY19, growth should be around 25%.
- Shravan Shah:** Okay. And margin and CAPEX?
- D. K. Maheshwari:** EBITDA margin should be in the range of 13.0% to 13.5%.
- Shravan Shah:** Okay, and sir CAPEX?
- D. K. Maheshwari:** CAPEX in this year, it should be around Rs. 80-100 crores.
- Shravan Shah:** And next year?
- D. K. Maheshwari:** Next year, should not be much, and it will be in the range of Rs. 20-25 crores. Because in two years, FY17 & FY18, we have already done with capex. So, there will not be much requirement in FY19, as well as in FY20.
- Shravan Shah:** Okay. And in first quarter, what was CAPEX?
- D. K. Maheshwari:** It was around Rs. 23 crores.
- Shravan Shah:** And sir, inflow, last time we said apart from this HAM, which are already there, we were expecting around Rs. 4,000 to 5,000 crores order inflow in FY18. Are we maintaining the same?
- Yogesh Jain:** Yes, we are expecting the same.
- D. K. Maheshwari:** But it will be in the second half.
- Shravan Shah:** Yes, true sir. And sir, I needed some data points, wanted to know outstanding order book of Etah, Kasganj, Lucknow Airport, Nanau-Dodon?
- D. K. Maheshwari:** Agra-Lucknow is only Rs. 53 crores. Nanau-Dodon is yet to start in this second quarter, it is Rs. 120 crores.
- Shravan Shah:** Okay. And Lucknow Airport?
- D. K. Maheshwari:** It is Rs. 137 crore for Chakeri Airport and Bakshi Ka Talab is Rs. 128 crore.

- Shravan Shah:** Okay. And sir, Sonauli-Gorakhpur is it over or still 20 crore, 30 crore is remaining?
- D. K. Maheshwari:** The project is almost completed, work remaining as on 30th June was Rs. 25 crore.
- Shravan Shah:** Okay, sir. Are we going to get bonus of Agra-Lucknow Rs.96 crore during second half?
- D. K. Maheshwari:** We are expecting.
- Moderator:** Thank you. The next question is from the line of Ankit Fitkariwala from Jefferies. Please go ahead.
- Ankit Fitkariwala:** Just wanted to understand on the four toll projects that you have, what was the toll collection in this quarter versus last year same quarter, and if there has been any tariff hikes that has impacted that?
- D. K. Maheshwari:** You want total collection or project wise?
- Ankit Fitkariwala:** No, project wise collection?
- D. K. Maheshwari:** Yes. So you want to compare with the Q1 FY17 or Q4 FY17?
- Ankit Fitkariwala:** Q1 FY17?
- D. K. Maheshwari:** There are two points in the toll revenue, one is the normal collection and one is collection from overloading. In totality, there is a reduction because there is a lot of impact of overloading restriction in UP. MP Highways, it was Rs. 10 crores last year as against this, it is Rs. 9.76 crore, , in Kanpur-Ayodhya from Rs. 59 crores to Rs. 66 crores, it has increased by 10.5%. I am talking without considering the overloading. In Kanpur Highway, it has increased from Rs. 12.63 crore to Rs. 17.66 crore, higher by 40% and Bareilly Nainital has increased from Rs. 8.7 crore to Rs. 10 crores, it is higher by 25%. There is impact on the overloading, so in overall, in totality there is a reduction in the toll revenue as compared to April-June '16 versus April-June '17, it was Rs. 120 crores as against this year it is Rs. 113 crores.
- Ankit Fitkariwala:** And sir, is there any impact in the toll numbers that you have given without the overloading. Is there any impact of toll hike so you must have seen toll hike once in a year for these projects, right, so was it like 1st April these projects see toll hike, when is the date and what was the hike?
- D. K. Maheshwari:** Date is 1st April in the toll projects.
- Yogesh Jain:** Toll hike was 3% to 5% across all the four toll projects.
- Ankit Fitkariwala:** Got it, sir. And so this overloading, whatever is the impact will keep continuing, right, because as we understand it has now become quite stringent there. So this component will anyways keep coming down, right?

- D. K. Maheshwari:** See number of vehicles started to increase now in this quarter, and our normal collection has increased due to the increase in the number of the vehicles.
- Moderator:** Thank you. The next question is from the line of Anoop Agrawal from Cogencis. Please go ahead.
- Anoop Agrawal:** I just wanted to know which are the major projects that you are bidding for in this financial year? And is the Mumbai-Goa one of the projects that you may consider bidding?
- Yogesh Jain:** Currently, we are working on seven highway projects, including five HAM projects, that is Bangalore Nidaghatta-Mysore Expressway, six-lane road in Gurugram, and three KSHIP projects in Karnataka, total Rs. 9,000 crores, and two project of EPC that is Dasna-Meerut and Lucknow Ring Road. The total cost is around Rs. 1,500 crores, for which bidding is expected during the next two months.
- Anoop Agrawal:** That's Rs. 9,000 crores plus Rs. 1,500 crores?
- Yogesh Jain:** Yes; we have also already been prequalified for 11 bid packages for Nagpur-Mumbai Super Communication Expressway with an aggregate estimated cost of Rs. 17,000 crore, so we are expecting bidding for Nagpur-Mumbai expressway in next quarter.
- Moderator:** Thank you. The next question is from the line of Vibhor Singhal from Phillip Capital. Please go ahead.
- Vibhor Singhal:** Sir, I just wanted the toll collection numbers for all the projects, it including the overloading and everything impacts, so what was the total toll collection for all the projects, could you please give those numbers?
- Yogesh Jain:** MP Highways is Rs. 15.35 crores, Kanpur-Ayodhya is about Rs. 67.12 crores, Kanpur Highway is Rs. 19.10 crores, and Bareilly-Almora is Rs. 11.03 crores.
- Vibhor Singhal:** And sir, Ghaziabad and Raebareli projects?
- D. K. Maheshwari:** Raebareli-Jaunpur is an annuity project, it is a fixed annuity of Rs. 32.16 crores quarterly.
- Vibhor Singhal:** And Ghaziabad-Aligarh, sir?
- D. K. Maheshwari:** It was Rs. 48 crores.
- Vibhor Singhal:** Rs. 48 crores?
- D. K. Maheshwari:** Right.
- Vibhor Singhal:** So, if I were to let's say calculate on a daily collection basis, I think...

- D. K. Maheshwari:** About Rs. 2.24 crores including annuity.
- Vibhor Singhal:** No, sir, I'm looking at Ghaziabad-Aligarh itself, so Ghaziabad-Aligarh, you said Rs. 48 crores for the full quarter, right?
- D. K. Maheshwari:** Right.
- Vibhor Singhal:** So that's basically around Rs. 52 lakhs per day?
- Yogesh Jain:** Rs. 54 lakhs per day.
- Vibhor Singhal:** So, I think this is significantly higher than the last quarter. So any specific reason that we saw this jump??
- D. K. Maheshwari:** It is normal collection.
- Vibhor Singhal:** Okay. And in this we have already received the 100% COD, right?
- D. K. Maheshwari:** Yes, in all the projects.
- Vibhor Singhal:** And the overloading charges are also implemented?
- Yogesh Jain:** Yes.
- D. K. Maheshwari:** Except Ghaziabad-Aligarh, we have received the COD in all the projects.
- Vibhor Singhal:** So, In Ghaziabad-Aligarh 100% COD is still awaited?
- Yogesh Jain:** Yes.
- D. K. Maheshwari:** Only for three kms it is awaited.
- Vibhor Singhal:** Right. Because last quarter I think we got the remaining part of it, right, okay. So I mean from here on I think the toll collection numbers will be more like the normalized traffic and tariff growth that we are expecting, right?
- D. K. Maheshwari:** Yes.
- Vibhor Singhal:** Fair enough. And sir, Narela Industry, sir, what was the collection number in this quarter?
- D. K. Maheshwari:** Around Rs. 10 crores includes Annuity.
- Vibhor Singhal:** Of course, sir, this includes the annuity. Great, sir. Also, sir my next question is on the EPC front, so we were looking at around 25% to 30% kind of a top line growth is what you are guiding for. So now assuming that the next quarter is anyways a monsoon impacted quarter

and considering that over and above what the project that we executed in this quarter, we only probably would have your basically Koilwar project, which would probably be adding to the execution. I'm assuming in next quarter also, we would probably end up around Rs. 350 crores to Rs. 400 crores of top line only. Now would that mean that the next two quarters, would probably go up to around, let's say Rs. 600 crores or Rs. 700 crores for us to be able to reach that kind of a top line number. So, do we feel comfortable in doing that especially, assuming, given the fact that most of the HAM projects and the other Bihar project, the appointed date will only come by October or November, so the real contribution to revenue will happen only in the last quarter?

D. K. Maheshwari: Yes. We will achieve comfortably. Actually, in 3rd quarter all the projects will start and in the fourth quarter all projects will be in full swing. So we are expecting, we can achieve 25% to 30% growth as compared to FY17.

Vibhor Singhal: Okay. And our margins will probably be in the same range of 13% - 13.5% right?

D. K. Maheshwari: Yes.

Vibhor Singhal: Fair enough, And sir, apart from this, so just lastly on the outlook perspective in terms of bidding activity, I know, we are definitely keeping road segment as our core focus, any plans to foray into any other segments, I mean, I know we've submitted bids for airport projects also, but any other segments that we're looking at either maybe metros, in terms of overhead metro or any other projects, irrigation or any other sector, no?

Yogesh Jain: No. Not till now.

Vibhor Singhal: Not till now. So we're focusing only on the roads and to some extent maybe airport projects?

Yogesh Jain: We are focusing only on the roads and bridges and runways.

Moderator: Thank you. The next question is from the line of Jatin Nayak from ICICI Prudential Mutual Fund. Please go ahead.

Jatin Nayak: Sir, my question was, if you could give us the project wise breakup of the revenue guidance for FY18, that will help?

D. K. Maheshwari: That we will provide you separately.

Moderator: Thank you. We'll take the next question from the line of Amber Singhania from Asian Market Securities. Please go ahead.

Amber Singhania: Just a follow up question on the previous participant. You're mentioning around 25% to 30% growth in FY18 and further 25% in FY19. Now if I just extrapolate the same, you'll be doing around Rs. 2,100 crores in FY18 and most of the projects are going to start execution in FY19

onwards. So, at an order book of Rs. 9,000 crore plus just Rs. 2,600 crores of revenue in FY19, isn't it too conservative on that part, sir?

Yogesh Jain: Yes, you can say.

Amber Singhania: So, I mean, that looks to be too conservative

Amber Singhania: Okay. And secondly sir, just sorry to again push the same question. FY18 second half, are you fully confident of achieving the 2,100 crores of top line for the full year assuming you do only Rs. 700 crores in the first half. Would that be possible in that case?

D. K. Maheshwari: Yes.

Yogesh Jain: Yes.

Amber Singhania: Okay. Just one more thing, sir. What is the current unexecuted portion of Dausa-Lalsot Hybrid Model? Have you started execution in that?

D. K. Maheshwari: Yes. Rs. 90 crores, we have already executed up to June as against the EPC of Rs. 745 crore.

Yogesh Jain: So current unexecuted portion of Dausa Lasot Project is Almost Rs. 650 crores.

Amber Singhania: So Rs. 745 crores was the EPC on that Rs. 90 crores we have executed, right?

Yogesh Jain: Correct.

Amber Singhania: And just one more sir. How much is the collection in the Raebareli-Jaunpur Highway?

D. K. Maheshwari: It is an annuity project, we have a fixed amount of Rs. 34.3 crores per quarter.

Moderator: Thank you. We'll take the next question from the line of Alok Deora from IIFL. Please go ahead.

Alok Deora: Just a couple of questions. One was on the bidding pipeline, as we understand there has been a slowdown in the awarding activity during the first quarter and even till now not many tenders have been floated. So, what is the pipeline looking like? And are you now focusing more towards the HAM model side or it would be split between EPC and HAM side?

Yogesh Jain: We are expecting bids , 50% - 50% from HAM and EPC.

Alok Deora: But what is the pipeline like, I mean, how many projects we have bid in terms of value?

- Yogesh Jain:** We have recently submitted bid for 6-laning of Chakeri-Allahabad that is about 145 kms and costing around Rs. 1,500 crores, it is under process. Financial bid is already submitted and we are also pre-qualified for Nagpur-Mumbai Expressway and we are also working on seven highway projects, including five projects on HAM; these five projects are , Bangalore-Mysore Expressway, KSHIP's three projects in Karnataka state and two projects on EPC, Dasna-Meerut and Lucknow Ring Road.
- Alok Deora:** So, sir, assuming we get a good chunk out of this, so our order book say might move towards more than Rs. 10,000 crores. So, would we be comfortable in executing that kind of, I mean, would we then slow down on the bidding part or how much more orders we can take with the current execution of bandwidth?
- D. K. Maheshwari:** We are expecting around Rs. 4,000 to 5,000 crores new orders in this financial year.
- Yogesh Jain:** That's new orders of about Rs. 4,000 to 5,000 crore. Once we get these projects, we will review the position, so what should be our bidding strategy for the next financial year.
- Alok Deora:** Just one last question, we are not like L1 in anyone of the projects right at the moment?
- Yogesh Jain:** No. We are not L1 in any of the projects.
- Moderator:** Thank you. The next question is from the line of Parvez Akhtar from Edelweiss. Please go ahead.
- Parvez Akhtar Qazi:** Just wanted to check what was the equity that we infused in our BOT projects this quarter and including that what has been the total equity infused till date?
- D. K. Maheshwari:** Total equity in this quarter, we have infused Rs. 5 crores only in the Dausa-Lalsot, and total equity infusion on June 30 is Rs. 468 crores.
- Parvez Akhtar Qazi:** Okay. And if you could help us with the year-wise equity required for the next 2-3 years?
- D. K. Maheshwari:** We will share separately.
- Parvez Akhtar Qazi:** Yes, okay. But as a ballpark number I mean, what is the kind of number that we need, about Rs. 350 odd crores?
- D. K. Maheshwari:** Actually in the 4 HAM projects, we require the equity around of Rs. 400 crores, which we will infuse in the FY18, '19 and '20.
- Moderator:** Thank you. The next question is from the line of Prem Khurana from Anand Rathi. Please go ahead.

- Prem Khurana:** Sir we bid for, say, composite railway order in JV with Kalindee Rail, so what's the status there and any more opportunities that you are looking in the railway segment?
- Yogesh Jain :** That still evaluation is going on those bids. Recently they sought the extension of bid validity which we have provided. So, it is expected may be next one, one and a half month, the financial bids will be opened.
- Prem Khurana:** Okay. And any more opportunities that we would have bid for, this is the only?
- Yogesh Jain :** No. Currently we are not pursuing anymore opportunities in the railway sector.
- Prem Khurana:** Sure. And sir on working capital side, I mean, if I will ask sequential basis, there is no change as such, but then if I look at our company on a Y-o-Y basis, our debtor days, which used to be around 54 odd days a year back and net working capital used to be around 87. We have seen significant lengthening of our working capital cycle, I mean, if I were to compare on a Y-o-Y basis whereas our revenues have been coming off only. So why would the situation be there, have we taken up some projects wherein the money stuck or what would explain this jump in debtor days from 54 to 140?
- D. K. Maheshwari:** Actually in 140 debtor days as on 30th June mainly because of the one project Rs. 90 crore Dausa-Lalsot, we have executed the work and for that we will take the disbursement from lenders in this quarter. So, in case if we reduce that Rs. 90 crores, debtors days will come down to 115 to 117 days only.
- Prem Khurana:** But even then it will be higher than last year number, right?
- D. K. Maheshwari:** Because of this reason only.
- Prem Khurana:** And sir, we're also working on the refinancing of our Ghaziabad-Aligarh loan facility. So, any update there, I mean, have we been able to manage there and what is the new number in terms of finance cost now, if it has already been achieved?
- D. K. Maheshwari:** So earlier my rate was 12.1% in Ghaziabad-Aligarh. And we have approached consortium which has 14 members, so now everybody have reduced the rate and now it is 10.15%. So, we have reduced in this quarter only, so now we are planning to refinance the entire debt with the top-up, so that the warrant and the unsecured loan, which we have given, as a promoter can be repaid. We are expecting that by FY18, it will be completed.
- Prem Khurana:** So, we are expecting Rs. 118 crores of money to come back to us.
- D. K. Maheshwari:** Right.
- Moderator:** Thank you. The next question is from the line of Ankit Fitkariwala from Jefferies. Please go ahead.

- Ankit Fitkariwala:** Sir, just wanted to understand in the Ghaziabad-Aligarh project, what was the toll collection number ex of the overloading charges in this quarter, as well as the last quarter, last year?
- D. K. Maheshwari:** Overloading is very negligible in Ghaziabad-Aligarh. So total collection including unloading was Rs. 47.8 crores and last year quarter it was Rs. 34 crore.
- Ankit Fitkariwala:** Okay. And sir why is there a significant jump here from Rs. 34 crores to Rs. 48 crores?
- D. K. Maheshwari:** Because we have 23 kms stretch we have executed, that amount has added.
- Ankit Fitkariwala:** Okay. Again sir, just wanted to confirm, when you said that the toll hike has been 3% to 5%, I think you are talking about 1st April '17 hike, right?
- Yogesh Jain** Yes. 1st April '17.
- Ankit Fitkariwala:** Basically, I wanted to look at the traffic growth number in this quarter, so for that we would need the toll hike that happened in 1st April '16?
- Yogesh Jain** Yes. Regarding the traffic growth, presently we don't have those numbers, we will share with you separately.
- Ankit Fitkariwala:** Okay. Sir, broadly you remember anything in the toll hike, how much was it?
- Yogesh Jain:** Toll hike is 3% to 5%.
- Ankit Fitkariwala:** No sir, 1st April '16, it was?
- Yogesh Jain:** 1st April '16, it was less, because last year WPI was in negative so it was around 2% only.
- Ankit Fitkariwala:** Across projects?
- Yogesh Jain:** Yes, across projects, 2% to 2.5%.
- Moderator:** Thank you. The next question is from the line of Parkishit Kandpal from HDFC Securities. Please go ahead.
- ParkishitKandpal:** Sir, what will be the impact of GST for us, I mean, are we already geared up on systems that been upgraded factoring this and is there any liability which may come up?
- D.K. Maheshwari:** For all the existing projects, we'll have a contractual provision of change of law. So, projects which have been awarded before 1st of July, we have a respective provision under the change of law. So, whatever the impact will be there, we should be able to get it compensated from the respective clients under the change of law provision. and the projects which we are bidding now onwards, we are calculating the likely impact of the GST and accordingly we are costing our bids.

- ParkishitKandpal:** So we have started invoicing for the projects and what will be rate right now?
- D.K. Maheshwari:** No, we have not started invoicing for the work done between 1st July to 31st July, we'll start raising the invoices soon.
- ParkishitKandpal:** And is there any clarity now on the rate, like it will be 18% or 12%, so if you can give some clarity?
- Yogesh Jain:** It is as of now, 18%, but it will be 12% what we believe.
- Parkishit Kandpal:** Could the delay in decision making impact the billing and probably the Q2 performance may get dented further, so we may not be able to bill what we have already worked. So, we could carry something in the capital work-in-progress. So, could that be the case and could it elongate our working capital at least in the near term and also the billing?
- Yogesh Jain:** NHAI is working on this issue, so we are expecting within a week it will clear.
- Parkishit Kandpal:** And just sir, lastly on the debt part, so debt has gone up now, it's around Rs. 170 crores, so what could be the guidance like for this year as the execution ramp-ups happens in the fourth quarter, so where do we see the standalone debt number going up?
- D. K. Maheshwari:** Rs. 170 crores debt, includes of Rs. 91 crores for equipment finance and remaining is the working capital loan. which have substantially reduced in this quarter and we are expecting that by 30th September, there should not be any working capital loan.
- Parkishit Kandpal:** Sir, I was coming with a point that Rs. 80-100 crores CAPEX, you have planned for this year. So, first quarter you have only incurred Rs. 22 crores, so balance three quarters there will be a ramp-up in the CAPEX plus you'll be ramping up the execution on the third and fourth quarter. So will you be drawing down any limits on the working capital side, as well as on the equipment finance side. So that is what I wanted to know. So will this number be remaining at these levels again or it will go up further?
- D. K. Maheshwari:** The working capital loan should not increase, because in all the HAM projects we are entitled to get the 10% of the mobilization advance. EPC projects also we'll be getting 10% mobilization advance, but in case of Bihar, still we have not taken that mobilization advance, in case of Dausa-Lalsot also, Rs. 88 crores we have already applied, so we are going to get that also. So, these all mobilization advances will keep coming. And as on date, working capital utilization is Rs. 35 crores - Rs. 38 crores only.

- Parkishit Kandpal:** Working capital side?
- D. K. Maheshwari:** Right.
- Parkishit Kandpal:** So, equipment finance loan of Rs. 91 crores, will go up further as the CAPEX is incurred over the subsequent quarters?
- D. K. Maheshwari:** Not in this quarter, but it will increase in 3rdquarter, as well as in 4thquarter,
- Parkishit Kandpal:** And this Lucknow-Ballia, sir, any update when the bidding going to happen now? And if you can also highlight on the debtors which you have received for the Lucknow-Agra Expressway? what is the update on that? When the bidding of both Ballia Expressway projects is expected and when do we expect to realize the debtors for the Lucknow-Agra Expressway?
- Yogesh Jain:** See for Ballia project, the State Government is exploring possibility to form a JV with NHAI. They want to form a SPV, it's a 50:50 percent share with NHAI and the UPEIDA. So, they want to seek some funds from the Central Government, so that the entire financial burden is not on the State Government. So that process is on, they already sent their proposal to NHAI, the proposal is under consideration. Once that framework is finalized then they will go for bidding. Otherwise, land acquisition is going on, and there is tremendous progress in land acquisition, we believe.
- Parkishit Kandpal:** Okay. And will this be a HAM project or it will continue to remain EPC only?
- Yogesh Jain:** It will continue to remain as EPC only, but see NHAI may take a view on how the things will go, whether they want to have a HAM and they are examining those options also. The final decision is expected by end of next month.
- Parkishit Kandpal:** And update on the debtors, how much is the pending debtors from the Lucknow-Agra Expressway and what is the update on realizing that?
- D. K. Maheshwari:** Actually Agra-Lucknow, debtors outstanding as on date is Rs. 130 crore.
- Parkishit Kandpal:** Okay. And we have mobilization advance how much we are still retaining with us?
- D. K. Maheshwari:** Rs. 25 crores. In case, if you net off the debtors outstanding we still have outstanding around Rs. 100 crores, - Rs. 105 crores.
- Parkishit Kandpal:** Rs. 105 crores and we have an early completion one is you have not still billed them right, Rs. 96 crores, we'll be billing next?
- Yogesh Jain:** We have not, we will bill it in next half.

- Parkishit Kandpal:** Next half, okay. And when do we expect to realize these Rs. 105 crores?
- Yogesh Jain:** Maybe next one, one and a half months, because of change of government There is some change in the officials also at the UPEIDA and other levels. So we are expecting maybe next one, one and a half months, this 105 crores.
- Parkishit Kandpal:** And we have completed the job entirely or any works pending still in this quarter?
- Yogesh Jain:** Almost entirely we have completed. Traffic is moving on, only some minor works are pending, such as toll management system and other items.
- Moderator:** Thank you. The next question is from the line of Rita Tahilramani from Edelweiss. Please go ahead.
- Rita Tahilramani:** I had two questions. Firstly, can we expect the tax rate in FY18 to be somewhere around 15%,?
- D. K. Maheshwari:** Tax rate should be around 12% to 15% in FY18.
- Rita Tahilramani:** And in FY19?
- D. K. Maheshwari:** Should be 18% to 21%.
- Rita Tahilramani:** And like as the earlier participant had highlighted for the debt numbers, so can we expect the debt at FY18 end to be at current levels of Rs. 170 crores?
- D. K. Maheshwari:** Yes, it is around Rs. 150 crores to Rs. 200 crores including equipment finance.
- Rita Tahilramani:** And sir the EBITDA margins seem quite higher for this particular quarter. Have we received any claims or what is the reason for that?
- D. K. Maheshwari:** Actually, it is higher because of booking of the price variation of Dholpur-Morena project amounting to Rs. 5.2 crores. This has been approved by the authority and we are expecting a payment in this quarter. Rs. 5.2 crores, this work was executed earlier period, so in case if we exclude this, then my EBITDA margin 13.12%.
- Moderator:** Thank you. The next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.
- Shravan Shah:** Yes. Sir, wanted to understand, you have mentioned that for our Dausa-Lalsot HAM project, we have done execution of Rs. 90 crore, but in terms of the equity we have just put in Rs. 5 crores. So just trying to understand from the banker side, have they disbursed, so is there any mandate from them that we need to put in initially 50% from equity from our side or how it is and the same question will be for another next three HAM projects?

- D. K. Maheshwari:** Actually, we have not infused the equity as well as not taking the disbursement. First disbursement is still pending from the lenders and we will take the disbursement in this quarter by infusing upfront equity of 30%.
- Shravan Shah:** And the same will be there in another three HAM projects, 30% upfront equity?
- D. K. Maheshwari:** Some vary from 30% to 40% upfront equity.
- Moderator:** Thank you. The next question is from the line of Pankaj Kumar from Kotak Securities. Please go ahead.
- Pankaj Kumar:** Sir my question pertains to this EBITDA margin for the quarter, which was at 14.5%, and this was relatively higher. So, have we got any claim related to previous projects or something due to that?
- D. K. Maheshwari:** One part of Dholpur-Morena had a price variation which we have executed prior to this period. Now this price variation is already approved by the authority and we have booked the revenue in this quarter. Of this amount was Rs. 5.2 crore, in case, we exclude this amount, then my EBITDA margin 13.12%.
- Moderator:** Thank you. The next question is from the line of Vibhor Singhal from Phillip Capital. Please go ahead.
- Vibhor Singhal:** Thanks for taking my question again, sir. Sir I just wanted a bit of clarity on the debtor days. Sir in the last quarter our debtor days were at 136 and on that, we had mentioned that there was Rs. 130 crores to be recovered from the Agra-Firozabad project. Now in this quarter, you mentioned that we have not yet recovered that Rs. 130 crores. And on top of that, we have additional Rs. 90 crores of debtors because of the Dausa-Kauthun project which we have not yet taken the disbursement from the bankers. So that would mean that basically our debtors should have swelled significantly and given that, at June, the execution for the last 12 months is actually much lower than what it was for the last 12 months ending March. I think our debtor days should have been much higher if both Dausa, as well as Agra-Firozabad debtors were due?
- D. K. Maheshwari:** There was a mobilization advance outstanding of Rs. 130 crores as on 31st March 2017 in case of Agra-Lucknow project, which has been adjusted against our outstanding payments and now mobilization advance balance is only Rs. 25 crores. In this quarter, we have executed a work of around Rs. 50 crores from this project. Now the payment outstanding is only Rs. 134 crores, which is expected within two months we will get payment.
- Vibhor Singhal:** So that mobilization advance of Rs. 130 crores, has reduced to 35 crores?
- D. K. Maheshwari:** Rs. 25 crore only.

- Vibhor Singhal:** Rs. 25 crores only.
- D. K. Maheshwari:** Right.
- Vibhor Singhal:** Okay. So basically there is Rs. 100 crores of net reduction there.
- D. K. Maheshwari:** Debtors outstanding which was Rs. 275 crores in March'17 has reduced to Rs. 138 crores in June'17
- Vibhor Singhal:** So, for the full year we expect around 80 to 90 days, debtor days?
- D. K. Maheshwari:** We should expect around 120 days, we will execute in HAM project at the last month, we will not get the disbursement from the lender.
- Moderator:** Thank you. The next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.
- Shravan Shah:** Sir, just a clarification. The outstanding order book of Agra-Firozabad you said Rs. 53 crores, is it right?
- D. K. Maheshwari:** As on 30th June.
- Shravan Shah:** Yes. But you in previous answer you mentioned that you have executed Agra-Firozabad Rs. 50 crores, because as on March, it was around Rs. 44 crores, so just wondering?
- D. K. Maheshwari:** In March'17 outstanding was Rs. 95 crores which has reduced to Rs. 53 crores in June'17. Further, Rs. 50 crores include change of scope,
- Shravan Shah:** And sir, what is the outstanding order book of Etah, Kasganj?
- D. K. Maheshwari:** It is Rs. 226 crores.
- Moderator:** Thank you. We'll take the next question from the line of Ashish Shah from IDFC Securities. Please go ahead.
- Ashish Shah:** Yes. Sir, just have a small question on the Narela project. Have we been receiving our annuities now in cash or there are still some issues in terms of receiving the annuities?
- Yogesh Jain:** There are still issues, but there is an interim order to release Rs. 43 crores of annuity, which we are expecting in 1 to 2 months, i.e. 50% of our outstanding annuity.
- Ashish Shah:** Right. So, you're saying the total outstanding is about Rs. 86 crores.
- Yogesh Jain:** Yes.

- Ashish Shah:** Of which Rs. 43 crores is you got an interim order?
- Yogesh Jain:** Yes.
- Ashish Shah:** Right. But sir, any final resolution to this issue, what is exactly happening there?
- Yogesh Jain:** See, we already invoked arbitration. Arbitrator in the first meeting itself has awarded an interim award of 50% outstanding annuity and for the remaining amount also, the arbitration is in advanced stage because of the new act, everything has to be completed within six months. So, we expect the final award will be published by October end, then before end of this calendar year we will get the payment.
- Ashish Shah:** Right. so on an ongoing basis, we will continue with this project after the arbitration? or this is by way of arbitration and we actually want to get out of the project.
- Yogesh Jain:** No, the project will continue, it's only with regard to delay in the release of annuity and the interest. So, the project will continue till the completion of the concession period. There is no issue between parties, they want some kind of a third-party intervention, so once arbitration award is published, there should not be any issues.
- Ashish Shah:** Right. Fine. So that was the last question. So, we thank the management of PNC Infratech for giving us the opportunity to host this call. We thank Yogesh ji, and Maheshwari ji for being on the call. Thank you very much, sir.
- Yogesh Jain:** Thank you everyone for your participation in our earning call. Thank you very much.
- Moderator:** Thank you. Ladies and gentlemen on behalf of IDFC Securities that concludes today's conference. Thank you for joining us and you may now disconnect your lines.