



“PNC Infratech Limited
Q2 FY2020 Earnings Conference Call”

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PNC INFRATECH LIMITED**

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Moderator: Ladies and gentlemen, good day and welcome to PNC Infratech Limited Q2 FY2020 Earnings Conference Call hosted by BOB Capital Markets Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Jiten Rushi of BOB Capital Markets. Thank you and over to you Sir!

Jiten Rushi: Good afternoon everyone. On behalf of Bank of Baroda Capital Markets, I welcome everyone to the Q2 FY2020 earnings call of PNC Infratech Limited. We thank the management for giving us this opportunity. Today, from the management we have with us Mr. Yogesh Kumar Jain, Managing Director, T R Rao, Director and Mr. D.K. Maheshwari, Vice President, Finance of the company. I request the management to give the opening remarks followed by question and answer session. Thank you and 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 and half year ended September 30th, 2019. Along with me, I have Mr. T.R. Rao, Director, Mr. D. K. Maheshwari, Vice President (Finance) and Strategic Growth Advisors, our Investor Relations Advisors.

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

Awarding activity by the central authorities such as MoRTH and NHAI has not been picked-up till now. One of the key issues, particularly the central authorities have been facing for long is the persistent challenges in acquisition and vacant possession of land for timely execution of projects. With an aim to achieve uninterrupted construction of projects after their award, both MoRTH and NHAI have prioritized the acquisition of land over the project awards.

Before award of any highway project for implementation, the authorities want to ensure physical possession of at-least 80 to 90% of the total land required for the project. As part of this endeavor, NHAI has initiated land acquisition through Bhoomi Rashi portal which would help to digitize the process leading to faster land acquisition.

Notwithstanding the slowed down in the awarding process during the past one year, NHAI is in the process of creating an ambitious pipeline of new projects worth Rs. 7 to 8 lakh crores to be awarded over the next three years. According to recent news articles, NHAI has reiterated their target of awarding 6,000 Kms during remaining period of current financial year and are planning to award over 5,500 Kms in FY21. The project awarding activity is expected to be resumed and

picked-up from December this year onwards. Apart from budgetary allocation and upfront payments from the ToT bundles that are being bid out, it is understood that NHAI is in discussion with few banks to securitize the toll collection to raise funds for the projects to be awarded.

Now moving on to the operations of the company.

We continue to endeavor execution of all the projects on time and within the budgeted costs. We have been able to achieve this over the past many years, due to exercising control over the end-to-end project execution activities by way of in-house mining & crushing activities, own modern equipment bank and adequate fund & non-fund based limits to support multiple project execution even during the challenging times and difficult conditions.

During the first six months of the current financial year, we have incurred a capex of Rs. 60 crores which was for both replacement of older machinery and purchase of new machinery to support ever expanding execution activities. Post this capex, our gross block as on 30th September was Rs. 1076 crores which can support execution up to Rs. 6000-7000 crores per annum.

With NHAI gearing up for award of several new projects from December onwards, we have also shored up our finances by increasing our fund-based limits to Rs. 1,000 crores and non-fund-based limits to Rs. 5,000 crores.

Now moving on to update on Credit Ratings of the Company and its Subsidiaries:

Recently, 2 of our subsidiaries have been assigned credit ratings by CARE:

- PNC Triveni Sangam Highways Pvt. Ltd.: CARE Single A Minus, with Stable Outlook
- PNC Aligarh Highways Pvt. Ltd.: CARE Single A, with Stable Outlook

Credit rating for PNC Infratech Ltd. continues to be CARE Double AA Minus for Long Term Bank Facilities and CARE Single A1 Plus for Short Term Bank Facilities.

Our strong credit ratings help us in raising funds at competitive rates.

Now moving on to our Project Development Business:

As part of our fund-based project development domain, we have a total of fourteen projects with a mix of BOT-Toll, BOT-Annuity, OMT and HAM projects. Seven of which are fully operational and balance seven, which are on HAM format are under various stages of development. Out of these seven HAM projects, six are already under construction and commencement of construction yet to begin in one project. The total equity invested in these

HAM projects was Rs. 403 Crores as on 30th September 2019 and balance Rs. 429 Crores will be invested over next 2 ½ years, essentially through internal accruals.

We would like to share the update on the proposed divestment of Ghaziabad-Aligarh BOT-Toll Project. We have signed a Share Purchase Agreement (SPA) with Cube Highways for sale of our entire 35% stake along with the other partners in the Project in May 2019. Approvals from all the lenders have been received and the approval has already been sought from NHAI. We expect to receive the approval from NHAI before the end December 2019.

During quarter ended September 30, 2019, we have received an arbitration award of Rs. 145.27 crores for NH-24 project in the state of UP. The said amount is accounted in the financials of Q2 FY20 as per our policy of accounting the arbitration awards on receipt basis.

We are also eligible to receive an early completion bonus of Rs. 14.11 crores for Aligarh Moradabad Project completed during this year, which is expected to be realised before the end of current financial year.

Now moving on to our order book

Our unexecuted order-book as on 30th September 2019 was Rs. 9877 Crores. Out of which, the EPC and HAM projects constitute 59% and 41% respectively. Recently, we have received Letter of Award for a contract price of Rs. 1,062 Crores from NHAI in the State of Uttar Pradesh under NHDP phase -VII on EPC mode namely Lucknow Ring Road Package-I. Value of this EPC project and EPC component of Challakere to Hariyur HAM project have not been included in the Order-book amount mentioned earlier.

The current order-book gives an execution visibility over the next 2 years.

Now I would present the results for the quarter and half year ended September 30, 2019.

Standalone Quarterly Result:

Revenue for quarter ended on September 30, 2019 includes Rs. 109.48 crore as arbitration claim received for Hapur Moradabad (NH-24) project. And other income for quarter ended on September 30, 2019 includes interest of Rs. 35.55 crore on arbitration claim received for Hapur Moradabad (NH-24) project.

Revenue of 2nd quarter of FY20 is Rs. 1,180 crore which is higher by 111% compared to 2nd quarter of FY19.

EBITDA for 2nd quarter of FY20 grew by 245% to Rs. 257 crore from RS. 75 crore in 2nd quarter of FY19.

EBITDA margin for Q2 FY20 has been 21.8%

Profit of 2nd quarter of FY20 is Rs. 207 crore which is higher by 489% compared to 2nd quarter of FY19.

Moving on to Half Yearly results on Standalone basis (H1)

Revenue of first half of FY20 is Rs. 2,502 crore which is higher by 93% compared to first half of FY19.

EBITDA for first half of FY20 is Rs. 437 crore which grew by 114% compared to first half of FY19.

EBITDA margin for first half of FY20 is 17.5% which is higher by 169 basis points compared to first half of FY19.

PAT of first half of FY20 is Rs. 307 crore which is higher by 123% compared to first half of FY19.

I'll now take you through Consolidated Financials for quarter and half year ended 30th September 2019.

Consolidated revenue of 2nd quarter of FY20 is Rs. 1,341 crore which is higher by 85% compared to 2nd quarter of FY19.

Consolidated EBITDA for 2ND quarter of FY20 is higher by 85% to Rs. 384 crore as compared to Rs. 207 crore in 2ND quarter of FY19.

Consolidated net profit for 2ND quarter of FY20 is Rs. 214 crore which is higher by 300% compared to 2ND quarter of FY19.

Moving on to Half Yearly results on Consolidated basis

Consolidated revenue of first half of FY20 is Rs. 2,865 crore which is higher by 75% compared to first half of FY19.

Consolidated EBITDA for first half of FY20 is Rs. 735 crore which is higher by 50% as compared to first half of FY19.

EBITDA margin for first half of FY20 IS 25.6%

Consolidated net profit for first half of FY20 is Rs. 393 crore as compared to Rs. 171 crore for 2ND quarter of FY19

ON THE BALANCE SHEET SIDE OUR,

Our stand-alone net worth is Rs.2,406 crores as on 30TH September 2019. Total stand-alone debt is Rs.378 crores of which Rs. 367 crores availed for equipment finance and RS. 11 crore is working capital loan. the total cash surplus is Rs. 241 crore. We have a net debt of Rs. 137 crore.

On consolidated basis our net worth is Rs. 2,401 crores whereas total debt is Rs. 3,014 crores as on 30TH September 2019. The total cash surplus including current investments is Rs. 681 crore. This translates to net debt to equity of 1.26 times.

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

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Mayank Goyal from SBI CAPS Securities. Please go ahead.

Mayank Goyal: Good afternoon and congrats on excellent numbers. I had a couple of questions, what is your feedback from recent biddings in Bundelkhand and Gorakhpur, most of our bids were 7% to 10% higher than L1 and we had sizable presence over there, so do you think that competitive intensity is very high and might be continuing in NHAI projects also which are supposed to come and in that case what will be your bidding strategy or are we thinking of marginally toning down our order inflow guidance?

T. R. Rao: The competition is really very tough at Bundelkhand Expressway; one of the reasons could be these bids are coming up after a very long gap of project awarding activity at NHAI and MoRTH level and also these contractors are new entrants to UPEIDA. They also want to enter into UPEIDA's domain. Though the competition was certainly very high, our quotes were also competitive as we judiciously framed our bids with our minimum EBITDA margins. Though this time competition is unexpectedly high, we do not consider this level of competition would continue in NHAI particularly in HAM and large EPC projects.

Mayank Goyal: So, we still stand by our inflow guidance of Rs. 6,000 to Rs. 7,000 Crores for full year.

Yogesh Kumar Jain: Yes.

Mayank Goyal: What portion are you targeting from HAM in this?

T. R. Rao: We are targeting 10 to 12 HAM projects, I do not want to specify the names of the projects, but we are targeting 10 to 12 HAM projects and around 20 EPC projects to be bid out in the next two months and we expect awarding activity will increase from December onwards.

Mayank Goyal: I was asking in that Rs. 6,000 Crores to Rs. 7,000 Crores of inflow that you are targeting, how much could be HAM and how much could be EPC?

- Yogesh Kumar Jain:** It is almost 50:50, we have already submitted bids in October for EPC projects in DMRC for around Rs. 2,000 Crores.
- Mayank Goyal:** Sir, my second question was, are you still guiding for 40% to 45% revenue growth because including these claims, we have done almost Rs. 2,500 Crores in this first half, and second half is obviously much better, so since now almost one-half is gone with better clarity, do you think that now for full year we might end up doing something like 60% to 65% revenue growth over FY2019?
- T. R. Rao:** Yes, it would be around that.
- Mayank Goyal:** For FY2020 you are targeting revenue growth of 60% to 65%?
- D.K. Maheshwari:** No, it should be 50% to 60%.
- Mayank Goyal:** Sir, lastly if you can help me with order backlog of various EPC projects, which are not in your presentation?
- D.K. Maheshwari:** Varanasi-Gorakhpur is Rs. 301 Crores, Bhojpur Buxar Bihar is Rs. 363 Crores, Jhansi Khajuraho package 2 is Rs. 516 Crores and Lakhimpur Kheri is Rs. 177 Crores and Koliwar Bhojpur is Rs. 301 Crores. Remaining we have already mentioned in the presentation.
- Mayank Goyal:** Sir, I missed Dausa Lalsot project and Jhansi Khajuraho package 1?
- D.K. Maheshwari:** Jhansi Khajuraho package 1 is Rs. 632 Crores.
- Mayank Goyal:** Dausa Lalsot Project?
- D.K. Maheshwari:** It is Rs. 90 Crores.
- Mayank Goyal:** Chitradurga-Devanagari?
- D.K. Maheshwari:** It is Rs. 593 Crores.
- Mayank Goyal:** Thank you, Sir. That is it from my side.
- Moderator:** Thank you very much. The next question is from the line of Shravan Shah from Dolat Capital Markets. Please go ahead.
- Shravan Shah:** Congratulations on good set of numbers. Sir, I missed the numbers on the order book project wise, Bhojpur-Buxar you said Rs. 361 Crores?

- D.K. Maheshwari:** Yes, it is Rs. 363 Crores.
- Shravan Shah:** You said Khajuraho package 1 is?
- D.K. Maheshwari:** Rs. 632 Crores.
- Shravan Shah:** Package 2?
- D.K. Maheshwari:** Rs. 516 Crores.
- Shravan Shah:** The smaller one Etah-Kasganj, it is still there and Nanau-Dadon?
- D.K. Maheshwari:** Nanau-Dadon, is Rs. 30 Crores and Etah-Kasganj is Rs. 44 Crores.
- Shravan Shah:** Sir, definitely good to hear that now we have increased our revenue guidance to 50% to 60%, in terms of the execution, are we seeing any hurdle that you can expect that this growth can be lower or all the projects are now running smoothly, no issues and also at the same time, the remaining appointed date for Hariyur project earlier we expected to come by November, so now when it will come and will it contribute revenue and have we also considered in giving the guidance for 50% to 60%?
- Yogesh Kumar Jain:** We are not expecting any major hurdles in future, so we are expecting growth 50% to 60% without any major hurdle.
- D.K. Maheshwari:** Because all the projects are going smoothly, there are no major hinderances in the execution of the projects except in case of Challakere.
- Yogesh Kumar Jain:** In Challakere Hariyur project, 80% of land has already been vested with NHAI. At some stretches of the proposed bypass and other locations, local villages are seeking higher compensation for their land so NHAI wants to declare the appointed date after possession of balance land and clear it from all encroachments and including the existing electrical, water supply lines, structures buildings, etc. We are expecting appointed date for this project around January 2020 and we are expecting turnover in the new financial year from first quarter.
- Shravan Shah:** Few things in terms of working capital, how do we see going forward, previously we said that working capital days can increase to 100, 105, 110 days, so how do we see at the standalone debt level by end of FY2020?
- D.K. Maheshwari:** Debtor days, we are expecting around 90 days at March 2020, however, presently in September it was 57 days and working capital we are expecting around 100 days because in the month of February and March execution will be comparatively higher and the payment will remain outstanding at March end, which we are expecting at this point of time.

- Shravan Shah:** How do we see the debt level from current Rs. 378 Crores, where it will go, Rs.500-600 Crores?
- D.K. Maheshwari:** Presently, net debt is Rs. 137 Crores?
- Shravan Shah:** I am asking about the gross debt?
- D.K. Maheshwari:** It should be around Rs. 475 to Rs. 500 Crores including term loan of Rs. 325 Crores.
- Shravan Shah:** Got is Sir, and in terms of the capex, I think if I look at the cash flow it says around Rs. 80 odd Crores that we have spend, but in the opening remarks you said I think Rs. 50 Crores to Rs. 60 Crores, so what is the number and how do we look at the full year capex number and may be you help me for the next year because the next year the number would remain in the same range?
- D.K. Maheshwari:** Actually in the cash flow, there was a repayment of the term loan, but as far gross block in June first half was Rs. 60 Crores and we are expecting that this year it should be Rs.125 Crores to Rs.150 Crores.
- Shravan Shah:** Lastly, earlier we have also spoken that we look at for the monetization of HAM projects, so any discussion started if and when we can hear good news from you side in terms of asset monetization particularly HAM?
- D.K. Maheshwari:** We are currently in touch with two-three investors for stake sale of our HAM projects, however at this point of time we cannot comment on the valuation or the timelines because most of the investors are busy with TOT bundles that are going to be bid in November.
- Shravan Shah:** Lastly, do we expect arbitration on any early completion bonus in the third and fourth quarter?
- D.K. Maheshwari:** We are expecting Aligarh-Moradabad early completion bonus of Rs. 14 Crores in this financial year; arbitration cases are going on.
- Shravan Shah:** That is it from side and all the best. Thank you.
- Moderator:** Thank you. The next question is from the line of Jaitn Naik from ICICI Mutual Fund. Please go ahead.
- Jaitn Naik:** Congrats on a great set of numbers, not just on the P&L side and also on the balance sheet front, I had three questions, one, are you experiencing any delay from the NHAI side in terms of bill certification or payment or anything of that sort?
- Yogesh Kumar Jain:** No, nothing.
- Jaitn Naik:** So, it is as smooth as it was last year for you?

- Yogesh Kumar Jain:** Yes, payment is going very smoothly as earlier.
- D.K. Maheshwari:** Bill payment as well as milestone payment of HAM, we are getting timely.
- Jaitn Naik:** That good to know. Secondly, out of your Rs. 1,000 Crores of execution excluding the arbitration, how much would have been from Mumbai-Nagpur and Purvanchal expressway both put together?
- D.K. Maheshwari:** Nagpur- Mumbai it was Rs. 166 Crores and Purvanchal it was Rs. 110 Crores.
- Jaitn Naik:** So, around Rs. 275 Crores from both these projects put together?
- D.K. Maheshwari:** Right.
- Jaitn Naik:** What will be this number going ahead, what is the expected run rate in the coming quarters?
- D.K. Maheshwari:** Coming quarter we are expecting around Rs. 200 Crores from Purvanchal and from Nagpur-Mumbai it would be Rs.100 to Rs.120 Crores.
- Jaitn Naik:** Last question, now that NHAI ordering has been pretty muted, are we looking at any other segment to meet our order inflow guidance or are we happy with our order book?
- Yogesh Kumar Jain:** Recently we have submitted bids for Metro Rail projects in Delhi for around Rs. 2,000 Crores
- Jaitn Naik:** Apart from your current existing segments you have bid for Metro Rail, except for Metro Rail any other segments are you looking for?
- Yogesh Kumar Jain:** We also submitted one bid to Noida Development Authority, and it will be around Rs. 500 Crores for 5 km six lane elevated structure road.
- T. R. Rao:** We will also pursue airport projects in case if we get some opportunities in airport sector.
- Jaitn Naik:** EPC, Airport project, Road projects, right?
- Yogesh Kumar Jain:** Yes, EPC airport.
- Jaitn Naik:** But apart from what you all again mentioned there is no other segment per se?
- Yogesh Kumar Jain:** Yes.
- Jaitn Naik:** All the best. Thanks.

- Moderator:** Thank you. The next question is from the line of Ankita Shah from Elara Capital. Please go ahead.
- Ankita Shah:** Sir, I wanted to check, which Metro Rail project have we submitted bid for?
- T. R. Rao:** This is DMRC phase 4, in Majlis Park area. This is a phase 4 project of DMRC; we have submitted two bids for two packages, DC02 and DC03.
- Ankita Shah:** This is an elevated line?
- Yogesh Kumar Jain:** Yes.
- Ankita Shah:** Sir, given that our new project will start revenue recognition from first quarter of next year, so any sense on the outlook in terms of revenue growth for FY2021?
- D.K. Maheshwari:** FY2021?
- Ankita Shah:** Yes, Sir.
- T R Rao:** FY2021, we would be expecting between 25% to 30% growth; until and unless we know the final figures of FY2020 and the base will be formed, we would not be able to tell the growth some better precision. We will revert once this current financial year gets completed.
- Ankita Shah:** Sir, tax rate for the full year?
- D.K. Maheshwari:** It should be around 30%.
- Ankita Shah:** We have not been chosen to change the tax rate to the new regime?
- D.K. Maheshwari:** No, we have not opted that scheme because we are having a MAT credit of Rs. 165 Crores as of March 2019, which we will utilize that and there after we will opt that scheme.
- Ankita Shah:** Sir, I missed the number of MAT credit?
- D.K. Maheshwari:** Rs. 165 Crores as of March 31, 2019. It is Rs. 150 Crores as of September 30, 2019.
- Ankita Shah:** Perfect, got it. Thank you so much and all the best.
- Moderator:** Thank you very much. The next question is from the line of Vibhor Singhal from Phillip Capital. Please go ahead.

- Vibhor Singhal:** Good evening, Sir. Thanks for taking my question and congrats on a great set of numbers, on the order inflow side, if I can just probe a bit further so you have mentioned that we have already bid for Rs. 2,000 Crores of DMRC phase 4 project, so apart from Delhi Metro any other Metro that we are looking at or is it only because it was close to our region UP that we chose to bid for this, but let us say there are other Metro projects coming up let say Kanpur or any other state in UP, we would be interested in that also?
- T. R. Rao:** Yes, certainly; but as of now the Kanpur Metro and Agra Metro are in initial stages of DPR preparation and feasibility studies and they have not reached the bidding stage. So once they reach the bidding stage, certainly we will look into those opportunities also.
- Vibhor Singhal:** Right, also as you mentioned the NHAI activity should start from December, this year of course I think NHAI is looking towards more EPC and HAM, but in case the NHAI is looking to award more BOT projects also would we be open to bid for BOT projects also or we are keeping ourselves only to HAM and EPC?
- Yogesh Kumar Jain:** We are not going to bid BOT projects, as of now.
- Vibhor Singhal:** Only EPC or HAM projects?
- Yogesh Kumar Jain:** Only EPC and HAM projects.
- Vibhor Singhal:** On the HAM projects also we are not worried about that we have a sizable portfolio and that will require more equity commitment, we are comfortable with HAM projects also?
- Yogesh Kumar Jain:** We are comfortable.
- Vibhor Singhal:** Also on the same front any other large state highway projects that you are looking at which we have ordered over the next few months in this financial year or there does not seem to be anything much in the pipeline?
- T. R. Rao:** No, nothing much in the pipeline, as of now no state has initiated any new projects either expressways or state highways, so nothing major is in the pipeline.
- Vibhor Singhal:** Sure, lastly the arbitration that we have got that Rs. 145 Crores for NH24, have we received the cash or when we are expecting to receive that?
- Yogesh Kumar Jain:** We have received the payment.
- Vibhor Singhal:** The entire payment is received for that as well?
- Yogesh Kumar Jain:** The entire payment Rs. 145.2 Crores, we have received.

- Vibhor Singhal:** Sir, when do you think the Ghaziabad Aligarh could be materialized?
- D.K. Maheshwari:** By the end of this financial year we are expecting it would be materialized. We expect to receive NOC from NHAI by January '20 and we have already received the NOCs from all the 14 lenders.
- Vibhor Singhal:** Sir, basically we should probably be able to receive the cash also by the end of March or you might see it going into next year?
- Yogesh Kumar Jain:** We are expecting before the end of March.
- Vibhor Singhal:** Great to hear that. Thank you so much for taking questions. Wish you all the best.
- Moderator:** Thank you. The next question is from the line of Jiten Rushi from BOB Capital Markets. Please go ahead.
- Jiten Rushi:** Good afternoon, Sir. Just wanted to know the toll revenues from the projects?
- D.K. Maheshwari:** From MP highway, Gwalior Etawah was Rs. 10.51 Crores in the quarter, Kanpur to Ayodhya OMT project was Rs. 82.7 Crores, and Kanpur highway was Rs. 10.5 Crores, Bareilly-Almora was Rs. 8.6 Crores, and Raebareli Jaunpur was Rs. 32.16 Crores, and Narela was Rs. 10.46 Crores.
- Jiten Rushi:** Ghaziabad Sir?
- D.K. Maheshwari:** It was Rs. 50.5 Crores.
- Jiten Rushi:** Sir, what is the tax impact on the claims we have received, whether we have booked in the revenue and other income, what is the tax impact?
- D.K. Maheshwari:** Rs. 109 Crores has gone to the revenue and Rs. 35.55 Crores towards interest, in other income.
- Jiten Rushi:** Basically, have paid tax in this quarter on the interest income or we will pay it in the next quarter?
- D.K. Maheshwari:** We have to pay on the interest of Rs. 35 Crores,
- Jiten Rushi:** Sir, my question is have you paid in this quarter or you will pay next quarter that is the question?
- D.K. Maheshwari:** We will pay in next quarter.
- Jiten Rushi:** Few bookkeeping questions, can you give me the mobilization advance outstanding and retention outstanding as on September?

- D.K. Maheshwari:** Mobilization outstanding will be around Rs. 600 Crores to Rs. 650 Crores.
- Jiten Rushi:** How much we are expecting more in terms of mobilization advance this year?
- D.K. Maheshwari:** We already received mobilization advance most of projects except for the Challakere, which we will receive after receiving the appointed date, although we are entitled to get the mobilization advance some of the projects such as Nagina Kashipur, Purvanchal, but these being interest bearing and rate of interest is also very high, we have not taken so far.
- Jiten Rushi:** What about the retention money on unbilled revenue?
- D.K. Maheshwari:** CWIP it should be around Rs. 15 Crores to Rs. 20 Crores, retention money I have to check, I will confirm you.
- Jiten Rushi:** Sir, the gross debt as you said is standalone is around Rs. 378 Crores, right?
- D.K. Maheshwari:** Yes, this includes term loan of Rs. 367 Crores.
- Jiten Rushi:** Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Ashish Shah from Centrum Broking. Please go ahead.
- Ashish Shah:** Sir, good evening. Sir, on the EPC projects for the Metro, which you have bid, so have you bid in your own individual capacity or you have tied up with somebody?
- T. R. Rao:** We have tied up with somebody.
- Ashish Shah:** Whatever be the value of the bid that you get it will be divided between the partners in some ratio?
- Yogesh Kumar Jain:** Yes.
- Ashish Shah:** It is fine. Secondly, on the Ghaziabad-Aligarh, NOC from NHAI, are there any conditions to be satisfied from your side for the NOC to come or it is simply a procedural issue why it is taken some months and it will come only by December end?
- Yogesh Kumar Jain:** These are all procedural issues almost at NHAI only.
- Ashish Shah:** There is nothing, which is to be done from our side or pending from our side as far as NHAI?
- Yogesh Kumar Jain:** Yes.

- Ashish Shah:** Lastly, the sale value for Ghaziabad-Aligarh is that subject to any sort of revision or that is the firm number, is it link to toll collection or anything or it will remain as we had indicated earlier?
- D.K. Maheshwari:** It is not related to toll collection, irrespective whether it increases or decreases, it should be the same figure.
- Ashish Shah:** It would be in the fixed?
- Yogesh Kumar Jain:** Almost fixed basis.
- Ashish Shah:** Got it, Sir. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.
- Mohit Kumar:** Good afternoon, Sir. Sir, the guidance part, I just wanted to confirm the numbers, I believe you have increased the guidance of revenue to 50% to 60% in FY2020 and EBITDA margin of 14%, am I right?
- D.K. Maheshwari:** Yes, 13.5% to 14%.
- Mohit Kumar:** On the DMRC we have bid, is it primarily underground projects or elevated viaduct it has nothing to do with portion or tunneling?
- Yogesh Kumar Jain:** This is elevated viaduct.
- Mohit Kumar:** Sir, when we expect the bids to get finalized for this portion?
- T. R. Rao:** We have already submitted bids, which will take minimum one month to open the price bids.
- Mohit Kumar:** Sir, last quarter you won the Lucknow Ring Road, when you expect the appointed date?
- Yogesh Kumar Jain:** We are expecting appointed date within 15-20 days. We have already submitted performance guarantee.
- Mohit Kumar:** Sir, given the fact that you are paying 30% or you have not availed the lower tax rate, when do you expect the lower tax rate would kick in for us?
- D.K. Maheshwari:** By FY2022. We will first avail the entire MAT credit and then we will switch over to the lower tax rate option.

- Mohit Kumar:** Lastly, it is possible for you to given the current portfolio basket of projects, is it possible to give some kind of revenue guidance for FY2021 assuming that we do not win any further order what could be in FY2021 number you are looking at?
- Yogesh Kumar Jain:** It would be around 25% increase.
- Mohit Kumar:** On the current set of projects, am I right, Sir?
- Yogesh Kumar Jain:** Yes.
- Mohit Kumar:** That is it from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Dhrishant Chakraborty from DC & DC Advisors. Please go ahead.
- D. Chakraborty:** Good afternoon, Sir. So, my question is with respect to the order book side of it, I want to ask you as to what are we focus now, are we going to be focusing on expanding our operations to airports and metros or primarily since as historically we have been having refocused as a road developer only?
- T. R. Rao:** We continue to focus on highway projects only. We look at opportunities on HAM format and whenever we get opportunities in the airport pavement sector on EPC basis, we will pursue those opportunities. We want to foray to DMRC on a limited basis as of now, going forward if you get more opportunities in the Metro Rail, we will bid accordingly otherwise our focus will remain to be on highway sector.
- D. Chakraborty:** Alright, next question with respect to the cash flow, what are purpose with the cash flow is going to be, so earlier in quarter one you had guided that all equity requirements for the HAM projects will be served through internal generation of cash, so just wanted to ask whether we are continuing with this guidance or we may require some extra cash to be raised from say loans in future?
- D.K. Maheshwari:** We have sufficient cash because presently we require only Rs. 429 Crores equity for the existing HAM projects in two and two-and-a-half years, as against that we are expecting a cash accrual in the next 3 years of approximately Rs. 1,500 Crores.
- D. Chakraborty:** So, we need not require, missed the last part, Rs. 1,500 Crores?
- Yogesh Kumar Jain:** Rs. 1,500 Crores cash accruals expected in the next three years.
- D. Chakraborty:** Thank you. That is it from my side.

- Moderator:** Thank you. The next question is from the line of Parvez Akhtar from Edelweiss Broking Ltd. Please go ahead.
- Parvez Akhtar:** Congratulations for a great set of numbers. Sir, first question is on the EBITDA margin, is it fair to assume that the Rs. 109 Crores that you booked in revenues for the claim this entirely got pass through even at the EBITDA level?
- Yogesh Kumar Jain:** Yes.
- Parvez Akhtar:** Sir, could it be possible to get the breakup of the Rs. 400 Crores equity that we need to infuse over the next couple of years on annual basis?
- D.K. Maheshwari:** Balance amount of Rs. 429 Crore is to be infused as HY2 of FY'20 Rs. 60-75 Crores, in FY'21 Rs.175-200 Crores and balance in FY'22
- D.K. Maheshwari:** This infusion actually changes according to the disbursements, we infuse the equity only at the time of the disbursement to maintain debt-equity balance.
- Parvez Akhtar:** Sure, thanks. That is it from my side and all the best.
- Moderator:** Thank you. The next question is from the line of Amber Singhania from Asian Markets Securities. Please go ahead.
- Amber Singhania:** Thanks for taking my question. Most of the questions have been answered, just few small things, this quarter we have seen slightly higher outgo on the tax front roughly Rs. 25 Crores versus last year Rs. 15 Crores and last quarter Rs. 18 Crores, so what was the main reason behind it, because our debt has not gone up much?
- D.K. Maheshwari:** Can you repeat, please?
- Amber Singhania:** Sir, interest cost in this quarter is Rs. 25 Crores versus last year Rs. 15 Crores and in Q1 it was just Rs. 18 Crores, so any major reason why this cost has gone up so much?
- D.K. Maheshwari:** This is mainly because of the interest on term loans which has increased from Rs. 345 Lakh in July-Sept'18 to Rs. 816 Lakh in July-Sept'19 and second one is the bank commission charges on the bank guarantee that we have availed.
- Amber Singhania:** Sir, how much would be breakup if you can share some rough numbers on that?
- D.K. Maheshwari:** BG commission has increased from Rs. 212 Lakh to Rs. 403 Lakh due to higher utilization of bank guarantees.

- Amber Singhania:** Sir, what is the outlook for the full year in that case, will it be the similar run rate or it will come down?
- D.K. Maheshwari:** More or less it will be similar run rate.
- Amber Singhania:** Secondly, I missed the part on capex side, what kind of capex you guided for FY2020 and FY2021?
- D.K. Maheshwari:** FY2020, we are expecting around Rs. 125 Crores to Rs. 150 Crores of which we have already incurred Rs. 60 Crores in the first half, and in FY2021, it should be around Rs. 50 Crores to Rs. 60 Crores.
- Amber Singhania:** In case if you win any of these new projects, which you are bidding metro or airport or anything, do you think you will need more capex on any new machinery on that part?
- Yogesh Kumar Jain:** In case if we win metro project, we will revise this guidance of capex in the next quarter.
- Amber Singhania:** By when do we expect this metro bid to open?
- Yogesh Kumar Jain:** I think, within one month it will be opened.
- Amber Singhania:** Fine, thank you, Sir. That is all from my side.
- Moderator:** Thank you. The next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.
- Parikshit Kandpal:** Sir, congratulations on good set of numbers. Sir, we have two HAM projects, Chitradurga-Davanagere, so what is the construction completion in these two projects?
- Yogesh Kumar Jain:** Dausa Lalsot we have completed almost 93%, which covers completion of work in entire land we got within 180 days of the appointed date, I expect we will get the PCOD by the end of Dec'19.
- Parikshit Kandpal:** Why there is a delay in getting PCOD here because you have already completed 93% of the project?
- Yogesh Kumar Jain:** This PCOD is under the process, we had already requested for PCOD.
- Parikshit Kandpal:** By Dec'19 you will get it?
- Yogesh Kumar Jain:** Yes

- Parikshit Kandpal:** That is what I am asking and for the Chitradurga project, what is the status?
- D.K. Maheshwari:** Chitradurga almost 54% of work we have already executed.
- Parikshit Kandpal:** Again coming on the interest cost, last half we have Rs. 30 Crores of interest cost now it has gone up to Rs. 64 Crores, so if we go by this run rate and for the full year are we looking at Rs. 80 Crores to Rs. 90 Crores of interest cost whenever debt is coming down because net debt is almost at all time low, but still our interest outgo so high?
- D.K. Maheshwari:** That is because of the interest on the term loan, interest on the mobilization advance and BG commission charges, if you will see the interest on CC it is very negligible in this quarter also, it was not even Rs. 1 Crore in this quarter.
- Parikshit Kandpal:** This is due to mobilization advance?
- Yogesh Kumar Jain:** Mobilization advance and interest of term loan.
- Parikshit Kandpal:** This number Rs. 25 Crores run rate will continue for like quarters?
- D.K. Maheshwari:** Yes, in third and fourth.
- Parikshit Kandpal:** Next, it will increase further when our topline grows?
- D.K. Maheshwari:** In FY2021, it would increase certainly.
- Parikshit Kandpal:** On the Narela project, are we getting Annuities on time now after the arbitration was awarded and all, now the money is coming on time?
- Yogesh Kumar Jain:** Nothing is due as of now.
- Parikshit Kandpal:** In the railway segment we have good qualification, I think independently on the standalone basis we have qualified for more than Rs. 2,000 Crores of projects, so we have been earlier trying to bid for railways not been successful, so what is your view on railways because we have started pursuing metros I was wondering why we are now focusing on railway orders, so what is your outlook on ordering from railways and how are we positioned that to bid?
- Yogesh Kumar Jain:** We are interested in railway projects also, in case if we find good project opportunities, we will bid.
- Parikshit Kandpal:** What do you mean by good projects?

- T. R. Rao:** See, earlier we bid for the DFCC project, a dedicated freight corridor project, we find a lot of synergy between our highway projects and those dedicated freight corridor projects, as of now there is no project opportunity in the dedicated freight corridor, so we are looking at other opportunities, of similar kind to bid for it.
- Parikshit Kandpal:** But for direct railway projects you will not bid?
- Yogesh Kumar Jain:** We will bid railway projects also as we will consider.
- Parikshit Kandpal:** What could be the impact of monsoon in the execution and how much have been our revenue is lower because of monsoon this quarter?
- D.K. Maheshwari:** Some of the areas it has affected such as Bihar and Chitradurga project in Karnataka largely.
- Parikshit Kandpal:** So, how much would have been the revenue loss or miss because of that?
- T. R. Rao:** If you compare with the first quarter, where we have done Rs. 1,322 Crores and it should have been in the same level, but there is a reduction which is around Rs. 300 Crores.
- Parikshit Kandpal:** So, for this quarter we are geared up to basically exceed that much like first quarter levels at least meet or exceed those levels?
- T. R. Rao:** Monsoon extended even up to October 20, 2019, so it could be around the same.
- Parikshit Kandpal:** In the Ghaziabad what is the final amount we are expecting to receive by March?
- D.K. Maheshwari:** Rs. 300 crores plus.
- Parikshit Kandpal:** And that will come entirely to us, PNC will get the entire amount?
- D.K. Maheshwari:** To our part.
- Parikshit Kandpal:** Any tax outgo anything on that?
- D.K. Maheshwari:** No, outgo because it is against on equity/ unsecured loan and our debtors' outstanding.
- Parikshit Kandpal:** So, no gain on investment, no capital gains or anything?
- D.K. Maheshwari:** Capital gain will be very negligible.
- Parikshit Kandpal:** Lastly on your view on the UP projects, how the HAM bid pipeline and HAM and EPC pipeline looks in the UP state?

- T. R. Rao:** As of now there are 40 EPC projects and 32 HAM projects that have been floated by NHAI, which are live and out of that around 10 to 12 projects are in UP and the remaining projects are in other states. We have shortlisted round 30 opportunities both in HAM and EPC formats, they are going to be bid out in the next two months, most of them between December 2019 and January 2020.
- Parikshit Kandpal:** If you get 30 projects and what will be the geographical breakup or not actual breakup, but which geographies you will be targeting these 30 projects?
- Yogesh Kumar Jain:** All over India you can say.
- Parikshit Kandpal:** All over India, Maharashtra, you are in UP, so basically across India even in south you are looking at for bidding?
- Yogesh Kumar Jain:** Yes.
- Parikshit Kandpal:** Thank you, that is all from my side and all the best.
- Moderator:** Thank you. The next question is from the line of Shравan Shah from Dolat Capital Market. Please go ahead.
- Shравan Shah:** Sir, small clarification needed, in terms of the Rs. 429 Crores equity, you said Rs. 70 Crores further to be invested in the second half of FY2020 and FY2021, how much you say?
- D.K. Maheshwari:** Rs. 429 Crore is to be infused – HY2 of FY'20 Rs. 60-75 Crores, in FY'21 Rs.175-200 Crores and balance in FY'22.
- Shравan Shah:** Sir, I think earlier we were expecting of some completion bonus on Varanasi-Gorakhpur and Dausa Lalsot, so is it now possibility and there will not be any early completion bonus?
- T. R. Rao:** No, do not expect early completion bonus in Varanasi because there is a delay in handling over the land by NHAI, we will fight later, but on a straight way basis we do not expect any bonus.
- Shравan Shah:** Not in the Dausa Lalsot also?
- T. R. Rap:** Yes
- Shравan Shah:** Thank you.
- Moderator:** Thank you very much. The next question is from the line of Prem Khurana from Anand Rathi Share & Stock Brokers. Please go ahead.

- Prem Khurana:** Thanks for taking my question. Two questions, one was I think when we spoke last time you had given a sense as to there was DPR, which was under work from Allahabad To Meerut any sense there is it still in work or bidding could be there in some time?
- T. R. Rao:** Could you please come again?
- Prem Khurana:** Meerut-Allahabad DPR was under preparation last quarter when we spoke?
- T. R. Rao:** Yes, it is still under preparation, because it is a long stretch from Meerut, so it will take time and is still under preparation.
- Prem Khurana:** But, when do we get this, would you be able to have something on this by this year end and it will go to the next year, at least even in terms of DPR being ready and therefore I am?
- T. R. Rao:** The bidding will go to next year only.
- Prem Khurana:** The second was on, we have been working on these six hybrid annuity project snow, so which is we have been making good progress on a quarter-on-quarter basis and which is I mean you would be accruing some grant from NHAI on a regular basis are we able to realize this grant in a timely manner or is it generally what is the time lag that your seeing in the terms of day, bills and then money comes to you?
- T. R. Rao:** On regular basis without any much delay we are getting payments. On an average when we raise our invoice, we will get our milestone payments within a month's time.
- Prem Khurana:** Would you have numbers as to how much did we managed to receive from NHAI and how much did we raise the bills for?
- D.K. Maheshwari:** As on date nothing is pending, we have received milestone payments for whatever we have raised the bills. For Dausa Lalsot we have received the fourth milestone and just submitted our fifth milestone and some of the projects we have received up to three milestone and two milestone in two projects like that, but there is nothing long outstanding with NHAI in the case of the milestone payments.
- Prem Khurana:** Sir, if can you also help me understand how did we manage to bring our net debt number down so substantially during the quarter, I understand Rs. 140 Crores is essentially because of this money that you received right, but when I look at reduction, reduction is sharper than that number, so does it mean we were able to realize some mobilization advances from some which is how you have been able to manage this number and second was, I think in your opening remarks you said your net debt is around Rs. 137 Crores, but when I look at the balance sheet it seem that not taking into an account the bank balance that you have in your books of almost around Rs. 50

to Rs. 60 Crores odd so that is mean just a kind of income burden, which is you are not taking that into an account because my net debt number worked out almost around Rs. 80 Crores odd and not Rs. 137 Crores because I was adjusting for that bank balance number as well?

D.K. Maheshwari: That bank balance is not surplus this is deposits we have given to banks as margin money on the bank guarantees and that is not the surplus money that is why we have not considered.

Prem Khurana: How did we manage to bring this number down, so what was the item, which made this thing possible for us apart from Rs. 140 Crores arbitration receive that could manage because decline is a kind of steeper when I look at the number in terms of decline that you have seen on a sequential basis, this is larger than Rs. 140 Crores of money that you have received in terms of arbitration, so where there any mobilization advances that we received during the quarter?

D.K. Maheshwari: In this quarter we have received the mobilization advance from Nagpur-Mumbai that is around Rs. 200 Crores.

Prem Khurana: Just one last if I may, there was Rs. 1,300 Crores odd arbitration which were pending between three projects Raebareli, Kanpur Kabrai and Dholpur Morena any update on any of these projects?

T. R. Rao: The hearings are going on, the exchange documents completed, now hearings are going on and it will take some more time to get the awards from these projects.

Prem Khurana: Thank you.

Moderator: Thank you very much. As there are no further questions, I will now hand the conference over to Mr. Jiten Rushi for closing comments.

Jiten Rushi: Thank you Sir for giving us this opportunity. Sir, any closing remarks from your side.

Yogesh Kumar Jain: Thank you everyone for your participation in our earnings call. We have uploaded the presentation in our company's website. In case of further queries, you may get in touch with the Strategy Growth Advisors, our Investor Advisors, or feel free to get in touch with us. Thank you very much for your participation.

Moderator: Thank you very much. On behalf of BOB Capital Markets Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.