

"PNC Infratech Limited Q2 FY2019 Earnings Conference Call"

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ANALYST: Ms. ANKITA SHAH - ELARA SECURITIES

MANAGEMENT: Mr. YOGESH KUMAR JAIN – MANAGING DIRECTOR

- PNC INFRATECH LIMITED

MR. T. R. RAO – EXECUTIVE VICE PRESIDENT – INFRA

- PNC INFRATECH LIMITED

MR. D. K. MAHESHWARI – VICE PRESIDENT FINANCE

- PNC INFRATECH LIMITED



Moderator:

Ladies and gentlemen, good day and welcome to the PNC Infratech Limited Q2 FY2019 earnings conference call hosted by Elara Securities India Private 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 Ms. Ankita Shah from Elara Securities. Thank you and over to you Madam!

Ankita Shah:

Thank you. On behalf of Elara Securities Limited, I Ankita Shah welcome you all to the Q2 FY2019 earnings conference call of PNC Infratech Limited. We have with us today, Mr. Yogesh Kumar Jain – Managing Director of the Company along with him Mr. D.K. Maheshwari – Vice President – Finance and Mr. T.R. Rao – Executive Vice President - Infrastructure. We will start with opening remarks by the management followed by question and answer session. Thank you and over to you Sir!

Yogesh Kumar Jain:

Good afternoon friends, we welcome you all to participate in our Earnings Conference call to discuss on our financial and operational performance for the quarter and half year ended September 30, 2018. Along with me I have Mr. T R Rao, Executive Vice President (Infrastructure) and Mr. D. K. Maheshwari, Vice President (Finance) and Strategic Growth Advisors, our Investor Relations Advisors.

I'll start with a brief on the key updates on the Industry then will discuss the Company's performance.

We have witnessed slowdown in awarding activity by NHAI during first half of the current financial year. Delay in achieving financial closure and delay in making availability of land for execution of the previously awarded projects are apparent reasons for the slowdown in project awarding. It is expected that NHAI will award the new projects before the model code of conduct kicks-in with announcement of dates for the General Elections in 2019.

NHAI has recently invited bids for Delhi – MP-Gujarat border stretch of 1250 km long Greenfield Delhi-Mumbai Expressway project, in 25 EPC packages for an aggregate estimated cost of Rs. 22,384 crore. This is a very large project in terms of execution as it will have 8 lanes which will be access-controlled with one lane on each side of the expressway for exclusive use of emergency vehicles. Once completed, the project will reduce the travel distance between Delhi and Mumbai by 200 kms and travel time by around 10 hours. NHAI also invited bids for 23 EPC packages of 634 km long first section from Sangariya (Haryana) to Rajasthan-Gujarat Border via Rasisar and Deogarh (Rajasthan) for a total estimated cost of Rs. 10,843 crore out of 1316 km long Amritsar –Jamnagar Expressway invited.

NHAI has also invited bids for 2nd bundle operational projects under the TOT mode. The 2nd bundle comprises 8 NH stretches in Bihar, Gujarat, Rajasthan and West Bengal. The aggregate length of these stretches is approximately 590 km and would also involve an initial construction



cost of Rs 929 crore. The total concession period is 30 years which is adjustable by 5/10 years depending on the actual traffic realized on the stretches.

Regarding the funding of projects, the recent liquidity crisis faced by NBFCs has slowed down the financial closures for projects awarded earlier. This has further aggravated the situation as the banks have already become very cautious about funding the infra projects since beginning of the year. Banks are now selectively financing the projects of only those developers, who have proven execution track record and healthy balance sheet.

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

With experience of executing more than 60 projects, we have strengthened our core expertise of project execution within the budgeted cost and time. We have been able to execute projects efficiently due to our strategy of backward integration of our construction operations supported by end-to-end in-house execution capabilities developed over a period of time. To achieve this, we continue to focus on the three core areas i.e. adequate equipment bank, skilled manpower and maintain strong financials.

In terms of equipment bank, we have invested more than Rs. 350 crores during last three years and our current Gross Block on September 30, 2018 is Rs. 780 crores. Company proposed to increase CAPEX about Rs.150 crore in 2nd half of FY 19 so that total gross block of the company will be Rs.950 crore on March'19 which will be sufficient for executing projects of value over Rs.5000 crore in a year.

In terms of manpower, we have added more than 2,000 employees at execution as well as at middle and senior management levels during the last six months. The augmentation of manpower with people of varied skill sets and strong techno-managerial background and equipment bank has enhanced our in-house project execution capabilities further.

Our liquidity position has also been improved with enhancement of our fund-based limits to Rs. 750 crores from Rs. 650 crores. We have a strong credit rating for the company at CARE AA-(Double AA Minus) for Long term bank facilities and CARE A1+ (Single A1 Plus) for Short Term Bank Facilities.

With a view of adding more projects to the orderbook, we have secured enhancement of our Non-Fund based limits to Rs. 3,350 crores from Rs. 2,650 crores which will help us to bid for higher number as well as larger size projects going forward.

We continue with our risk diversification strategy of bidding projects of both Central and State Government agencies like NHAI, MoRTH, UPEIDA, MES, MSRDC, State Public Works Departments etc. Our proven track record of completing several large sized projects has helped us to get qualified independently for bidding a single project of value up to Rs. 4,000 crores.

Now moving on to our Project Development Business:



We have a portfolio of 14 fund-based projects comprising BOT-Toll, BOT-Annuity, OMT and HAM projects. Out of the total portfolio, 7 BOT projects are already operational and all the HAM projects are in various stages of development.

4 out of 7 HAM projects, have achieved the financial closure and are currently under construction. For 2 HAM project we have submitted the documents to NHAI for approval of financial closure and financial closure is in advance stage for remaining 1 HAM project.

The operational and financial details of 7 HAM projects are:

Dausa-Lalsot-Kathun HAM project: The project is being implemented through our 100% subsidiary PNC Rajasthan Highways Private Limited. The project has achieved financial closure on 3rd April 2017 with a total debt of Rs. 371 crores. Total equity investment will be Rs. 66 crores of which we have already invested Rs. 46 crores till September 30, 2018. The NHAI will pay Rs. 384 crores as Grant during the construction period. The appointed date for the project was May 31, 2017 and as on September 30, 2018, 68% of construction is completed and we have received 2-mile stone payments

Chitradurga-Davanagere HAM Project: The project is being implemented through our 100% subsidiary, PNC Chitradurga Highways Private Limited. The total debt as per the financial closure achieved on 12th December 2017 is Rs. 606 crores. The NHAI will be pay a Grant of Rs 625 crores during the construction period and Rs. 107 crores will be invested as equity of which we have already infused Rs. 55 crores as on September 30, 2018. The NHAI has declared December 27, 2017 as the appointed date. As of September 30, 2018, 24% of construction is completed and we have received one-mile stone payment

Jhansi-Khajuraho (Package I) HAM Project: The project is being implemented through our 100% subsidiary PNC Bundelkhand Highways Private Limited. The project has achieved financial closure for a debt of Rs. 604 crores on November 01, 2017. Our total equity investment will be Rs. 128 crores and as on September 30, 2018, we have invested Rs. 15 crores. The NHAI will pay Rs. 610 crores as Grant over the construction period. Appointed date for this project is 18th May 2018 and as of September 30, 2018, 16% of construction is completed.

Jhansi-Khajuraho (Package II) HAM Project: The project is being implemented through our 100% subsidiary PNC Khajuraho Highways Private Limited. As per the financial closure achieved on November 02, 2017, the total debt of the projects will be Rs. 590 crores, total equity investment will be Rs. 104 crores and Rs. 568 crores will be Grant from NHAI during construction period. The NHAI has declared February 13, 2018 as appointed date. As on September 30, 2018, we have invested Rs. 43 crores and 18% of construction is completed.

Chakeri Allahabad HAM Project: The project is being implemented through our 100% subsidiary PNC Triveni Sangam Highways Pvt. Ltd. We have submitted the documents to NHAI for financial closure. Based on the document submitted the total debt, total equity and total grant will be Rs. 873 crores, Rs. 192 crores and Rs. 953 crores respectively.



Aligarh-Kanpur Package-II HAM Project: The project will be implemented through our 100% subsidiary PNC Aligarh Highways Pvt. Ltd. which has signed the Concession Agreement with NHAI. We have submitted the documents to NHAI for financial closure. Based on the document submitted the total debt, total equity and total grant will be Rs. 500 crores, Rs.125 crores and Rs. 479 crores respectively.

Challakere to Hariyur HAM Project: The project will be implemented through our 100% subsidiary PNC Challakere (Karnataka) Highways Pvt. Ltd. which has signed Concession Agreement with NHAI on 16th July 2018. The financial closure is in the advanced stage. Financial closure of this HAM project will also be achieved before the scheduled date and at a competitive rate of interest.

We expect to receive the appointed dates for Chakeri Allahabad and Aligarh-Kanpur Package-II HAM Projects before the end of Q3 of the current Financial Year. In case of Challakere to Hariyur HAM Project, the appointed date is expected to be declared before the end of current Financial Year.

Total equity for the 7 HAM projects to be infused over the next 2-3 years will be around Rs. 670 crores as on 30th September 2018

Now moving on to our order book

In the 1st half of the current Financial Year, we have been declared lowest bidder for the following 3 EPC projects with aggregate contract value of over Rs. 4,500 crores and received letters of acceptance:

- Two (2) contiguous packages of Lucknow Ghazipur Six Lane Access Controlled
 Purvanchal Expressway Project in the state of Uttar Pradesh for an aggregate
 contract value of Rs. 2,520.00 crores.
- 54.4 km long 4th Package of Nagpur-Mumbai Six Lane Access Controlled Super Communication Expressway (Maharashtra Samruddhi Mahamarg) for contract value of Rs.2000 crore.

For two contiguous EPC packages of Six Lane Lucknow-Ghazipur Purvanchal Expressway Project has declared 10th October 2018 as appointed date.

For 4th Package of Nagpur-Mumbai Six Lane Access Controlled Super Communication Expressway (Maharashtra Samruddhi Mahamarg), Maharashtra State Road Development Corporation Ltd. (MSRDC) has issued Letter of Acceptance (LOA) on 30th August 2018 for a contract price of Rs. 2000 crore. The appointed date for the project is expected in the month of Dec'18 from MSRDC.

Our order book in terms of contracts pending execution was over Rs. 6,100 crores as on 30th September, 2018. The 3 EPC projects and three HAM projects are not included in the unexecuted order book value as on September 30, 2018 or otherwise remaining value of unexecuted contracts as on date is over Rs. 14,000 crores.



Out of total unexecuted orderbook, 53% is from EPC contracts and 47% is from HAM projects.

The execution period of the current orderbook is 2-3 years which gives a visibility of sustained growth in revenues.

Now I would now present the results for the quarter and half year ended September 30, 2018.

Standalone Quarterly Result:

Revenue of 2nd Quarter of FY19 is Rs. 559 crore which is higher by 108% compared to 2nd Quarter of FY18. Revenue growth is mainly driven by availability of land for execution of projects for which appointed dates were received during second half of FY18 and 1st Quarter of FY19.

Profit of 2nd Quarter of FY19 is Rs. 35 crore which is higher by 111% compared to 2nd Quarter of FY18.

Cash profit of 2nd Quarter of FY19 is Rs. 56 crore which is higher by 58% compared to 2nd Quarter of FY18.

Moving on to Half Yearly results on Standalone basis

Revenue of first half of FY19 is Rs. 1294 crore which is higher by 107% compared to first half of FY18.

EBITDA margin for first half of FY19 is 15.8% which is higher by 111 basis points compared to first half of FY18.

PAT of first half of FY19 is Rs. 138 crore which is higher by 196% compared to first half of FY18.

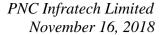
Our cash profit for first half of FY19 is Rs.177 crore which is higher by 115% compared to first half of FY18

On the balance sheet side our,

On stand-alone basis our net worth is RS. 1929 crores as on 30th September 2018. total debt of the company on a standalone basis is Rs. 335 crores which includes Rs. 103 crores for working capital and remaining Rs. 232 crores is for equipment finance. we have total cash and bank balance on standalone basis of Rs. 58 crores as on September 30, 2018. Our net debt to equity at standalone level is 0.14X.

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

Moderator: Thank you very much. We will now begin the question and answer session. We have the first





question from the line of Vibhor Singhal from Phillip Capital. Please go ahead.

Vibhor Singhal: Good morning Sir. Thanks for taking my question and congrats on a great set of numbers. Sir just

wanted to understand in the 1st half of this year, we have done remarkably well almost 100%

growth in top line in the first half, so what would be your target revenue for this full year right

now?

Yogesh Kumar Jain: Now we are increasing our guidance from 40% to 50%, going forward once the appointed dates

are declare for the one EPC project and three HAM projects which are expected by December 2018/January 2019, we will further revisit the guidance in fourth quarter. But As of now we

want to enhance our guidance to 50% which will be Rs. 2,800 Crores approximately.

Vibhor Singhal: You mean to say this guidance does not include any execution that you are assuming from the

last HAM project and the two EPC projects that we have recently won right?

Yogesh Kumar Jain: Right.

Vibbor Singhal: If we start execution on Q4 or in sometime then we could do further more than that as well?

Yogesh Kumar Jain: Exactly and we will tell you in fourth quarter.

Vibhor Singhal: Of course definitely sure and basically what is going to be our strategy going forward in terms of

if you look at our order book, right now order book if include the projects which are yet to be signed agreement, we have a very strong order book of almost Rs.15,000 Crores, which gives us a good visibility for the next three years of at least revenues. So what are we looking at right now let us say if there are more HAM projects which come from NHAI in the second half of the year we get more HAM projects. What are the kind of projects that we are looking to target, Sir will we be concentrating on EPC or HAM or for some time we need to wait and after deciding

we will take some projects?

Yogesh Kumar Jain: We have more focused on EPC projects, so we are targeting Rs.3,000 Crore to Rs.4,000 Crores

new projects in this financial year.

Vibhor Singhal: Over and above that we have already have?

Yogesh Kumar Jain: Yes

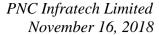
Vibhor Singhal: Okay Sir and you expect them to come majority from NHAI or from MSRDC or UP highways,

do you think it will come?

Yogesh Kumar Jain: Majorly from NHAI.

Vibhor Singhal: Thank you very much. I will get back in the queue if I have any more questions.

Moderator: Thank you. The next question is from the line of Parikshit Kandpal from HDFC Securities.





Please go ahead.

Parikshit Kandpal: Congrats on a good set of numbers. In the last call we had mentioned that we will be getting

some Rs.80 Crores of arbitration claim from Narela any update on that?

T. R. Rao: For Narela, we received the award.

Parikshit Kandpal: When do you expect to come in?

T. R. Rao: The total gross amount of the award is around Rs.160 Crores out of which already we have

received Rs.43 crores as an interim award and we received the amount also. There were four annuities which comprises Rs.86 Crores plus the interest. They have three months time to pay, so we are waiting, the award was published in the first week of October, so we are waiting for the

response of the client, DSIIDC.

Parikshit Kandpal: Can they contest it or they will be paying?

T. R. Rao: After the award, the act says they have three months to decide either to pay otherwise they have

to contest within three months.

Parikshit Kandpal: On the NHAI side and NH24 any update on the arbitration which we were expecting to come in?

T. R. Rao: In NH 24 also we received the award of Rs. 140 Crores in September 2018. Again similarly

NHAI also have three months time to decide upon.

Parikshit Kandpal: Because Rs. 140 Crores NH 24 and this Rs. 86 Crores for Narela?

Yogesh Kumar Jain: Rs. 160 Crores from Narela.

Parikshit Kandpal: In the last call also we mentioned that Aligarh-Ghaziabad is in advance like we are monetizing

the asset and plus another three assets we have put on the block, so if you can update on the

status of the four assets?

D. K. Maheshwari: Due diligence of Aligarh - Ghaziabad is going on and in the final stage and we expect by

December it should be finalized.

Parikshit Kandpal: What could be the amount which can come back to us in this Aligarh-Ghaziabad?

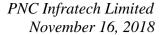
D. K. Maheshwari: At this point of time it is not possible to disclose any amount as project are under due diligence.

Let us wait and see on what amount it will be finalized.

Parikshit Kandpal: Okay and balance three projects what are the timelines now Sir and what are the stages of that

balance three assets?

D. K. Maheshwari: It is under process, there are three projects, MP Highways, Raebareli-Jaunpur and Bareilley-





Almora.

Parikshit Kandpal: Within the financial year can we hear something or will it move to next year?

Yogesh Kumar Jain: May move to next year.

Parikshit Kandpal: Lastly on the order book now, Rs. 6,000 Crores is under execution, we are on an average

quarterly clocked is around Rs. 600-700 Crores, by Q4 we will have another Rs. 8,000 Crores of order moving in that execution, so what could be the possible Q4 exit run rate on the execution

can it cross Rs.1100 to Rs.1200 Crores?

D. K. Maheshwari: Overall what Yogesh Ji has told that it should be around Rs. 2,800 Crores in the entire financial

year, but Rs. 1,300 Crores we have already achieved in first half, so in the second half we can

achieve Rs. 1.500 Crores.

Parikshit Kandpal: Sir I am asking the exit run rate for Q4 will be how much, so this Rs. 1,500 Crores, if you

balance Q2 will be somewhere and Q4 what could be the split?

Yogesh Kumar Jain: It will be around Rs. 1,500 Crores in second half as per our present guidance

Parikshit Kandpal: Okay, that is all from my side. Thanks and all the best.

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

ahead.

Shravan Shah: Congratulation for a good set of numbers. Sir, one clarification needed on the HAM equity last

quarter presentation we say total equity in the HAM projects is around Rs.750 Crores and now already we invested Rs. 160 Crores and we are saying another Rs. 670 Crores to be invested, so

total equity in the HAM project is Rs. 830 Crores odd?

D. K. Maheshwari: Right.

Shravan Shah: Sir I need the outstanding order book for the Aligarh - Moradabad, Koilwar - Bhojpur, Etah-

Kasganj, Lucknow Airport, Nanau - Dadon, and Dausa - Lalsot?

D. K. Maheshwari: The package 1 Jhansi to Khajuraho is Rs. 1,130 Crores.

Shravan Shah: These five big projects are there in the presentation, so I needed the remaining projects

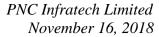
outstanding order book Aligarh - Moradabad, Koilwar - Bhojpur, Etah-Kasganj, Lucknow

Airport, Nanau - Dadon, and Dausa - Lalsot?

D. K. Maheshwari: Etah-Kasganj is Rs. 150 Crores, Aligarh - Moradabad is Rs. 110 Crores, Varanasi - Gorakhpur is

Rs. 538 Crores, Nanau - Dadon is Rs. 102 Crores, and Sharda canal is Rs. 94 Crores.

Shravan Shah: Dausa to Lalsot Sir?





Yogesh Kumar Jain: Dausa to Lalsot is Rs. 240 Crores.

Shravan Shah: Rs. 240 Crores and Lucknow Airport?

Yogesh Kumar Jain: Lucknow Airport is almost completed. Only Rs. 14 Crores is pending as on September 30.

Shravan Shah: Koilwar - Bhojpur would be the same for Rs. 407 Crores?

Yogesh Kumar Jain: Yes.

Shravan Shah: Sir I just wanted to understand on both the Bihar projects still we have not started in terms of the

execution? It is not coming in the revenue, so when can we expect so and now as you said appointed date is already and land is there, so when can expect and how much we can expect in

the second half in terms of the revenue for both the Bihar projects?

D.K. Maheshwari: The Koilwar project has already started and around Rs.20 Crores value of work we have already

executed and we are expecting in Q3 around Rs. 30 Crores to Rs. 35 Crores each from both the

projects.

Shravan Shah: Both the projects Rs.30 Crores to Rs.35 Crores per quarter in each project?

D.K. Maheshwari: For each project it will be Rs. 70 Crores in second half.

Shravan Shah: The Mumbai-Nagpur appointed date will come by mid December?

Yogesh Kumar Jain: We are expecting in December.

Shravan Shah: Sir what is the MAT credit entailment, which is a negative number for the Q2 and how much is

outstanding MAT credits?

D.K. Maheshwari: MAT credit outstanding as of September is Rs.171 Crores.

Shravan Shah: What was that we have booked in the Q2?

D.K. Maheshwari: Around Rs. 3 Crores.

Shravan Shah: Around Rs. 3 Crores, so now what would be our tax rate for FY2019?

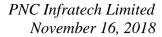
D.K. Maheshwari: Tax rate for FY2019 would be around 18% to 21% because in the first half it is 15.12% and

2018-2019, it will be between 18% and 21%.

Shravan Shah: Sir lastly on the working capital it has increased in this quarter even the debt has also increased,

so just wanted to understand in terms of the overall working capital how it would be in the

second half?





D.K. Maheshwari: As of March 2018, it was 113 days and now it is 122 days, but we are expecting by March 2019

it should be in the range of 110 days.

Shravan Shah: This is mainly because we are expecting the mobilization advance to come so just wanted to

know how much have received overall total mobilization advance and how much likely to be

received in the second half?

D.K. Maheshwari: As on date on September 30, mobilization advance will be around Rs. 400 Crores of 3 HAM

projects.

Shravan Shah: That we have received?

D.K. Maheshwari: Right.

Shravan Shah: How much more we can expect in the second half?

D.K. Maheshwari: It should be in the range of Rs. 500 Crores to Rs. 600 Crores from 2 projects of Purvanchal

Express, Chakeri to Allahabad project and from Nagpur project.

Shravan Shah: That is it from my side and all the best.

Moderator: Thank you. The next question is from the line of Dhruv Agarwal from Crescita Investment.

Please go ahead.

Dhruv Agarwal: Good afternoon Sir and congratulations on a good set of numbers. Sir if you can elaborate on the

projects that the NHAI and MoRTH will put up for bidding in the second half of the year that

would very helpful Sir thank you?

T. R. Rao: As of now, NHAI has already launched more than 100 projects. Around 70 projects on EPC

format and 30 projects on HAM format. The total is around Rs.70,000 Crores of aggregate estimated cost and the due date of these projects are falling in the next two to three months. The EPC projects mainly consists of around 25 bid packages for the Mumbai to Delhi Greenfield Expressway and around 23 bid packages for Amritsar to Jamnagar Expressway, so around 50 bid

packages are the expressway EPC packages and around 20 bid packages will be the other EPC

projects.

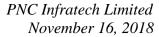
Dhruv Agarwal: These two, Mumbai to Delhi Expressway and the Amritsar to Jamnagar will be the biggest

projects that people will bid for correct?

T. R. Rao: Mumbai to Delhi is around 1,250 kilometers and Amritsar to Jamnagar is 1,316 kilometers.

Dhruv Agarwal: 1316 kilometers?

T. R. Rao: Yes 1,316 kilometers and Delhi to Mumbai is 1,250 kilometers.





Dhruv Agarwal: Sir both of these are Greenfield Amritsar to Jamnagar is also Greenfield?

T. R. Rao: Yes it is Greenfield. There are some stretches of 2 lane existing highway they might like to

merge, but predominantly both are Greenfield. In fact Delhi-Mumbai the entire stretch is

Greenfield, now they invited bids from Sona to MP to Gujarat border in , 25 bid packages.

Dhruv Agarwal: These highways will be covering multiple states correct?

T. R. Rao: Yes, multiple states, Gujarat and Rajasthan predominately.

Dhruv Agarwal: Most of these will be coming on the western side of India?

T. R. Rao: Yes, on the western side of India.

Dhruv Agarwal: Sir any of the projects are coming up in the Eastern side like connecting UP and then Odisha if

any projects on the anvil?

T. R. Rao: In the UP, Bundelkhand Expressway is coming from Jhansi to Lucknow. It will connect to Agra

to Lucknow Expressway further to Lucknow and they also want to connect the Purvanchal Expressway with Gorakhpur by a Link Expressway, so those expressways are coming from the state government side and otherwise many state governments are contemplating many

expressways in their respective states.

Dhruv Agarwal: You expect these bidding to steam up in December because then the model code of conduct as

you rightly said will come into play so how do you see this bidding will it peak?

T. R. Rao: The state government expressways may not come before December. They will come only in the

next financial year, but Delhi to Mumbai and Amritsar to Jamnagar they would like to award

these projects before the code of conduct starts in the month of February or March.

Yogesh Kumar Jain: These bids are already floated.

Dhruv Agarwal: Already floated and what is the deadline for the same if you could tell me for both of them?

T. R. Rao: In December and January.

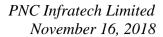
Dhruv Agarwal: So Delhi and Mumbai will be December and Amritsar to Jamnagar will be in January?

T. R. Rao: Yes around that.

Dhruv Agarwal: Perfect. Thank you so much.

Moderator: Thank you. The next question is from the line of Ashish Shah from IDFC Securities. Please go

ahead.





Ashish Shah: Good afternoon. Congratulations on a good set of numbers. Sir can you help me with the RoW

status for the land acquisition status of the older EPC projects as well, which are again Kashipur, Bhojpur, Buxar, Varanasi, and Gorakhpur, so all of those whether we have got anywhere close to

90% to 100% land in those projects now?

Yogesh Kumar Jain: In Varanasi to Gorakhpur project, we have approximately 95% land. In Nagina to Kashipur

project we have 90%, in Koilwar to Bhojpur project we have still 80% and in Bhojpur to Buxar

project it is around 80% to 85%.

Ashish Shah: Fine so you have at least crossed that basic 80% threshold?

Yogesh Kumar Jain: Yes we have crossed. Now we have sufficient land to work.

Ashish Shah: Got it Sir. Sir what about the newer HAM projects including the previous four as well as the

three new if you can just give some land acquisition status on those as well?

Yogesh Kumar Jain: In Dausa-Lalsot, we have approximately 98% to 100% land, in Chitradurga–Davanagere we have

96% land, in Jhansi to Khajuraho Package I we have 86% land, in Jhansi to Khajuraho Package II we have 92% land, in Chakeri-Allahabad we have 90% land, in Aligarh-Kanpur we have 92%

land, and in Challakere-Hariyur we have 80% land.

Ashish Shah: Sure right Sir. Thank you for this and also if you can share the toll revenue in the BOT assets for

Q2?

D. K. Maheshwari: In MP Highways it is Rs.9.5 Crores. For Kanpur to Lucknow to Ayodhya which is OMT project

it is Rs.78 Crores, for Kanpur highway it is Rs.17 Crores, for Narela project it is Rs.10 Crores, for Bareilly project it is Rs.9 Crores, and for Jaunpur which is an annuity project it is Rs.32

Crores.

Ashish Shah: Last question from my side. What is the total amount of loans, which would have been given to

subsidiaries and associates basically Ghaziabad, Aligarh or Narela or all of that put together what

would be the loan outstanding from the parent company?

D. K. Maheshwari: It is around Rs. 300 Crores, includes majority to the Ghaziabad-Aligarh project which is Rs.175

Crores. To Narela project it is Rs.75 Crores, which we will receive as soon as the arbitration

award is paid.

Ashish Shah: Got it Sir. Thank you so much.

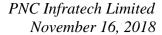
Moderator: Thank you. The next question is from the line of Prem Khurana from Anand Rathi. Please go

ahead.

Prem Khurana: Good morning Sir. Thanks for taking my questions. A couple of questions, one was if you could

breakdown your equity requirements around Rs.670 odd Crores how much would we spend in

 $\mbox{H2}$ and how much would we require in FY2020 and FY2021?





D. K. Maheshwari: Total equity requirement is Rs.832 Crores in all the seven HAM project. Out of the Rs.50 Crores

we have already infused last year. This year we are expecting around Rs. 220 Crores. In 2019-2020 it will be Rs. 250 Crores and 2020-2021 will be around Rs. 220 Crores. Actually this is as per the business plans we have submitted to NHAI, which will vary as per the execution of the work. As soon as we would take the disbursement at that point of time, we have to infuse the

equity.

Prem Khurana: Whatever is left would be spent after 2021 or what?

D. K. Maheshwari: Right.

Prem Khurana: Sir just to understand, you spoke about you are expecting almost Rs. 500 Crores to Rs. 600

Crores of mobilization advances in second half and you also have some favorable arbitration of claims within your favor now, so fully you will also get to have this money in H2, so do we have any end use plan for the funds that you would be able to receive because essentially we are still doing good in terms of cash flow generation in our core operation, so how do we intend to use this kind of money if your monetization plans were to kind of somehow materialize, you would also get to have incremental money, so do we have any end use plan for the money that you are

expecting in H2?

D. K. Maheshwari: Actually the mobilization advance that we will receive will be consumed in the working capital

for all these projects such as Purvanchal Expressway, Chakeri to Allahabad HAM project and

Nagpur to Mumbai Expressway.

Prem Khurana: How much free cash are we expecting in H2 this year? Are we expecting any free cash flow

generation in this second half?

D. K. Maheshwari: Yes in the second half.

Prem Khurana: How much are we expecting Sir any number in mind?

D. K. Maheshwari: We are expecting around Rs. 600 Crores mobilization advance in all these three projects.

Prem Khurana: Out of this Rs. 600 Crores how much would be utilized for the construction of these projects? I

am assuming you will not be able to utilize the entire amount, so you would be left with some

money for sure?

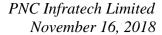
D. K. Maheshwari: We have already infused an amount for the working capital because we have already started the

mobilization in Chakeri to Allahabad HAM project, Purvanchal Expressway, and in Nagpur to

Mumbai Expressway project also. We have already started the mobilization activities.

Prem Khurana: Thank you.

Moderator: Thank you. The next question is from the line of Anupam Gupta from IIFL. Please go ahead.





Anupam Gupta: Sir just wanted to understand the reason for the sharp increase in your net debt, which has gone

up by Rs. 200 Crores in the first half, what is driving the increase in the net debt?

D. K. Maheshwari: Mainly because of buying of the equipment. The term loan which was Rs.170 Crores in March

2018 has increased to Rs. 235 Crores in September 2018 because we have increased our gross

block by about Rs.65 Crores in first half.

Anupam Gupta: Rs.65 Crores went for the capex and what about the balance let us say Rs.130 Crores or Rs.125

Crores?

D. K. Maheshwari: That is for utilization of the cash credit for all these projects what I have told earlier in Chakeri

Allahabad and Purvanchal Express we have already started to mobilize on these projects, but not

taking the mobilization advance.

Anupam Gupta: Let us say once the Rs. 600 Crores of mobilization advance comes in the second half what is the

net debt you are expecting by the end of this year?

D. K. Maheshwari: Terms loans will increase further to Rs.200 Crores to Rs.275 Crores, so it should be around

Rs.400 Crores in FY2019.

Anupam Gupta: 400 Crores?

D. K. Maheshwari: Which includes Rs.275 Crores for term loans as we are proposing to incur further capex of

Rs.150 Crores in second half.

Anupam Gupta: Right and this capex will continue in FY2020 as well?

D. K. Maheshwari: Will not continue in 2020 as with increase in capex in second half of current year capex of

Rs.150 Crores the gross book will be Rs. 950 Crores and with that we can execute the work around Rs. 5,000 Crores, but next year we will require around Rs. 40 Crores to Rs. 50 Crores

capex and not like FY2019. In FY2019 increasing in capex will be around Rs.225 Crores.

Anupam Gupta: Thanks a lot Sir. Thank you.

Moderator: Thank you. The next question is from the line of Amar Survase who is an Individual Investor.

Please go ahead.

Amar Survase: Thank you for the opportunity. My question is how is the speed and intensity from the

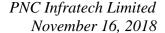
government in the second half of FY2019 for tendering out the contracts because we are going to

have elections in H2 of FY2019?

T. R. Rao: Already around 70 EPC and 30 HAM project bids have been invited. Bids have already been

invited and right from December to January and February that is ideally before model code of contract starts, so we think that in the current financial year NHAI would be able to award

another Rs. 50,000 Crores to Rs. 60,000 Crores of new projects. That even if you expect around





4% to 5% strike rate of those Rs. 60,000 Crores, we are expecting around Rs.3,000 Crores of new order book in the current financial year. This will all happen before the model code of conduct starts.

Amar Survase:

Secondly Sir how do you think the NHAI and other government entities will finance their projects. We saw the recent turmoil between the RBI and government. So how do we think they are going to finance their projects, would they intensify issuing the bonds or they will select another approach?

T. R. Rao:

Now presently the NHAI is working on the TOT second bundle and also they are contemplating a few more TOT bundles, and from this monetization they expect around Rs.15,000 Crores to Rs.20,000 Crores . This is completely their internal assets so I can say it's their internal accruals and other things for EPC project is that even developers or the contractors will not have an issue with the bank funding because these EPC projects are 100% funded by NHAI, so only in case of HAM projects there may be some issue, but now say another 20 to 30 HAM projects are going to come up before the end of the financial year, so the market should be able to absorb those 20 to 30 projects.

Amar Survase:

Sir how do we see the approach of the government to finance HAM projects, would they approach World Bank or any other international sources?

T. R.Rao:

We do not know what is NHAI's internal mechanism to raise the funds, but as we understand they went for the masala bonds, now they also took loan from LIC.

Yogesh Kumar Jain:

They have already taken Rs.25000 Crores form SBI.

T. R. Rao:

HAM projects only it is a 40% funding they have to do because 60% is deferred for the next 15 years and in the meantime they will also get toll and once they roll out the TOT they will get the upfront payment of Rs.15,000 Crores to Rs.20,000 Crores. I do not think there should be any problem for NHAI to mobilize the resources.

Amar Survase:

You are saying there would not be a problem in medium term to long term, there will be a short term glitches, but there would not be problem in medium term to long term?

T. R. Rao:

We hope so and we believe so. With that hope only we are bidding the projects.

Amar Survase:

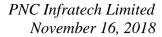
Thank you. That is it from my side.

Moderator:

Thank you. The next question is from the line of Ambar Singhania from Asian Market Securities. Please go ahead.

Ambar Singhania:

Thanks for taking my question. Congratulations on a good set of numbers. Sir one question from my side is what is your status on the asset monetization, which you mentioned in the last quarter, you mentioned that at least three of those assets will get monetized within a month, where are the





talks and what is actually the status of those and what are the thought process to monetize the entire asset?

D. K. Maheshwari: As of now as regard to the Ghaziabad-Aligarh, due diligence going on and we have already

signed the term sheet and we are hopeful that by December it will be finalized. As regards to the three projects, it is under process. Presently investors, who have shown their interest in these projects are busy in the bidding of TOT projects which going to be bid on December 6, 2018. Further, we are also bidding in ITNL projects therefore our monetization process of these three

projects may defer to next year.

Ambar Singhania: That is Rs. 300 Crores of your equity invested right Sir in these three projects?

D. K. Maheshwari: Of three projects yes.

Ambar Singhania: Fine thank you.

Moderator: Thank you. The next question is from the line of Parikshit Kandpal from HDFC Securities.

Please go ahead.

Parikshit Kandpal: Sir what is the collection in the Aligarh project right now per day collection toll collection?

D. K. Maheshwari: 61.5 lakhs.

Parikshit Kandpal: It has been improving, so was there any incremental loss funding during this quarter on this

project?

D. K. Maheshwari: In this quarter, we have only infused in Bareilly-Almora project because for Narela it was not

required because we already collected maintenance charges and in Ghaziabad also we have not

funded, so only in the Bareilly - Almora we infused.

Parikshit Kandpal: How much Sir?

D. K. Maheshwari: Rs. 3.5 Crores.

Parikshit Kandpal: On the Purvanchal Expressway project, has the execution started and have we started booking

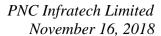
revenue?

T. R. Rao: The appointed date was declared on October 10, 2018, we have started the work, but we have not

booked the revenue so far.

Parikshit Kandpal: From Q4 it will be coming or Q3 we will book from revenue?

Yogesh Kumar Jain: We are expecting in Q4.





Parikshit Kandpal: Sir you spoke about some state projects of a large part of state ordering the Purvanchal

expressway and the Mumbai-Nagpur Expressway happened, so do you see in the next six months

any state projects opportunity coming up besides the NHAI projects?

Yogesh Kumar Jain: In the next six months we are expecting Bundelkhand Expressway from UP.

Parikshit Kandpal: How big that will be?

Yogesh Kumar Jain: It will be around Rs.4,000 Crores to Rs.5,000 Crores project.

Parikshit Kandpal: Any other project. There was a link road you mentioned Purvanchal to Gorakhpur connect?

T. R. Rao: Gorakhpur link is there but still the DPR work is going on. So we do not know the exact cost.

The Gorakhpur Link Expressway from Purvanchal Expressway linking the Gorakhpur City. It is

a four lane expressway and we do not know the exact cost.

Parikshit Kandpal: Out of the balance Rs.4,000 Crores of orders, which we are targeting in the next six months how

much could be the HAM in that, so what the appetite for HAM now with the company?

T. R. Rao: The majority projects will be EPC because EPC there are more than 70 EPC projects are already

launched so the majority would be from EPC only.

Parikshit Kandpal: Are you targeting any incremental HAM projects now or you are very conservative in bidding for

HAM project?

Yogesh Kumar Jain: We are very conservative and we are more focused on EPC.

Parikshit Kandpal: Lastly Sir the existing HAM projects, which are under execution and the EPC orders, which are

under execution so in the margins big difference will be there or you will be almost similar 13%

to 14%?

Yogesh Kumar Jain: It is the same line from 13% to 14%.

Parikshit Kandpal: I thought you guided that in Q4 you will do Rs. 1,000 Crores revenue, so I think you have to do

Rs.1500 Crores for the rest of the half to meet that Rs. 2800 Crores, so in Q3 Rs. 500 Crores I doubt that will be too less the number to execute because we have exceeded in Q2 only despite

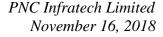
being a monsoon quarter?

Yogesh Kumar Jain: The average will be you can say between Rs. 1,500 Crores for the entire second half so there may

be some inter-se changes could be there, but as of now our guidance is Rs. 1,500 Crores for the

second half.

Parikshit Kandpal: Thank you.





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

Fund. Please go ahead.

Jatin Nayak: Sir you said your debt number gross debt number in FY2019 will be around Rs. 400 Crores

where would this number be in FY2020. Do you expect it to remain at the same level or

increase?

D. K. Maheshwari: It should be in the range of Rs. 400 Crores to Rs.500 Crores in FY2020 also because working

capital utilization will be around Rs. 100 Crores to Rs. 150 Crores we are expecting as of now and only Rs. 50 Crores of new machinery was there. There will not be an increase in the term

loan because whatever there will be increase that amount we will repay during the year.

Jatin Nayak: Thank you.

Moderator: Thank you. The next question is from the line of Rahul Agarwal from VEC Investments. Please

go ahead.

Rahul Agarwal: Good afternoon. Just one question on the receivable side gross receivables reported as of

September is Rs. 765 Crores, as I understand last quarter there were some Rs. 150 Crores of receivables still pending related to GST, have we collected everything or it is still not collected?

D. K. Maheshwari: Around Rs. 8 Crores to Rs. 10 Crores we have already received during this quarter and we are

expecting some receivables in Q3 and Q4.

Rahul Agarwal: Sir what will be the reasons Sir because it has been more than five quarters now, I think it should

be solved right?

T. R. Rao: GST is a completely new regime and payment mechanism. They are seeking series of

clarifications and also then we have to substantiate with the input credit and then independent engineers have to get satisfied, then again it will go to NHAI so this process is taking long time. It is becoming very long process now that things are becoming clear to NHAI also, so we hope that during the Q3 substantial amount we would be able to receive and Q4 also we would receive

the remaining amount.

Rahul Agarwal: But we would not be compensated right for the delay, what I am trying to ask is essentially let us

say if we have to recover Rs. 100 and there is so much delay because of implementation I understand six months or 12 months is more than that will we get compensated on the interest

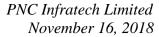
part here?

Yogesh Kumar Jain: We will put as claim.

T. R. Rao: We have to put that as claim. They do not directly compensate any interest or anything extra, so

it would be another dispute kind of a thing, so we have to pursue it later. First we have to get the

principle payment.





Rahul Agarwal: This all will with NHAI is it?

T. R. Rao: Yes, majority with NHAI and few amounts with the state governments. Otherwise from the

UPEIDA, we are regularly getting the GST payment.

Yogesh Kumar Jain: UPEIDA is giving.

Rahul Agarwal: Got it and Sir last thing how much will be the SPV receivables out of Rs. 765 Crores?

D. K. Maheshwari: It will be around Rs.275 Crores to Rs.300 Crores and we are expecting that this month we will

take the disbursal from the lenders.

Rahul Agarwal: Got it. Thank you so much. All the best.

Moderator: Thank you. The next question is from the line of Ankita Shah from Elara Securities. Please go

ahead.

Ankita Shah: Sir my question was on your execution for the second half of the year, which of the projects you

think will get completed and how much execution on the new projects have we considered in the

second half of this year?

Yogesh Kumar Jain: We will complete Aligarh-Moradabad EPC contract and Lucknow Airport project. We are also

expecting to complete Chakeri Airport project.

Ankita Shah: Which new projects will contribute and how much in the second half of the year?

T. R. Rao: As of now we are expecting some contribution from the Purvanchal Expressway because

appointed date already has been declared for those packages, so we will be able to tell you I can say in Q4 or otherwise end of the Q3 what would be the contribution from the Nagpur and Chakeri–Allahabad once their respective appointed dates are declared. As of now appointed dates

are not declared for these projects.

Ankita Shah: What kind of growth are we expecting for FY2020?

T. R. Rao: Around 35%

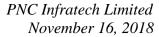
Ankita Shah: 35% - 40% Sure. Thank you.

Moderator: Thank you. The next question is from the line of Parikshit Kandpal from HDFC Securities.

Please go ahead.

Parikshit Kandpal: Is there any pending receivables from the Lucknow-Agra Expressway?

D. K. Maheshwari: Now Rs.35 Crores.





Parikshit Kandpal: Rs.35 Crores.

T. R. Rao: We have received the final completion for that project on October 23, 2018, this is absolute final

completion for that project so we should be able to recover all the payments before end of the Q3

and may be if any residual is there then we may be able to recover in Q4.

Parikshit Kandpal: What will be the interest cost for us now term loan and working capital?

D. K. Maheshwari: In this quarter or first half?

Parikshit Kandpal: The first half you can tell no problem.

D. K. Maheshwari: The cost of interest in working capital is 8.8%.

Parikshit Kandpal: Term loan?

D. K. Maheshwari: Term loan it is in the range of 9% of old projects and presently for some of the HAM projects it

is in the range of 9.5% to 9.65%.

Parikshit Kandpal: Thank you.

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

ahead.

Shravan Shah: Aligarh–Moradabad is there any early completion bonus likely to be there?

T. R. Rao: Yes. There is a provision of 0.03% per day so with a maximum of 100 days so we are targeting

for early completion bonus for 100 days that is 3% of the project cost.

Shravan Shah: Is there any other project where we can have early completion bonus?

T. R. Rao: As of now we have not comtemplated. May be we will be able to achieve something in the next

financial year.

Shravan Shah: Sir second thing in terms of the employees in this first half we have added more than 2,200

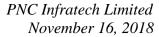
employees how much more are we planning to add in the second half?

Yogesh Kumar Jain: For the second half we will add around 500 to 600 employees further.

Shravan Shah: In terms of the employee cost current run rate, which is Rs. 42 odd Crores how much we can

because some of must have recruited recently so how much run rate we can look at Rs. 45 Crores

to Rs. 50 Crores every quarter now onwards?





D. K. Maheshwari: Rs. 46 Crores to Rs. 47 Crores every quarter.

Shravan Shah: That is it from my side.

Moderator: Thank you. The next question is from the line of Jiten Rushi from Bank of Baroda. Please go

ahead.

Jiten Rushi: Sir I just missed the toll collection from Ghaziabad–Aligarh during the quarter?

D. K. Maheshwari: It was Rs.51 Crores Sir.

Jiten Rushi: Sir any reason why we had a lower toll collection at Kanpur–Kabrai highways?

D. K. Maheshwari: Mainly because of the monsoon during this quarter.

Jiten Rushi: That is it from my side. All the best. Thank you.

D. K. Maheshwari: Because it was very heavy rain during this quarter.

Jiten Rushi: Thank you very much.

Moderator: That was the last question. I would now like to hand the conference back to Ms. Ankita Shah for

closing comments.

Ankita Shah: I would like to thank all participants for taking out time and attending this call and also to the

management for giving us this opportunity. Thank you and Sir would you like to add any closing

comments?

Yogesh Kumar Jain: Thank you everyone for your participation in our earning call. We have uploaded the

presentation on our Company's website. In case of further queries you may get in touch with the Strategic Growth Advisors, our Investor Relations advisors or feel free to get in touch with us.

Thank you very much for participation.

Moderator: Thank you very much. On behalf of Elara Securities that concludes this conference. Thank you

for joining us. Ladies and gentlemen, you may now disconnect your lines.