



“PNC Infratech Limited Q4FY 2019 Earnings Conference Call”

May 27, 2019



MANAGEMENT:

PNC INFRATECH LIMITED

MR. YOGESH JAIN - MANAGING DIRECTOR

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

MR. D. K. MAHESHWARI - VICE PRESIDENT (FINANCE)

MODERATOR:

SBICAP SECURITIES LIMITED

MR. SANTOSH HIREDESAI



Moderator: Ladies and Gentlemen, Good Day and Welcome to the PNC Infratech Limited Q4FY 2019 Earnings Conference Call hosted by SBICAP Securities Limited. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Santosh Hiredesai from SBICAP Securities. Thank you and over to you, sir!

Santosh Hiredesai: Thanks, Stephen. At the outset, I would like to thank the management of PNC Infratech for giving us this opportunity to host this conference call. On behalf of SBICAP Securities I also take this opportunity to extend a warm welcome to all the participants for taking out time and joining us on the call.

From the senior management of PNC Infratech Limited, we have Mr. Yogesh Jain - Managing Director; Mr. T R Rao, EVP (Infra) and Mr. D. K. Maheshwari, Vice President (Finance) to discuss the 4Q FY 2019 Quarterly and Full Year FY 2019 Performance and address the investor queries.

We will begin with a brief update from the senior management followed by Q&A. Over to you, sir.

Yogesh Jain: I am Yogesh Jain, good afternoon friends, we welcome you all to participate in our Earnings Conference Call to discuss our financial and operational performance for the quarter and full year ended March 31, 2019. 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 brief highlights on the Industry and then will discuss Company's performance.

The awarding activity has slowed down significantly during the second half of FY 2018-19. One of the key reasons for subdued project awarding is to ensure availability of minimum vacant land in terms of contractual provisions, before award of the projects. The Government in the background has been working in this direction to overcome the land acquisition hurdles for uninterrupted and expeditious project execution and also to avoid claims by the contractors and developers, for the delays.

During the interim budget for FY 20, the allocation towards Roads, Transport and Highway has been increased by 13% and allocation to NHAI has been increased by 12%. It is expected that the agencies will bid out more projects from June 2019 onwards in the current financial year. NHAI is also working on alternate modes of funding such as getting equity participation in



large greenfield expressway projects, monetization of revenue earning projects on ToT model and reviving BOT-Toll model for the highways having higher traffic and revenue potential. With the Code of Conduct being in force from 11th March 2019 onwards, the project awarding activity has been halted, as otherwise the month of March generally witnesses award of large number of projects every year. However, as the present NDA government is again mandated to form the new government for the next five years, there will be continuity of the policies and programs as such the project awarding activity is expected to pick up from June 2019 onwards. This time the optimism is even higher as the Government has already shortlisted around 26,000 Kms of highways to be bid-out over next 2-3 years under the Bharatmala Pariyojana. The Government is also working with the Banking Industry to address various challenges being faced by developers in achieving financial closure particularly for HAM projects awarded earlier.

India's infrastructure is set for a major boost as one of key campaign promises of the new government includes spending of 100 lakh crores during the next five years to build roads, railways and other infrastructure, a boost to manufacturing, and a doubling in exports. Such a massive investment in the infrastructure sector by both government and private sectors is expected to create not only huge business opportunities to both developers and construction entities but also generate enormous employment opportunities in the sector, going forward.

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

Over a period of time and with execution of more than 60 major projects so far, we have developed an execution strategy which is supported by end-to-end in-house execution. This is backed by adequately owned equipment, large pool of skilled manpower and capability to execute the projects within the budgeted cost and time.

To achieve faster execution, we keep upgrading our equipment and machinery, which is evident from the capex of over Rs.636crores invested during the past 4 years, of which Rs.291 crores have been invested in FY19 alone. With the gross block of over Rs. 1,000crores as on March 31, 2019, we can execute works over Rs.5,000 crores value on our own, in a year.

In addition to augmentation of machinery and equipment, we have rapidly enlarged our employee base at all levels of project execution as well as at middle and senior management levels for supporting functions. As on March 31, 2019 we have a total 9,075 employees, of which around 3,300 employees have been added in FY19 alone. The augmentation of construction equipment and expanding manpower base with persons of varied skill sets and strong techno-managerial background would greatly help to take the organization to the next level of growth in terms of turnover and profitability.

We will continue to focus on completing the projects within the budgeted cost and time-limes so that we become entitled for early completion bonus, which would help improving both liquidity and profitability of the Company.



With more projects expected to be tendered out in the current year, we have adequate fund-based limits of Rs.750 crores and non-fund-based limits of Rs. 3,350 crores in place, to facilitate uninterrupted bidding and execution of projects.

Recently CARE Ratings have re-affirmed our credit ratings at CARE (Double AA Minus) for Long Term Bank Facilities and CARE (Single A1 Plus) for Short Term Bank Facilities, which enable us to keep our credit costs at very competitive levels. The ratings are amongst the best in the industry.

Apart from continued focus on project execution and diligent bidding for the new projects, we also keep our eyes on risk diversification. As a strategy, we bid for projects from both Central as well as State Government agencies like NHAI, MoRTH, UPEIDA, MES, MSRDC, State Public Works Departments etc. and also try to maintain a right mix of EPC and HAM projects from order-book diversification perspective.

Now moving on to our Project Development Business:

Our project development portfolio has a total of 14 projects comprising BOT-Toll, BOT-Annuity, OMT and HAM assets.

We have total 7HAM projects, which are under various stages of development and the remaining 7 fund-based projects are already operational, of which 4 are BOT-Toll projects, 2 BOT-Annuity Projects and 1 OMT project.

Now, moving on to operational and financial details of 7 HAM projects:

Present the company is having 7 HAM projects out of which 6 are in full-swing construction. The total equity requirement is Rs. 832 crores, out of which we have already infused Rs. 232 crores by March 2019. The balance equity requirement will be Rs. 600 crores in next 2 ½ to 3 year, which can be infused comfortably from our internal cash generation. We expect to complete these projects well in time. All the 6 under construction HAM projects have received **A Category** Credit Rating from an external credit rating agency.

Now, I would like to share with you the key milestones achieved and initiatives taken by the Company during FY 19.

- a. Recently on May 4, 2019, we have signed a Share Purchase Agreement (SPA) with Cube Highways and Infrastructure Pte. Ltd. for sale of our entire 35% stake in Ghaziabad-Aligarh BOT-Toll Project (SPV) along with the other partners in the Project. The Total Enterprise Value (EV) of entire project is Rs. 1,834 crores, which is subject to adjustments of debt and other capital and operational costs as on the Closing Date. The Company's 35% stake would translate to a sale consideration of Rs. 270 crores. Apart from this, the Company

is expecting to recover its outstanding EPC receivables along with certain closing adjustments, which would likely to fetch a total cash-in-flow of over Rs. 300crores to the Company.

- b. I also want to share another update on one of our operational projects i.e. Redevelopment of Narela Industrial Estate on PPP mode. The wholly owned subsidiary of Company, PNC Delhi Industrialinfra Private Limited, the Concessionaire for the Project has received the amount of final arbitration award from Delhi State Industrial &Infrastructure Development Corporation (DSIIDC) on 16 May 2019. The final arbitration award was published in Concessionaire's favour on 17 November 2018. Earlier in January 2018, the subsidiary company had received Rs. 43.0 crore as an interim award from DSIIDC in the same matter, thus, the total amount of arbitration award received by the Concessionaire isRs.188.63 crore. Out of the total amount, Rs. 129.0 crore was received towards the 6 outstanding annuities and Rs.59.63 crore was received towards interest and other claims. The final arbitration amount of Rs. 145.63 crores received will be accounted for in 1st Quarter of FY20.
- c. In September 2018, we have received an arbitration award for Rs. 140 crore in our favour for one of our earlier completed EPC projects : 'Widening & Strengthening to four lane standards Garhmukteshwar to Moradabad stretch of NH 24'. NHAI challenged the award under section 34 in the Delhi High Court and the same was rejected by the Court on 24 May 2019. NHAI has already deposited the amount with the Court, which would be paid to us after 8 weeks, subject to appeal, if any, by NHAI.
- d. In February 2019, we have received another arbitration award for Rs. 30.9 crore in our favour for one of our earlier completed EPC projects : 'Improvement of Gurgaon-Nuh-Rajasthan Border section of SH-13' against HSRBDCL. The award is under challenge before the Chandigarh Court
- e. I am happy to share that on 13 May 2019, we have received 'Provisional Completion Certificate' for one of the EPC projects executed by the Company : "Improvement/ Augmentation of 146.4 km long Aligarh-Moradabad Section of NH-93 to two lanes with paved shoulders, on EPC Mode". As the project has been completed seventy-three (73) days ahead of the scheduled completion date of 25 July 2019, we have become entitled for early completion bonus @0.03% of the Contract Price (Rs. 644.5 crore) for each day of ahead of scheduled completion, which comes to Rs. 14.11 crore, to be received form NHAI.
- f. In March 19, we have also received final completion certificate for two of our highway projects namely Rehabilitation and upgradation of 43 km long Barabanki-Jarwal section of NH-28C and 80 km long Rehabilitation &



upgradation of Sonauli to Gorakhpur section of NH-29E. In March 2019, we have also received completion certificate for one our airport projects namely : resurfacing of main runway at Air Force Station, Bakshi ka Talab, Lucknow.

Our unexecuted order-book as on March 31, 2019 was over Rs. 12,000 crores.

EPC component of HAM projects constitutes 44% of total unexecuted order-book whereas balance 56% is from EPC contracts.

Execution period of the current order-book is 2 to 3 years, which gives a visibility of sustained growth in revenues, going forward.

Now I move to Standalone Quarterly Results for the quarter ended March 31, 2019.

In the financials that I will now discuss, the Early Completion Bonus of Rs. 58 Crores received in Q4FY18 has not been considered, for an objective comparison.

Revenue of 4TH Quarter of FY19 is Rs.1,076 crore which is higher by 54% compared to 4TH Quarter of FY18.

EBIDTA of 4TH Quarter of FY19 is Rs. 151 crore which is higher by 47% as compared to 4TH quarter of FY18.

Profit after tax grew by 25% in 4TH Quarter of FY19 to Rs. 139 crore compared to Rs. 111 crores in 4TH Quarter of FY18.

MOVING ON TO STANDALONE RESULTS FOR FULL YEAR

Revenue for FY19 is Rs. 3,071 crore which is higher by 71% compared to FY18.

For an objective comparison, the revenue for FY19 doesn't include Rs.25.30 crore Bonus Annuity received from subsidiary company namely PNC Raebareli Highways Private Limited towards early completion of Raebareli-Jaunpur BOT (Annuity) project and similarly revenue for FY18 doesn't include Bonus of Rs.58.23 crore received towards early completion of Agra-Lucknow Expressway.

EBIDTA for FY19 is Rs. 432 crore which is higher by 66% as compared to FY18.

PAT for FY19 is Rs. 324 crore which is higher by 29% compared to FY18.

I'll now take you Consolidated Financials for Full Year

Consolidated revenue for FY19 is Rs. 3,774 crore which is higher by 57% compared to FY18.

Consolidated EBITDA for FY19 is Rs. 1,007 crore as compared to Rs. 769 crore in FY18 registering a year on year growth of 31%.

Consolidated net profit after taxes, minority interest and share in profit/(loss) of associates for FY19 is Rs. 351 crore which is higher by 44% compared to FY18.

ON THE BALANCE SHEET SIDE OUR,

On stand-alone basis our net worth is Rs. 2,115 crores as on 31ST March 2019. total debt of the company on a standalone basis is Rs.375 crores which has been availed for equipment finance. As on 31ST March 2019, the company does not have any working capital loan. We have total cash and bank balance of Rs. 252 crores as on March 31, 2019. Net debt to equity is 0.06 times.

On consolidated basis our net worth as on March 31, 2019 is Rs. 2,024 crores whereas total debt is Rs. 2,775 crores. The total cash & bank balance including current investments at consolidated basis is Rs. 560 crore. The net debt to equity on consolidated basis comes at 1.09 times.

With this, we now open the floor for Question-Answer

- Moderator:** Thank you very much. We will now begin the Question-and-Answer Session. The first question is from the line of Shravan Shah from Dolat Capital. Please go ahead.
- Shravan Shah:** So I need a few data points. First is what is the negative MAT credit for the quarter?
- D. K. Maheshwari:** There is no MAT credit in this quarter.
- Shravan Shah:** Okay. Secondly, I need an outstanding order book for some of the older projects so I will be telling the name and if you can help me or you can spell it out, Nagina-Kashipur, Varanasi - Gorakhpur, Aligarh - Moradabad, Koilwar-Bhojpur, Bhojpur - Buxar, Etah-Kasganj, Dausa-Lalsot, Chitradurga, Jhansi Package II?
- D. K. Maheshwari:** Nagina-Kashipur is Rs. 820 crores, Jhansi-Khajuraho Package II is Rs. 678 crores, Then Chitradurga-Davanagere is Rs. 768 crores and Bhojpur - Buxar is Rs. 424 crores.
- Shravan Shah:** Pardon, this is?
- D. K. Maheshwari:** Rs. 424 crores Bhojpur - Buxar, Bihar project, then Varanasi - Gorakhpur is Rs. 377 crores, Jhansi-Khajuraho Package I is Rs. 825 crores, Koilwar-Bhojpur is Rs. 372 crores.
- Shravan Shah:** Okay. And Aligarh - Moradabad, zero?
- D. K. Maheshwari:** Aligarh - Moradabad is already completed now in May. It is Rs. 8 crores only.
- Shravan Shah:** Rs. 8 crores. And Etah-Kasganjsir ?.
- D. K. Maheshwari:** Balance work of Aligarh Moradabad also completed in May 2019.

- Shravan Shah:** Yes, that I got it. I am asking Etah-Kasganj and now what is the outstanding as on March 31?
- D. K. Maheshwari:** Etah - Kasganj is Rs. 84 crores and Nanau-Dadonis 73 crores, Dausa-Lalsot is Rs. 174 crores.
- Shravan Shah:** And sir, can you also help me with the appointed date for Chakeri - Allahabad, and Aligarh - Kanpur?
- D. K. Maheshwari:** Chakeri - Allahabad is 12th January and Aligarh - Kanpur is 29th January.
- Shravan Shah:** 29th January?
- D. K. Maheshwari:** Yes.
- Shravan Shah:** Yeah. So, now in terms of the what is our now guidance for the revenue and for inflow for FY 2020 and in inflow also how much now we are targeting from the HAM?
- D. K. Maheshwari:** On Revenue side, we are expecting growth of 45% - 50% in FY 2020. And we are expecting order inflow of around Rs. 7,000 crores to Rs. 8,000 crores by end of this financial year.
- Shravan Shah:** And how much would it be from HAM?
- Yogesh Jain:** That will be mix of 50-50 of EPC and HAM.
- Shravan Shah:** Okay. And in terms of the debt and working capital, if you can help me how would number would be at the end of the FY 2020?
- D. K. Maheshwari:** We are expecting 95 days debtor days and 110 days for working capital at the end of FY 2020.
- Shravan Shah:** And standalone debt, sir?
- D. K. Maheshwari:** Debt at Standalone level is expected to be around Rs. 475 crores which will include term loan of Rs. 325 crores, as presently we have a term loan of Rs. 375 crores and post repayment and additional debt during the year, debt should be around Rs. 325 crores end of the FY 2020 and we have considered Rs. 150 crores of OD limits, so in total gross debt should be Rs. 475 crores. And as against that, there should be a cash and bank balance of around Rs. 100 crores. So Net Debt level will be around Rs. 350 crores to Rs. 375 crores.
- Shravan Shah:** Okay. And tax rate as last time you guided 24% to 26% for FY 2020.
- D. K. Maheshwari:** Yeah. Last year we have guided 24% and it was actual 24% in FY 2019 and for FY 2020 we are expecting around 30%.
- Shravan Shah:** Okay. And lastly, how much equity sub-debt loans everything that we have invested in Aligarh, Ghaziabad - Aligarh project?

- D. K. Maheshwari:** In Ghaziabad - Aligarh project, we have infused Rs. 190 crores in form of unsecured loan and warrants and Rs. 68 crores in form of equity.
- Moderator:** Thank you. The next question is from the line of Kunal Bhandari from HDFC Securities. Please go ahead.
- Kunal Bhandari:** Thank you for the opportunity, sir and congratulations on a very good set of numbers. You have already exceeded your guidance that you had given earlier in FY 2019. And all your HAM projects are almost kicking off and only one is remaining now to get appointed date. Do you see you know even the current guidance that you have given, do you see significant upside coming from that level also? If suppose even the say post 2Q inflows are good and even last appointed dates comes in time?
- D. K. Maheshwari:** At this point of time, we are assuming that the growth in FY'20 should be around 45% to 50%.
- Kunal Bhandari:** Okay. Sure, sir. And what is the appointed target for the last HAM that is remaining?
- Yogesh Jain:** We are expecting to receive the appointed date after the rainy season.
- Kunal Bhandari:** Okay. So it is July or July end?
- Yogesh Jain:** September, I think.
- Kunal Bhandari:** Okay, in September. And what would be the latest status of land acquisition?
- Yogesh Jain:** Actually, as per NHAI 80% land is available for the project, we want NHAI to declare the appointed date only after clearance of all the encumbrances and obstruction such as a large number of trees, existing electrical and water supply lines, structures, buildings, etc. so that the land is available in fully vacant condition, for uninterrupted working, after declaration of appointed date.
- Kunal Bhandari:** Okay. So only that is remaining and that you expect by September, sure, sir. And what would be your CAPEX guidance for FY 2020?
- D. K. Maheshwari:** FY 2020, we are expecting around Rs. 120 crores to Rs. 125 crores.
- Kunal Bhandari:** Okay, sure, sir. And just one last question on sir, what are the key projects that you are targeting if you could list them out, including both NHAI and state highways that would be coming up over the next 12 months and the quantum of these projects?
- Yogesh Jain:** NHAI has launched 86 highway projects for bidding under EPC and HAM modes of which EPC is around 39 projects and HAM is around 47 projects. We have identified around 35 EPC and HAM projects totaling to Rs. 36,000 crores for bidding.
- Kunal Bhandari:** And in state highways, if you could clarify?

- Yogesh Jain:** In State highways -, UPEIDA has invited bids for 6 packages of 296 kilometer long Bundelkhand Expressway from Chitrakoot to Etawah for an estimated cost around Rs. 9,000 crores and 91kilometer-long four lane Gorakhpur link expressway of project cost around Rs. 3,000 crores. Both the projects, the bid due dates are 27th June and 28th June.
- Kunal Bhandari:** Okay, 27th June and 28th June.
- Moderator:** Thank you. The next question is from the line of Vibhor Singhal from Phillip Capital. Please go ahead.
- Vibhor Singhal:** Sir, I had a few questions mainly on the balance sheet side. From the last quarter we have seen the debt come down from around Rs. 450 crores to around Rs. 370 crores in this quarter and also a significant improvement in the working capital. Our debtor days has come down. So is it due to some stuckreceivable getting us for some specific project or is it due to the mobilization advances that we have got for the HAM projects? And do you expect this to go up as we utilize that mobilization advance or that money that has come in?
- D. K. Maheshwari:** Actually, in the month of March we have realized certain receivables, for the work done in February as well as in March 2019. Because there were certain targets set by the department, we realized payment of our bills for February as well as March.
- VibhorSinghal:** And so, these were state government projects or NHAI?
- D. K. Maheshwari:** State and NHAI projects both.
- VibhorSinghal:** Okay, both. So there is no not a big aspect of mobilization advance which has led to a reduction in the debt per se.
- D. K. Maheshwari:** Not much.
- VibhorSinghal:** Not much more. Sure, sir. Secondly, sir, the sale of Ghaziabad - Aligarh that we have done, so most likely its cash inflow would be Rs. 270 crores which is yet to come, when can we expect this to come in?
- D. K. Maheshwari:** We have majortwo conditionsprecedent to fulfill. We have to obtain the NOC from NHAI and alenders. Out of 14lenders, we have received NOC from 4 banks. Also we are expecting that by end of June'19we will get NOC from the remaining banks. Similarly, NOC from NHAI is also under process . So within two - three months, we are expecting that we will get the NOC and then realize the payment.
- Vibhor Singhal:** Okay. So sir, we can expect that till September definitely money should come in?
- D. K. Maheshwari:** Yes, we are expecting.



- Vibhor Singhal:** Sure, sir. And sir, you also mentioned that we got. Rs. 140 crores of award for this GarhMukteshwar EPC project. So the money which NHAI deposited with court, so this award we got from which court? We got this from arbitration or from higher court?
- T. R. Rao:** No, we got it through arbitration. We got this award from arbitrator, which were challenged by NHAI in the High Court. Court has rejected NHAI's challenge petition.
- VibhorSinghal:** Okay. So the high court has also rejected NHAI's petition?
- Yogesh Jain:** Yes.
- T. R. Rao:** We have to get the payment from High court only, because NHAI deposited the award amount with the court, but the court has given eight weeks cushion to NHAI for appeal.
- Vibhor Singhal:** Okay, sir, in these cases does NHAI goes beyond High Court or not, according to your experience?
- Yogesh Jain:** It goes sometimes and sometimes it does not, both are possible.
- Vibhor Singhal:** So in case they decide to appeal against the order then court will not release that amount and then we will have to fight it out in the higher court also, right?
- Yogesh Jain:** Yes, we will see during the cooling period.
- Vibhor Singhal:** Sure, sir, definitely. Great, sir. Sir, my last question, Sir, recently NHAI called a meeting in which they wanted to discuss with developers that how to revive BOT projects? And now, I think like you said in opening remarks that NHAI is looking to basically invigoratethe interest in BOT model. So sir, let us say the project awards expected next year byNHAI in them EPC or HAM gets reduced or BOT gets increase then would we be bidding for BOT projects or we will keep our focus on EPC or HAM and we will our remaining focused on State Government projects?
- Yogesh Jain:** Presently, the what the situation is, actually NHAI wanted to see that which are the projects for which BOT Toll bids can come where traffic is good and these types of projects are also there where the traffic has increased. So NHAI wanted to see that if NHAI bid out the BOT projects, will there be any bidder or not as NHAI does not want to send out a message that bids for BOT have failed So a lot of projects are not expected to be bid out on BOT-Toll mode. Aa in today's scenario where Banks are taking time to fund HAM projects, the expectation is that they will take more time in funding these BOT projects. So financing market needs to settle, and the banks first need to get comfortable in funding HAM projects. So as and when these projects get completed and Banks get comfortable with HAM model. There will be 3-4 meetings with Government and after that bids for BOT are expected. But I think, in current scenario, majority of projects say 90% will be HAM and EPC and approximately 10% of

projects could be awarded on BOT mode. However, we would not like to stretch our balance sheet and would continue to bid for HAM and EPC projects in the ratio of 50:50.

Vibhor Singhal: Sure. Sir, just one last thing, on the airport side, Sir, we had bid for two - three airports of the six airports bids that were called for and in that of course we saw another player who has got projects through very aggressive bidding. But what is our future strategy means would in future we will bid for airport project or we will continue to focus on road projects?

Yogesh Jain: We will continue to focus on road projects as there are many projects expected to be awarded and currently there are no plans to bid for Airport projects.

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

Rahul Aggarwal: First question, on the project execution status. So for any of the large projects into our EPC order book or on the HAM EPC order book, would you like to comment on any particular project wherein you are facing any execution issue or across the board the execution is smooth in the next 12 months any land related or non-land related issues?

Yogesh Jain: As of now, the execution on all the projects is going smoothly. However, land availability in Challakere-Hariyur is less than 90% so we are waiting for the appointed date.

Rahul Aggarwal: And what will the timeline to get this land to 100%?

Yogesh Jain: We are expecting by September.

Rahul Aggarwal: Okay. And no other project is facing any problem, right?

Yogesh Jain: No, not much as of now.

T. R. Rao: We do not foresee any major problem that will be cropping-up during the FY 2020.

Rahul Aggarwal: Okay, second question was on this inflow guidance, you said Rs. 7,000 crores to Rs. 8,000 crores just taking that earlier question further, so does that include anything from the non-roadside?

Yogesh Jain: No, all projects will be from roads sector.

Rahul Aggarwal: Okay. So purely in terms of thought process, we are very clear that no further airport ownership bidding will happen from the company side or you still think that that is a good opportunity for your company?

Yogesh Jain: We have good opportunity in road sector. So we are not planning to go for projects in the Airport sector as of now.

- T R Rao:** But if we get any EPC project in airport sector, where we find synergy, then we will bid for it.
- Rahul Aggarwal:** Okay, but no ownership, right?
- Yogesh Jain:** Yes, not on ownership basis.
- Rahul Aggarwal:** Okay, anything on the railway side would you like to comment?
- T. R. Rao:** As of now, we are not contemplating any railway project. But we move ahead, if you get any good railway project, we will look at the opportunity, but as of now we cannot comment on that. But nothing in our mind as of now.
- Yogesh Jain:** We can go for EPC projects in railway also.
- Rahul Aggarwal:** Yes, that is what I was asking. So any work which is made from your side, which you want to really pursue into this segment or as of now, there is nothing like that?
- Yogesh Jain:** As of now, nothing.
- Rahul Aggarwal:** Okay, fair point. And just lastly, you know, the entire money for Narela, Ghaziabad - Aligarh a few arbitration awards you have got, how do you ensure that the entire money essentially comes back to the parent company, you know, obviously, the loan from parent company would be repaid. But I think, the monies collected are going to be higher than that. So any plans like what happens to Narela's cash flow or Ghaziabad - Aligarh's cash flow, how does that come back to the standalone entity?
- D. K. Maheshwari:** Presently as regards to the Narela, the entire unsecured loan given by the parent company has been returned back along with the 12% interest..
- Rahul Aggarwal:** So that was Rs. 75 crores plus interest rate, right?
- D. K. Maheshwari:** Right. So the remaining amount of around of around Rs. 40 To 45 crores, is still in the books of the SPV.
- Rahul Aggarwal:** Okay. Yeah. So how do you plan to get back or you think you will use it for Narela's debt repayment or something like that?
- D. K. Maheshwari:** We cannot get back from a SPVs being at a related-party transaction. Presently, it will continue to be in the SPV. We can consider giving dividend to the parent company, if required.
- Rahul Aggarwal:** Yes, that is what I was asking. So, are you planning to do that or how...
- Yogesh Jain:** Not planning as of now, we will discuss that later.

- Rahul Aggarwal:** Okay. And similarly, for Ghaziabad - Aligarh, because I thought the loan to them was about Rs. 175 crores, you just said that it was over two loans plus warrant about Rs. 190 crores.
- Yogesh Jain:** In Ghaziabad – Aligarh, the entire money will come to the parent company.
- T. R. Rao:** Because it is the equity divestment, the entire money will come to the parent company.
- Rahul Aggarwal:** Yes, but there is also a loan, right about Rs. 175 crores?
- D. K. Maheshwari:** Actually, along with equity total infusion is Rs. 258 crores, which includes Rs. 68 crore of equity and other Rs. 190 crores towards warrants and unsecured loan. Total Rs. 258 crores and EPC outstanding of Rs. 62 crores that will come to parent company, which comes to more than Rs. 320 crores.
- Moderator:** Thank you. The next question is from the line of Parvez Akhtar from Edelweiss. Please go ahead.
- Parvez Akhtar:** Sir, couple of questions from my side. The first is over the last couple of quarters we have seen our EBITDA margins moving up to the 14 odd percent range. So I mean, going at what is the kind of margin trajectory that we can foresee in FY 2020?
- D. K. Maheshwari:** EBITDA margin in last year was 14.05% and in the third quarter it was 14.07%. We are expecting in the range of 13.75% to 14% in the FY 2020, without considering the benefit of any bonus, arbitration award etc.
- Parvez Akhtar:** Sure, sir. Sir, what was the CAPEX that we did in FY 2019?
- D. K. Maheshwari:** In FY'19, it was Rs. 290 crores.
- Parvez Akhtar:** Sure. And sir, last question, if you could just give us a toll collection numbers for the various BOT projects and OMT projects in this quarter?
- D. K. Maheshwari:** In MP Highway it is Rs. 14.3 crores; Kanpur - Ayodhya OMT project is Rs. 99.8 crores, Kanpur Highways is Rs. 23.9 crores; Narela is Rs. 10.48 crores; Bareilly - Almora is Rs. 9.40 crores and Raebareilly - Jaunpur is Rs. 32.16 crores.
- Moderator:** Thank you. The next question is from the line of Ankush Mahajan from JM Financial. Please go ahead.
- Ankush Mahajan:** Sir, what we are planning to fund this Rs. 600 crores equity in the next two years?
- D. K. Maheshwari:** Balance equity requirement of existing 7 HAM Projects is Rs. 600 crores, which has to be infused in next 2.5 to 3 years. While cash generation of three years for the company is Rs. 1,600 crores. So, the company sufficient funds to infuse equity in existing HAM Projects from its internal accruals. Additionally, company is expecting to realize arbitration award of NH 24

of Rs.140 crore, cash inflow from Ghaziabad - Aligarh of Rs. 300 crores and bonus of Aligarh - Moradabad and arbitration award for Gurgaon-Nuhproject, which is in total would be amounted to Rs. 500 crores.

- Yogesh Jain:** So, equity requirements can be fulfilled by internal accruals.
- Ankush Mahajan:** Okay. And so what is the current debt at the end of this year? Gross debt?
- Yogesh Jain:** Working capital debt was zero and term loan was Rs. 375 crores and as against that there was cash and bank balance of about Rs. 250crore. So net debt was Rs. 124 crores.
- Moderator:** Thank you. The next question is from the line of Kriti Jay from Sundaram Mutual Fund. Please go ahead.
- Kriti Jay:** Sir, we had given a guidance of Rs. 7,000 crores order flow. Sir which are the targeted areas, sir?
- Yogesh Jain:** We have identified 36 EPC and HAM projects of NHAI and Uttar Pradesh Expressways Authority's for bidding.
- Kriti Jay:** Sir, UP's Ganga and Bundelkhand, when will the orders come?
- Yogesh Jain:** Bid due dates for Bundelkhand and Gorakhpur Link Expressways are 27th June and 28th June, 2019 respectively
- Kriti Jay:** June, sir?
- Yogesh Jain:** Yes.
- T. R. Rao:** But for Ganga Expressway, still DPR is underway, it will take time.
- Yogesh Jain:** Ganga Expressway will take time around six –to seven months for bidding
- Kriti Jay:** Both these how big they stretch and how much EPC award can they get?
- Yogesh Jain:** Bundelkhand is 296 kilometer long and costing about Rs. 9,000 crores. Gorakhpur Link Express is 91 kilometer long, costing about Rs. 3,000 crores.
- Kriti Jay:** Okay. Sir, any possibility of upward revision guidance sir, given that order book is very strong and exceptChallakere-Hariyur everything is received. So guidance upward revision, there are good chances, sir, what is your view, sir?
- Yogesh Jain:** We have already given guidance of about 45% - 50% top-line growth for FY'20.

- Moderator:** Thank you. The next question is from the line of Prem Khurana from Anand Rathi. Please go ahead.
- Prem Khurana:** Sir, first question was on this Chakeri - Allahabad, Aligarh - Kanpur project. So it seems as if I mean, we could manage the appointed date in the month of January but seems as if there is hardly any progress. Does it mean NHAI has given us back-dated appointed date because I mean, when he hosted the call for the last quarter, when there was no mention of appointed dates for these two projects, and I think, we hosted that....
- Yogesh Jain:** These are the latest developments however NHAI permitted us to commence the work in January'19 itself, accordingly we have started and till date we have completed around Rs. 200 crores work in Chakeri - Allahabad; and around Rs. 140 crores work in Aligarh - Kanpur. Accordingly, appointed dates are being given at the corresponding dates
- D. K. Maheshwari:** That turnover we have not considered in FY 2019 since we have not received Appointed Date Letters formally.
- Yogesh Jain:** That turnover will come in the first quarter of this year.
- Prem Khurana:** Okay. Sir, essentially sir, if I try to understand is this mobilization did not come in this, right? Or did mobilization did come?
- Yogesh Jain:** No, it did not come.
- Prem Khurana:** Okay. And sir, just one if you could help me with Ghaziabad - Aligarh toll collection during the quarter?
- D. K. Maheshwari:** It was Rs. 53 crores.
- Moderator:** Thank you. The next question is from the line of Jiten Rushi from Bank of Baroda Capital Markets. Please go ahead.
- Jiten Rushi:** Sir, my question is relating to loans to subsidiary. So, sir, we had also given loans to Bareilly-Almora and Narela. So Narela, it is Rs. 40 crores - Rs. 45 crores and Ghaziabad is around Rs. 190 crores. So what is the outstanding balance for Bareilly-Almora and others, if any sir?
- D. K. Maheshwari:** For Bareilly-Nainital, it was Rs. 66 crores as on 31st March and Narela it was Rs. 76 crores, which we have realized in the month of May.
- Jiten Rushi:** Okay. So you have realized around Rs. 20 crores in May and now it is Rs. 40 crores - Rs. 45 crores, what we see right now.
- Yogesh Jain:** We have realized the entire amount of unsecured loan along with interest @ 12% from Narela.
- Jiten Rushi:** Okay. And sir, what about Ghaziabad is Rs. 190 crores, you said, right, sir?

- Yogesh Jain:** Yes, Rs. 192 crores.
- Jiten Rushi:** And sir, what about any others which in the loans and advances there are others also which was there in around Rs. 23 crores, any other subsidiary which we have given?
- D. K. Maheshwari:** No, we have not given to any other subsidiary.
- Jiten Rushi:** Okay. And sir, in terms of what you said in the opening remarks for the bonus and your Ghaziabad - Aligarh's payment and your arbitration awards. Sir, what could be the total amount, which we can book in Q1 - Q2 and Q3, can you just highlight that because it is something which we have to track on a quarterly basis?
- D. K. Maheshwari:** We are expecting around Rs. 570 crores in the FY 2020, which include NH24 award of Rs. 140 crores; Ghaziabad - Aligarh divestment Rs. 300 crores; Aligarh- Moradabad bonus of Rs. 14 crores; and Gurgaon-Nuhaward of Rs. 31 crores.
- Moderator:** Thank you. The next question is from the line of Ashish Shah from Centrum Broking. Please go ahead.
- Ashish Shah:** Sir, just one question, on the Narela award, will there be any impact to the P&L of the parent company? You said, you have got the money in Q1? So, will there be any P&L impact or is merely a loan coming back?
- D. K. Maheshwari:** No impact on the P&L of parent company will be there as we were considering interest receivables in every quarter @12% on the outstanding, on accrual basis.
- Ashish Shah:** And sir, for the arbitration awards? Will you take it to the P&L now or you will take it only when you receive cash for that?
- D. K. Maheshwari:** Usually, we are taking only when we receive the payments. In May we will consider Narela.
- Ashish Shah:** Okay, there will be an impact in the P&L of the SPV.
- Ashish Shah:** When it comes?
- D. K. Maheshwari:** Yes, right.
- Moderator:** Thank you. The next question is from the line of Vibhor Singhal from Phillip Capital. Please go ahead.
- Vibhor Singhal:** Just one more question from my side. Sir, for our BOT project, as we have done the sale for the Ghaziabad - Aligarh project, are we in talks with any other kind of private equity player or some other fund to basically sell out our BOT portfolio or our HAM projects as other developers are looking at? Because at this point of time, we do not need any support for cash? We are not looking for that.

- Yogesh Jain:** You are discussing about few HAM projects.
- Vibhor Singhal:** Sir, BOT and HAM, we are trying to sell some stake or portfolio, some stake sell, is there some talks going on or is there nothing?
- Yogesh Jain:** We are thinking about few HAM project and talks are going on.
- Vibhor Singhal:** BOT is not there, in BOT portfolio, we are keeping it ourselves.
- Yogesh Jain:** BOT is not there as of now.
- Moderator:** Thank you. The next question is from the line of Shравan Shah from Dolat Capital. Please go ahead.
- Shравan Shah:** Sir, out of this Rs. 600 crores equity to be invested in HAM, in FY 2020 how much to be invested?
- D. K. Maheshwari:** Around Rs. 280 crores in FY 2020.
- Shравan Shah:** Okay. And sir, apart from whatever we have said in terms of the bonus and arbitration, is there any other project that we will be finishing in FY 2020 and where we can expect early completion bonus or is there any other arbitration, which is still pending and may come in FY 2020?
- D. K. Maheshwari:** We are not expecting any bonus in this first or second quarters.
- Shравan Shah:** Okay. And is there any other apart from whatever we have highlighted in terms of arbitration is there any which is still ongoing and may come?
- Yogesh Jain:** Arbitration is going on. But it will take one year minimum.
- Shравan Shah:** Is it possible to share broadly, what will be the number and which of these projects?
- T. R. Rao:** See, we have filed our arbitration claims in case of Raebareli - Jaunpur, Kanpur – Kabrai, Dholpur Highway and Agra Bypass projects. In three cases, arbitration proceedings are already underway. We have submitted our statement of clients in these cases, NHAI submitted their statement of defense. But it will take at least another 10 to 15 months to get the awards published in these cases.
- Shравan Shah:** And the ballpark in terms of the whatever we have claimed, sir, I understand normally we put the higher claims but ballpark number would be Rs. 300 crores - Rs. 400 crores claim, we have put or...
- T. R. Rao:** No, aggregate amount in all these projects, put together, would be Rs. 1,300 crores plus.

- Moderator:** Thank you. The next question is from the line of SriramKumar from Spark Capital. Please go ahead.
- Sriram Kumar:** Sir, I have one question regarding land acquisition status for the upcoming projects especially in Bundelkhand and Gorakhpur a Link Expressway and also the NHAI projects which are currently in tender now.
- T. R. Rao:** In case of NHAI projects, they want to ensure at least 80% of land is made available in case of HAM projects or 90% land in case of EPC projects. So in fact, they are deferring the bid due date so that the land is in their position. They want to avoid premature award of projects that is what NHAI present plans are there. In case of the U. P. in the earlier case also they did not have any issue regarding land because the U. P. government for land the entire revenue department works under UPEIDA. So we expect at least 80% land availability when they award the Bundelkhand as well as Gorakhpur Link Expressway projects.
- Sriram Kumar:** Sir, and when you are saying 80% land, you are saying about 80% 3G?
- Yogesh Jain:** 80% land in possession; 3H.
- Sriram Kumar:** And including NHAI project also you are saying it is 3H?
- Yogesh Jain:** Yes.
- Moderator:** Thank you. The next question is from the line of Amber Singhania from Asian Market Securities. Please go ahead.
- Amber Singhania:** Just two things, Nagina-Kashipur this quarter we have executed on Rs. 45 crores revenue whereas last quarter it was Rs. 84 crores. So any reason why the revenue has been slowed down this quarter, is there any issue in these projects?
- D. K. Maheshwari:** The Nagina-Kashipur this year we have executed Rs. 315 crores as against Rs. 83 crores in third quarter and Rs. 87 crores in fourth quarter.
- Amber Singhania:** Sir, Rs. 83 crores was in Q3 and in Q4 we have Rs. 824 crores order book is there versus Rs. 866 crores, so that is around Rs. 40 crores book.
- D. K. Maheshwari:** Actually contract in hand which you are seeing, also includes the escalation. Actual execution is Rs. 87 crores.
- Amber Singhania:** So Rs. 87 crores was in full year, sir? And in Q4 how much was it, sir?
- D. K. Maheshwari:** In fourth quarter, it was Rs. 87 crores
- Amber Singhania:** Okay. And how much is the execution Chakeri - Allahabad and Aligarh - Kanpur, sir?

- D. K. Maheshwari:** For Chakeri - Allahabad, Aligarh - Kanpur, we have not booked any revenue in FY 2019. It will come in the first quarter of FY 2020.
- Moderator:** Thank you. The next question is from the line of Alok Deora from Yes Securities. Please go ahead.
- Alok Deora:** Just a couple of questions. Sir, what would be the margin guidance now, are we expecting around similar kind of margin 14% - 14.5% going forward?
- D.K. Maheshwari:** We are expecting 13.75% to 14%
- Alok Deora:** Okay. And sir, the revenue guidance is there for next year and in that we have considered some new projects also coming up or it is based on the existing order book, which are currently under execution?
- Yogesh Jain:** Based on the existing order book.
- Alok Deora:** And suppose the appointed date for the HAM project gets delayed due to external reasons, so would that change this guidance or that is like not material?
- Yogesh Jain:** Not materially.
- Alok Deora:** Okay. And just one last question, right now we are targeting around Rs. 7,000 crores to Rs. 8,000 crores of new order inflows. But what is your sense on that because you know after dull FY 2019, we will be seeing some awards being given in FY 2020, so competitive intensity also would be high. So what is your sense on in terms of the order flow and the competitive intensity in the segment?
- T. R. Rao:** Competition will be there but we do not see any fierce competition in FY 2020 and there should be some moderate competition. And see earlier also we have bid so diligently and we are hopeful that we will get at least Rs. 7,000 crores to Rs. 8,000 crores of new orders, despite the competition.
- Moderator:** Thank you. The next question is from the line of Kriti Jay from Sundaram Mutual Fund. Please go ahead.
- Kriti Jay:** Sir, on year-on-year basis, the other expenses increase, so any one off is there in the other expenses?
- D. K. Maheshwari:** It is only impact of GST in the other expenses.
- Moderator:** Thank you. The next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.

- Shravan Shah:** Sir, the way we have a previous participant asked a question regarding Nagina-Kashipur. In the same way if I just look at the Chitradurga-Davanagere, there also, last quarter we have done close to Rs. 112 crores and this time it seems Rs. 50 crores. So here also is there any escalation?
- T. R. Rao:** No, here there is no escalation.
- Yogesh Jain:** Actually, in quarter four most of the work is executed were of lesser value in comparison to items executed in quarter three. With resumption of bituminous work and also availability of fronts for service roads work done in quarter one of financial year 2020 is expected to increase.
- Shravan Shah:** Okay. So most likely we would be seeing better execution in quarter one.
- Yogesh Jain:** Yeah.
- Moderator:** Thank you. The next question is from the line of Ashish Shah from Centrum Broking. Please go ahead.
- Ashish Shah:** Sir, just wanted to check the status of the Mumbai- Nagpur Expressway project. Have we got all kind of clearances to move ahead or is there anything pending from the state government side?
- Yogesh Jain:** We have got all clearances.
- Ashish Shah:** Because earlier some aggregate mining clearances are pending.
- Yogesh Jain:** We have got all the clearances in the last month.
- Ashish Shah:** So now, would you expect about 30% - 35% execution from this project in this financial year?
- Yogesh Jain:** Yes, fairly..
- Moderator:** Thank you. We take the next question which is from the line of Amar Survase from Individual Investor. Please go ahead.
- Amar Survase:** I have one bookkeeping question. When I look at profit before tax for this quarter, has fallen compared to FY 2018 and profit after taxes, which has increased by 25%; is it just because of taxes in respect of earlier years, or because of we are generating 25% in PAT. So, my question is, when the taxes for earlier years are reducing the taxes for current year, we must have paid these taxes in advance in the last year. So, I just wanted to know, how these taxes for earlier year is we are recording on our books?
- D. K. Maheshwari:** In this quarter, we have received the income reversal due to excess provision from the FY 2007 - FY 2008 to FY 2011 - FY 2012.

- Amar Survase:** Okay. Because these kinds of taxes in respect of earlier we have seen quite a lot time in earlier quarters as well.
- D. K. Maheshwari:** In FY 2018, we have considered there fund of the 80-IA.
- Amar Survase:** Okay. And may I know the cash flow from operation for this FY 2019?
- D. K. Maheshwari:** If you see that PAT is at Rs. 324 crores, with the depreciation of Rs. 92 crores. It comes Rs. 416 crores the cash accrual for FY 2019.
- Moderator:** Thank you. As there are no further questions. I would now like to hand the conference over to Mr. Santosh Hiredesai for closing comments.
- Santosh Hiredesai:** Thank you so much for giving me this opportunity to host the call and also, addressing all investor queries. Yogesh ji, any closing comments that you want to make?
- Yogesh Jain:** Thank you everyone for your participation in our earnings calls. We have uploaded the presentation on the Company's website. In case of further queries, you may get in touch with the Strategic Growth Advisor, our Investor Relations Advisors or feel free to get in touch with us. Thank you very much for participation.
- Moderator:** Thank you. Ladies and Gentlemen, on behalf of SBICAP Securities Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.