



## “PNC Infratech Limited Q4 FY2020 Earnings Conference Call”

June 26, 2020



### **ANALYST:**

- Mr. Ashish Shah – Centrum Broking Limited

### **MANAGEMENT (PNC INFRATECH LIMITED):**

- |                       |                            |
|-----------------------|----------------------------|
| Mr. Yogesh Kumar Jain | – Managing Director        |
| Mr. T. R. Rao         | – Director (Infra)         |
| Mr. D. K. Maheshwari  | – Vice President (Finance) |

**MODERATOR:** LADIES AND GENTLEMEN, GOOD DAY AND WELCOME TO THE PNC INFRATECH LIMITED Q4 FY2020 EARNINGS CONFERENCE CALL HOSTED BY CENTRUM BROKING 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. ASHISH SHAH FROM CENTRUM BROKING LIMITED. THANK YOU AND OVER TO YOU SIR!

**Ashish Shah:** Very good afternoon to all the participants to the Q4 and FY2020 earnings conference call of PNC Infratech Limited. We have from the management Mr. Yogesh Kumar Jain, Managing Director, T R Rao, Director (Infra) and Mr. D. K. Maheshwari, Vice President, Finance. I request the management to give their opening remarks after which we can have the Q&A. Over to you Sir!

**Yogesh Kumar Jain:** Good afternoon friends, A very warm welcome to all of you to participate in our earnings conference call to discuss on our financial and operational performance for the quarter and year ended March 31<sup>st</sup>, 2020.

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

I will share key points on the impact of COVID-19 pandemic on our sector, followed by highlights of the final report submitted by task force on National Infrastructure Pipeline (NIP), and then will discuss Company's performance.

It is a matter of great concern for all of us that the spread of pandemic Covid-19 continues unabated in India and the World, causing a huge loss to lives, livelihoods and economy. Though, impact of COVID 19 pandemic on the infrastructure sector during FY 20 was not significant, as activities and operations were majorly disrupted in the last ten days of year only, the impact will be substantial in the current financial year.

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It is fact that the sector would have marginally performed better in FY 20 had there been no imposition of lockdown and consequent stoppage of construction works and suspension of tolling.

Given the uncertainty, full impact on performance FY'21 will be contingent on many unpredictable developments including severity, spread, peak and duration of the pandemic. Availability of construction workers, uninterrupted supply chains and intensity & duration of monsoon will be key factors for overall performance of the infra sector this year.

On traffic front, toll collections were severely impacted from 22 March onwards and started ramping-up gradually from the middle of May, after relaxation of goods movement by the government. Though commercial traffic is now back on the highways to almost pre-lockdown levels, it would take long time for passenger traffic to reach the normal levels. However, as the share of revenue from passenger traffic being lesser than commercial traffic revenue, no significant impact on operational revenues is foreseen from the second quarter of the current financial year, provided no further lockdowns are imposed by the governments.

Before the lockdown, there was robust bidding pipeline of highways projects on both EPC and HAM models. However, due to imposition of nationwide lockdown, bidding activities were hampered in the first quarter of FY 21. It is expected that bidding would be revived from the second quarter onwards.

On positive side, in FY20, NHAI achieved highway construction at 3,979 kms, as against 3380 kms constructed in FY19. Though, it is short of NHAI's target of 4,500 kms in FY20, it translates into 10.9 kms per day in FY20, which is highest rate since inception of NHAI. Under Bharatmala Pariyojana, the government has envisaged a target construction of about 65,000 kms of national highways, of which construction of 34,800 km of national highways under Phase1 within 5 years with an outlay of Rs 5,35,000 crore. In Phase1, NHAI has been given mandate to construct about 27,500 km of national highways.

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The Task Force on National Infrastructure Pipeline (NIP) submitted its final report to the government in April, 2020, which projected investments to the tune of Rs. 111 lakh crore during period between 2020 and 2025. The final report mentioned that 18% of the targeted investment is expected to be made in the road sector, which includes development of overall 60,000 km of national highways including 2,500 km of expressways, 9,000 km of economic corridors, 2,000 km of coastal and port connectivity, bypasses for 45 towns and enhanced connectivity for 100 tourist destinations by 2024. These projects include construction of new expressways between the major cities. NIP also aims for higher penetration of asset monetization options, such as InvITs, ToT and securitization of portfolio among others.

**Now moving onto the operations of the company.**

After complete suspension of works for nearly one month, from 20 April 2020 onwards, on receipt of required permissions from the respective local administrations, the works resumed progressively across all our construction projects, ensuring compliance to the guidelines issued by the government.

Though initially the progress could not be ramped up speedily due to departure of migrant labour and disruptions in the supply chains, it is picking-up slowly and may take few more months to reach the normal levels. As our capabilities are backed by mostly company owned construction equipment, mining and aggregate crushing facilities, we should be able to reach normal pace of construction operations at fairly faster pace. With effect from 20<sup>th</sup> April 2020, we also resumed user fee collection operations at all our BOT-Toll and OMT Projects. As mentioned earlier, commercial traffic volumes have already reached up to 80 to 90% of the normal levels.

At the both construction and operation sites, we are taking all necessary steps to adhere to the Standard Operating Procedure including ensuring social distancing at work place, personal hygiene, thermal scanning, provision of face masks & gloves, setting-up of isolation rooms, staggering of food timings, organizing visits by doctors for educating workers, among other measures.

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Our robust execution capability is driven by our core strengths that enable us to successfully deliver the projects within the budgeted costs and stipulated time lines. The key competencies include our financial strength, end-to-end execution capability, large fleet of modern plant & equipment and multi-disciplinary execution team with proven credentials. Our judiciously leveraged and healthy balance sheet and strong credit ratings enable us to execute projects seamlessly without any liquidity challenges and financial stringency. Our financial strength helps us in pitching for higher number of projects of larger size, continually. Our strong credit ratings, facilitate us to raise funds at competitive rates.

As the company has been having end-to-end construction capabilities in-house, right from the mining till commissioning of projects, these distinct in-house abilities give our company a great control over execution, quality, time and cost of our projects even in challenging situations and times.

Over the years, we have been investing in modern plants & machinery and built a large equipment bank of our own, which augments our execution capabilities progressively. As our gross block as on 31.03.2020 stood at Rs. 1100 crores, we would be in a position to execute projects of value over Rs. 7,000 crores in a year with in-house plant & machinery. We have also a strong project execution and support team with proven expertise.

#### **Now moving on to our Project Development Business:**

We have currently 18 projects under our development portfolio comprising BOT-Toll, BOT-Annuity, OMT and HAM assets. 8 projects are already operational.

Presently, 7 HAM projects under implementation, one project has already been completed and achieved the commercial operations on 14 February 2020 and five projects are under construction. As of 31<sup>st</sup> March 2020, we have already infused equity of Rs. 444 Crore out of the total equity requirement of

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Rs. 848 Crore and the balance equity contribution will be infused in the next 2 years through internal accruals. The above equity requirement excludes equity to be invested in the recently won 4 new HAM projects.

The company's internal accruals would be sufficient for funding the future equity requirements of these HAM projects.

**Now moving on to our order book**

The COVID-19 crisis has not affected the order-book position of the company so far. In Q4FY20, the company was awarded 3 new HAM projects which are:

- Four laning of Unnao Lalganj section in Uttar Pradesh Bid Project Cost of Rs. 1,602 crore
- Four laning of Jagdishpur Faizabad Section in Uttar Pradesh Bid Project Cost of Rs.1,530 crore
- Four laning of Aligarh- Kanpur Section in Uttar Pradesh Bid Project Cost of Rs. 2,052 crore

In May 2020, we have also been declared lowest bidder for 53.95 km long HAM project for four laning of Meerut Nazibabad section of NH-119 (New NH-34) in Uttar Pradesh Bid Project Cost of Rs. 1,412 crore.

Our un-executed order-book as on 31<sup>st</sup> March 2020 is Rs. 8629 Crore. Out of which, the EPC and HAM projects constitutes 65% and 35 % respectively. This order book does not include HAM project of 4 laning of Challakere to Hariyur section of NH 150A in Karnataka and recently secured four new HAM projects in UP.

The total un-executed order-book to the tune of over Rs.15,000 Crore gives a distinct execution visibility for the next 2-3 years. We expect timely achievement of financial closure for the four new HAM projects and also timely declaration of appointed dates as the status of land acquisition is encouraging

**Now moving on to Credit Ratings:**

Our ratings have always been one of the best in the industry which helps us to keep our credit cost at competitive levels.

Recently CARE Ratings have re-affirmed our credit ratings at (Double AA Minus) for Long Term and (Single A1 Plus) for Short Term Bank Facilities.

**Now I would present the results for the quarter and full year ended March 31, 2020.**

**Standalone Quarterly Result:**

During Q4, project execution has marginally been impacted due to COVID-19 lockdown for last 10 days of March'20. Still revenue of 4<sup>th</sup> quarter of FY20 is Rs. 1,158 crore which is higher by 8% compared to 4<sup>th</sup> quarter of FY19.

EBITDA for 4<sup>th</sup> quarter of FY20 increased to Rs. 156 crore from Rs. 151 crore in 4<sup>th</sup> quarter of FY19.

EBITDA margin for Q4 FY20 has been 13.5%.

Profit of 4<sup>th</sup> quarter of FY20 before extra-ordinary item is rs. 79 crore which is higher by 7% compared to 4<sup>th</sup> quarter of FY19.

Extra-ordinary item is reversal of tax paid for earlier years amounting to Rs. 66 crore in 4<sup>TH</sup> quarter of FY19.

**Moving on to Full Year results on Standalone basis**

Revenue for FY20 is Rs. 4,878 crore which is higher by 58% compared to FY19.

EBITDA for FY20 is Rs. 764 crore which grew by 67% compared to FY19.

EBITDA margin for FY20 is 15.7% which is higher by 90 basis points compared to FY19.

PAT before extra-ordinary item for FY20 is Rs. 462 crore which is higher by 79% compared to FY19.

**I'll now take you through Consolidated Financials for quarter ended 31<sup>ST</sup> March 2020.**

Consolidated revenue of 4<sup>th</sup> quarter of FY20 is Rs. 1,347 crore which is higher by 6% compared to 4<sup>th</sup> quarter of FY19.

Consolidated EBITDA for 4<sup>th</sup> quarter of FY20 Rs. 295 crore.

Consolidated PAT for 4<sup>th</sup> quarter of FY20 is Rs. 94 crore.

**Moving on to Full Year results on Consolidated basis**

Consolidated revenue for FY20 is Rs. 5,603 crore which is higher by 48% compared to FY19.

Consolidated EBITDA for FY20 is Rs. 1,327 crore which is higher by 32% as compared to FY19.

EBITDA margin for FY20 is 23.7%

Consolidated PAT for FY20 grew by 57% to Rs. 552 crore as compared to Rs. 351 crore for FY19.

**On the balance sheet side,**

The net working capital days have reduced from 97 days as on 31<sup>st</sup> March 2019 to 57 days as on 31<sup>st</sup> March 2020. Similarly, debtor days also reduced from 73 days to 60 days.

Our net worth on standalone basis is RS. 2,547 crores as on 31<sup>st</sup> March 2020.

Total standalone debt is Rs. 326 crores which is availed for equipment finance.

We do not have any working capital loan outstanding as on 31<sup>st</sup> March 2020.

The total cash and bank balance is Rs. 744 crore. We have a net cash available of Rs. 418 crore.

This translates to net debt to equity of 0.13 times

On consolidated basis our net worth is Rs. 2,554 crores whereas total debt is Rs. 3,515 crores as on 31<sup>st</sup> March 2020. The total cash & bank balance including current investments is Rs. 1,273 crore. This translates to net debt to equity of 1.38 times.

With this now I open the floor for question and answer.

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

**Mohit Kumar:** Congratulations on a good set of numbers. I have three questions. First is, are we giving any guidance for revenue, EBITDA margin, capital expenditure and tax expense for FY2021? Second is what is the status of the land acquisition for all the HAM projects and when do you expect the appointment date to be awarded to us? Thirdly, there were arbitration claims of around Rs.1,000 Crores for Morena and Raebareli - has something happened in the quarter, some reconciliation, some progress which you can update?

**Yogesh Kumar Jain:** We are expecting appointed dates for the new HAM projects in –January – February 2021.

**Mohit Kumar:** All four of them?

**Yogesh Kumar Jain:** Yes, all four of them. The status of land is encouraging in all the four new HAM projects, as acquisition of around 80% ROW is already completed and acquisition of the remaining land is also in progress. We don't think any delay in declaration of appointed dates due to land, for these HAM projects.

**Mohit Kumar:** Are we giving any guidance for FY2021 right now?

**T. R. Rao:** You all know, given the uncertainty and unpredictability, we do not know how the things will unfold and also how much would monsoon be active in the second quarter. We thought giving any indication of guidance at this point of time would be bit speculative. So as things unfold, our guidance will be

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disclosed going forward. We expect to have a decent revenue this year also, but we cannot give any firm guidance at this point of time.

**Mohit Kumar:** What kind of activity level was there in this quarter compared to last year same quarter? I am talking of Q1 FY2021 - the April, May and June.

**T. R. Rao:** As of now, our activities have again picked up to 75% of normal level of pre-lockdown time. 25% progress is hampered mainly due to the exodus of migrant labourers. As the labor started coming back, we expect to reach the normal level post monsoon. As of now 75% normalcy is achieved.

**Mohit Kumar:** Last question, Sir what is the status of arbitration claims, is there reconciliation in progress right now, is there something which has happened in the quarter?

**T. R. Rao:** Particularly in the last quarter and this quarter till now, no hearings could take place. We expect the hearings to resume from July onwards through video conferencing. As of now, hearings in four matters are undergoing, as such we are not expecting any award in this quarter.

**Mohit Kumar:** Thank you Sir.

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

**Parikshit Kandpal:** Congratulations on a very good set of numbers, especially on the balance sheet side we have reduced our net working capital days significantly and even the net cash levels are really very good to look at. My question was Sir, because the cash level look really high so was there any mobilization advance which is unutilized and received during the last quarter or in the month of March which could have resulted in such high cash levels?

**D. K. Maheshwari:** Actually, in March 2020 we were having advance of Rs.694 Crores which has now reduced to Rs.573 Crores.

**Parikshit Kandpal:** Incrementally how much of the cash would be because of the advances you would have received Sir that is my question?

**D. K. Maheshwari:** Cash and Bank Balance as on March'20 is Rs. 744 Crores.

**Parikshit Kandpal:** I will take this offline. My second question is on the HAM portfolios and now we have 11 assets including the new one and the total equity requirement put together would be somewhere around Rs.1,500 to 1,600 Crores and over three years this would be the build up in the equity. So any thoughts on monetization of portfolio given also that we have decided to stay away and not going ahead with the Cube deal, so that will add another Rs.300 Crores to this. So how do you intent to monetize this equity build up in the company and recycle it for growth?

**D. K. Maheshwari:** As we have told in the last call, the discussion which was underway with two - three prospective investors on monetization of HAM projects. Now currently it is under hold, because as you know the bank rate has substantially reduced from 6.4% to 4.25%. So presently at this point of time they are on hold and definitely we will monetize them in the future.

**Parikshit Kandpal:** Last question on this Jal Jeevan Mission, so there has been some award which has happened, one JMC got and other larger players have also got it. So as a diversification we were earlier looking at roads, now this kind of ordering happening in UP, so how are we present in addressing this opportunity for the company and also on diversification, how do you intend to go about it because as of now nothing much is really happened in the company. And we have been talking about diversification, but nothing really has come off as of now, if you can touch upon these please?

**Yogesh Kumar Jain:** We are keeping a close watch on these tenders and trying to have tie-up with some other company for some projects and we expect we will get one or two projects in first phase and will try to bid for big projects in the second phase.

**Parikshit Kandpal:** On diversification Sir?

**T. R. Rao:** This is a part of diversification process only because this is a water sector project. We will see if we can find any synergy in other sectors, accordingly we will explore the possibility of diversification into those sectors also.

**Parikshit Kandpal:** I will join the queue for more. Thank you.

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

**Shravan Shah:** Sir firstly wanted to know how many projects we have bid. I understand we cannot give the guidance. So first wanted to understand how many projects have been bided both on EPC and HAM and what kind of more bidding are we looking in the next one or two months and at the same time, broadly how much inflow are we looking at? Previously we were looking at Rs.7,000 to 9,000 crores in the March quarter, the award did not happen from NHAI side. I understand we cannot give the concrete guidance but broadly how much are we looking at and are we still looking at more HAM projects?

**T. R. Rao:** Since no bidding has been happening during the last three months post lockdown, no project is pending where we have submitted bid. Second thing, NHAI now has floated 100 projects on both EPC and HAM formats. Out of that around 60 projects they have given some bid dates ranging from July to September. So, we are looking at these project opportunities. Going forward we will bid for selected projects. Since we secured already four HAM projects, our preference would be on EPC. We will try to pitch and secure more EPC projects going forward and we expect total order inflow of around Rs.7,000 Crores in the current financial year.

**Yogesh Kumar Jain:** We think second half will be better for bidding purpose.

**Shravan Shah:** I understand, secondly Sir, is it possible to give this Rs.404 Crores equity to be invested in the five to six HAM projects, how much would be there in this FY 2021 and what would be in the next year? And secondly related to this, if we are saying that we will be achieving the appointed date by January - February for four HAM projects, then how much do we require to invest 50% equity for

that in FY2021? So together both how much equity to be invested in this year and next year?

**D. K. Maheshwari:** Total equity requirement for 7 HAM projects is Rs.848 Crores, out of that Rs.444 Crores we have already infused till March and Rs.404 Crores is remaining . For new HAM projects, we require around Rs.600 Crores, so the total balance equity requirement is Rs.1,000 Crores. Year wise, tentatively in FY2021 we are expecting Rs.280 Crores and in FY2022 around Rs.380 Crores and in FY2023 around Rs.175 Crores. But this may vary, because we infuse our funds only when we take the disbursements from the bank, just to maintain the debt equity. As against the requirement of Rs.1,000 Crores, we will be having own cash generation in next three years of around Rs.1,700 Crores.

**Shravan Shah:** Sir how much you said Rs. 1,700 crores?

**D. K. Maheshwari:** Yes Rs.1700 Crores cash generation in next 3 years, very conservatively. In addition to that we are having surplus long-term debt around Rs.420 Crores as on March 31, 2020. So, in total we will be having around Rs.2,100 Crores including the generation. So we do not think there will be problem in infusing equity in all the existing HAM projects. In addition to that, we are also thinking for monetization of HAM projects. Similarly, Ghaziabad-Aligarh project is also there and, we are expecting around Rs. 300 Crores from stake sale. We do not think there will be any problem to infusing equity in these projects.

**Shravan Shah:** So even if there is a delay in monetization also, there will be no issue in infusing this Rs.1,000 Crores equity?

**D. K. Maheshwari:** I told know our cash generation would be Rs.1,700 Crores and we have Rs.400 Crores carry forward. So against Rs.2,100 Crores we require only Rs.1000 Crores, as such we do not think there should be any problem.

**Shravan Shah:** Sir I need the order book for some of the projects which are not there in presentation, so if you could share that, it would be useful, first is Varanasi Gorakhpur?

**D. K. Maheshwari:** Varanasi-Gorakhpur is Rs.200 Crores.

**Shravan Shah:** Bhojpur-Buxar and Koilwar Bhojpur?

**D. K. Maheshwari:** Bhojpur-Buxar is Rs.300 Crores and Koilwar-Bhogpur is Rs.270 Crores, balance work.

**Shravan Shah:** Yes, I am asking balance one only Sir. Chitradurga-Davanagere?

**D. K. Maheshwari:** Chitradurga-Davanagere is Rs.470 Crores.

**Shravan Shah:** Jhansi package 1 and package 2?

**D. K. Maheshwari:** Package 1 is Rs.470 crores and package 2 is Rs.370 crores.

**Shravan Shah:** Aligarh Kanpur?

**D. K. Maheshwari:** Aligarh Kanpur is Rs.480 Crores.

**Shravan Shah:** Broadly in terms of the remaining HAM projects where we will be having the FC and appointed dates. So, in terms of the EPC values you had already mentioned broadly Rs.15,000 Crores. So the current order book is Rs.8,600 crores, roughly around Rs.6,500 to 7,000 Crores would be the EPC value of these four HAM projects.

**D. K. Maheshwari:** All four HAM projects and Challakere. Since we have not received the appointed date, we have not booked in our EPC contracts in hand, that is Rs.935 Crores.

**D. K. Maheshwari:** If we add these contracts. our un-executed comes about more than Rs.15,000 Crores.

**Shravan Shah:** Thank you.

**Moderator:** Thank you. The next question is from the line of Chenna Avinash from Spark Capital. Please go ahead.

**Chenna Avinash:** Sir, what was the capex that was done in FY2020 and any guidance for FY2021 and FY2022 assuming this new HAM projects that we will commence by November?

**D. K. Maheshwari:** In FY2020 capex was Rs.78 Crores and we are expecting in FY2021 would be around Rs.70 to 75 Crores.

**Chenna Avinash:** Including our new HAM projects?

**Yogesh Kumar Jain:** Yes.

**Chenna Avinash:** Sir on the labor availability, what are the current levels on ground and any support from government in ramping up of migrant labor issue on ground?

**Yogesh Kumar Jain:** We are facing labor problem in each and every site. Right now 70% to 80% of labor is available, but we are facing problem.

**Chenna Avinash:** Being in this geography, is it not we can expect faster ramp up when compared to others in the industry?

**T. R. Rao:** Basically the skill sets have to be matched here. There is a lot of migrant labor inflow into UP but the only issue is of skill sets. We would be requiring labor, particularly semi-skilled and skilled kind of people for shuttering and reinforcement, but the migrant labor what has come back to UP, does not have that kind of skills So skill set mismatch is the main issue. Government is also providing the data about the labor, going forward may be in the next one or two months, the entire labor strength should be back.

**Chenna Avinash:** Sir can I get the EPC cost for these four HAM projects?

**Yogesh Kumar Jain:** It is around Rs.7000 Crores in totality.

**Chenna Avinash:** What is the current toll levels all put together, passenger and commercial put together in percentage as compared to earlier pre-lockdown levels?

**Yogesh Kumar Jain:** You can say around 90%.

**Chenna Avinash:** Okay, that is all from me.

**Moderator:** Thank you. The next question is from the line of Vibhor Singhal from Phillip Capital. Please go ahead.

**Vibhor Singhal:** First question was on the Purvanchal expressway and the expressway projects in UP., So are we are receiving payments on time for the Purvanchal expressway and how do you see the health of the UP government in terms of the upcoming Ganga expressway project?

**T. R. Rao:** For Purvanchal Expressway we have been receiving payments on time and we do not have any problem in receiving the payments till now In case of Ganga expressway, it comprises of 13 bid packages, now the DPR is in advanced stage. So once the DPR is completed, then the government will come out with the qualification or otherwise.

**Vibhor Singhal:** But Sir do we have any idea from where will the UP Government will fund this Ganga expressway? Are they tied up funds with World Bank or some other agencies, do we have any clarity?

**Yogesh Kumar Jain:** We cannot say anything right now, regarding Ganga expressway because right now with the pandemic situation being there and the government has to arrange funds and land . We cannot say now what problems that may come in the funding arrangements that the Government may make. We have to wait for minimum three months to know the situation

**Vibhor Singhal:** Secondly you mentioned you have four new HAM projects, in these four land acquisition status is around 80% right?

**Yogesh Kumar Jain:** Yes, 3G situation is almost 80%.

**Vibhor Singhal:** Fair enough, lastly can I get the standalone gross debt number for March?

**D. K. Maheshwari:** Gross debt was Rs.326 Crores and net was minus Rs.418 Crores.

**Vibhor Singhal:** Thank you Sir.

**Moderator:** Thank you. The next question is from the line of Dhrishant Chakraborty from DC & DC Advisors. Please go ahead.

**Dhrishant C:** Thank you. Sir, first question is with respect to HAM and EPC project guidance. Earlier in say Q1 and Q2, we had guided that order book would be mostly 50%:50% but now that we have received four important HAM projects and EPC projects share would reduce considerably. My question with respect to that is, what would be your debt to equity guidance be for the future? Would we now specifically be bidding for EPC projects or we might look for HAM projects as well?

**Yogesh Kumar Jain:** We can say EPC percentage will be reduced and from now onwards it would be 65% HAM and 35% EPC. However, our preference will be EPC and we will try our best to keep the ratio 50:50.

**Dhrishant C:** Sir, the second part of the question was with respect to what are guidance regarding debt to equity. Currently our gross debt to equity on the consolidated basis is 1.3x. So are we confident that with all these incoming HAM projects, we will need to increase the amount of debt that we have on our balance sheet?

**Yogesh Kumar Jain:** We will try to keep debt:equity ratio less than 1.5x in future.

**D.K. Maheshwari:** Presently all the HAM projects are under construction stage. That is why the debt to equity is increasing. As soon as they will come in to operations, debt equity will start reducing. For example Dausa-Lalsot has come in operation and we are also expecting two to three HAM projects will be completed in this financial year. So certainly, the debt equity ratio will reduce.

**Dhrishant C:** Thank you for the clarification. My next question is firstly as we had stated earlier that PNC Infratech will not be bidding for any toll projects or OMT projects, but I read somewhere that we had submitted some bids for toll projects. So, firstly is that true that have we submitted bids for toll projects and if that is true so why this change in approach of bidding for toll projects?

**Yogesh Jain:** We have not submitted any bids of toll projects till now.

**Dhrishant C:** No issues. Thank you so much

**Moderator:** Thank you. The next question is from the line of Sarika Thorat from Union Asset Management. Please go ahead.

**Sarika Thorat:** Thank you for the opportunity. I have a question. That interest for FY2020 is Rs.114 Crores. I wanted a breakup for that. So, what is the term interest in that and what is the mobilization advance interest?

**D.K. Maheshwari:** This year interest is Rs.114 Crores as against Rs.64 Crores last year mainly because of the mobilization advance we have taken in Nagpur-Mumbai project at the rate of 12%. Although later in January-February, we had reduced major part of mobilization advance.

**Sarika Thorat:** So this is the mobilization advance interest you have paid for the FY2020, right?

**D.K. Maheshwari:** It is EPC and HAM both, yes.

**Sarika Thorat:** Second question is your working capital has substantially reduced. Is it a sustainable number going forward and as well as on the standalone balance sheet also your noncurrent liabilities basically have gone up for the FY2020 and as well as the current liabilities also have gone up. So, is it because of that mobilization advance you have taken? Is that a reason for that?

**D. K. Maheshwari:** To some extent, yes.

**Sarika Thorat:** Thank you

**Moderator:** Thank you. The next question is from the line of Jiten Rushi from Axis Capital. Please go ahead.

**Jiten Rushi:** Thanks for taking my question. Sir, can you give us the toll collection breakup?

**D. K. Maheshwari:** For FY2020 or Q4?

**Jiten Rushi:** Sir, Q4 and full year?

**D.K. Maheshwari:** For Q4, MP Highway is Rs.10.8 Crores, Kanpur-Ayodhya Rs.90 Crores, Kanpur Highway Rs.23.4 Crores, Bareilly-Almora is Rs.9.9 Crores and Ghaziabad is Rs.49 Crores.

**Jiten Rushi:** Narela?

**D.K. Maheshwari:** Narela was Rs.9.35 Crores.

**Jiten Rushi:** Sir, on the appointed date for Challakere to Hariyur when do we expect that? Because the land status you have told about the other four HAM projects. What about the projects we have in HAM? What is the land status and when is the AD expected?

**T. R. Rao:** Land acquisition except at few stretches, the process is completed. Because of the COVID and lockdown situation, the process has halted. We expect declaration of appointed date by end of August'20.

**Jiten Rushi:** So land is almost 80%, if I understand correctly?

**Yogesh Kumar Jain:** Yes.

**Jiten Rushi:** Sir FC was done with whom Sir, the rate of interest and the banker?

**D. K. Maheshwari:** FC has been achieved and Axis Bank is the lead banker.

**Jiten Rushi:** What is the rate of interest?

**D. K. Maheshwari:** We can discuss it offline with you. The rate will depend at the time of taking the disbursement. Because at the time of first disbursement whatever MCLR will stand, ROI will be fixed accordingly..

**Jiten Rushi:** Sir, what is the outstanding order backlog in Lakhimpur?

**D. K. Maheshwari:** Around Rs.100 Crores is pending.

**Jiten Rushi:** Sir, few bookkeeping questions if I may, what is the retention money outstanding? Mobilization advance you said around Rs.694 Crores as on

March. So, what is the retention as on March and if you can guide on the arbitration breakup, how much is pending for the four projects totally?

**D.K. Maheshwari:** Arbitration figures we do not have readily but retention we will share. Retention is around Rs.184 Crores as on March 31, 2020. We are approaching the department to release as per the new guidelines.

**Jiten Rushi:** I will come back in the queue. Thanks a lot Sir.

**Moderator:** Thank you. The next question is from the line of Alok Deora from YES Securities. Please go ahead.

**Alok Deora:** Good afternoon Sir. Just a couple of questions; one was on you had mentioned earlier that you would be bidding for some projects other than roads and you had mentioned about track laying also. So, any bids you have put there or are you looking at that segment in anyway?

**T. R. Rao:** Our focus will continue to be on the road sector only. We do not want to divert into unrelated sectors, but as of now we do not see there is any major opportunity in track laying. Our focus will continue to be on road sector.

**Alok Deora:** Sir, regarding the HAM project monetization, you mentioned that the bank rate has come down drastically. So, that would impact all your HAM projects which are due to achieve the COD. So, can we assume that the monetization would not happen in the near to medium term at least?

**D.K. Maheshwari:** Actually, there is an imbalance, as the bank rate has gone down significantly and borrowing cost has not reduced to that extent, that is why there is a mismatch of receiving of the annuity versus the rate of interest. So the Roads & Highways Builders Federation has raised this concern about the sharp fall in bank rate as compared to the bidding level to NHAI, Ministry and PMO and have sought relief measure to mitigate. The banks rate has reduced but banks have not passed on that reduction to our rate of interest. They have not reduced the MCLR to that extent. Discussions are going on.

**Yogesh Kumar Jain:** It impacts our valuation of SPV. So, we will wait for six months at least for any divestment.

**Alok Deora:** Actually on that point only, in the next three to six months, we do not expect that mismatch to correct. So for the monetization, after six months we get into further discussions and it will take at least 9 to 12 months from here before we see any monetization happening on the HAM projects?

**D. K. Maheshwari:** It is not like that because the investors have offered certain structures, whereas the bank rates will be considered at the time of COD or at the time of the transferring of the equity after two years. So, discussions are going on with the investors. They are giving several structures. Let us see.

**Alok Deora:** That is all from my side. Thank you.

**Moderator:** Thank you. The next question is from the line of Priyankar Biswas from Nomura Securities. Please go ahead.

**Priyankar Biswas:** Congratulations Sir good results in challenging times as well as such a great cash flow performance. Sir my question is firstly, like on the execution part, given whatever manpower was available and maybe it normalizes let us say post monsoon and the equipment that you have - what can be let us say Q4 exit rate that you can achieve in terms of execution? Is something like Rs.1,700 Crores to 2,000 Crores per quarter in Q4 would that be a reasonable exit rate if things normalize?

**T. R. Rao:** We cannot say anything formally as of now. It could be something critical thing saying that we have a potential of executing that much revenue, but given the uncertainty and unpredictability, spelling out the numbers would be a bit speculative. So, let us see how things will unfold as going forward. But yes, we have work in hand, we are fully mobilized but only we need to see how the things evolve.

**Priyankar Biswas:** Sir, secondly on the working capital front, what we hear is that for the government projects they are now often shifting from a milestone based to let us say monthly billing, like more frequent milestones. So that should have a

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positive impact on the working capital, at least on the payment collections. So in that light can you highlight that what can be your expected working capital days be? We have already done quite well for FY2020 but let us say going forward if this is to continue?

**D. K. Maheshwari:** We are expecting that working capital days which are presently 57 days may not go beyond 70 days, later stage also.

**Priyankar Biswas:** So, it is not going beyond 70 days?

**D. K. Maheshwari:** Yes.

**Priyankar Biswas:** So, 70 days is the good assumption for the working capital days for this year?

**D. K. Maheshwari:** Yes.

**Priyankar Biswas:** That is broadly from my side.

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

**Prem Khurana:** Thanks for taking my question Sir. Sir, two questions, essentially one was just want to understand if we have extended any funding support to any of our operational assets during the year especially Ghaziabad-Aligarh? Why I asked this is essentially when I look at our cash flow statement for the consolidated operations, I get to see an amount of around Rs.170-odd Crores as loans given in your activities. Since it is a nearing end now, your consolidated cash flow statement which comes to imply that ideally would have been extended to an associate company because subsidiaries would have been knocked out in consolidation. So, if you could share your thoughts on that? Just to followup on that given the fact the traffic numbers are yet not back to the normal numbers that you used to do and generally you get to have ballooning the repayments would you be required to do extend any support to the operational assets in this year as in HAM, if you could quantify that amount, please?

**D.K. Maheshwari:** Actually, there are two projects where we have supported. One is Bareilly Nainital Highway where we have supported during the year with Rs.30 Crores but we do not require further support from April 1 onwards for this project. Similarly in the Ghaziabad-Aligarh we have supported in this year around Rs.52 Crores, but now in this year we are planning to monetize this project. In this financial year, certain amount we will have to be infused in this project as deal with Cube is lasped.

**Prem Khurana:** Do you have any tentative number with you, meaning how much are we expecting assuming we continue at similar kind of run rate 80%-odd kind of collection efficiency or 90% collection efficiency. How much could that be?

**D.K. Maheshwari:** Infusion will not be more than Rs.25 Crores for Ghaziabad Aligarh project this year.

**Prem Khurana:** If you could share why is Challakere highway taking so long. I mean it has almost been more than two years, we have this project in our book and FC was also completed last year. After the FC also you have spent quite a lot of time on this, why is this kind of delay there in this project?

**T. R. Rao:** Going by the experience they had at other projects, NHAI does not want to declare appointed date until and unless minimum 80% land free from all encumbrances including utilities, tree cutting and all is available. NHAI has experienced that if appointed date is declared prematurely, the progress is getting interrupted during the execution. That's what they have experienced at other projects, and even we have also experienced. So NHAI wanted to ensure 80% land is completely free from encumbrances, encroachments and in vacant condition. That is why it is getting delayed and there was also change of government in Karnataka. There was a political uncertainty in between, so the changes in the administration led to the delay. We expect things will now get normalized and by end of August, we expect the appointed date.

**Prem Khurana:** How much is the land available there, free of all encumbrances with NHAI as of now?

**T. R. Rao:** It is around 80%.

**Prem Khurana:** Just one last from my side. On this bank rate issue, Sir, how is Ministry looking at this. I am sure the Federation would have already approached the Ministry and citing these issues with the projects wherein either you are not able to monetize in at least in the immediate future and in new projects bankers could be somewhat not keen to do a fund because they get to be in HAM projects which are not generating the kind of return that these were supposed to because there is this widening spread. So how is NHAI or Ministry is looking at this issue? Are they working on something, which is where you would get to change the model into somewhat better than this and you do not get to kind of these issues in the future? Thank you.

**T. R. Rao:** Ministry of Road Transport has already taken cognizance of this issue. They are aware that there is a disparity between the bank rate and the MCLR. The MCLRs are not getting proportionately reduced with reference to bank rates. But let us see what actions will be taken, because it is a domain of Finance Ministry. We are waiting for their reaction on that. Ee will come to know, maybe after one to one and a half months. the things will become clear.

**Prem Khurana:** Thank you.

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

**Parikshit Kandpal:** Just on Aligarh-Ghaziabad the last time it took almost a year for us to come to a conclusion where we got NOCs. Now with the new investor if you are trying to finalize, so how quickly we can move on the deal and what could be the timelines on NOC now? Because NOC is already in place, so it will just require a change of name. And at what stage the valuation has been frozen, DD has been done?

**Yogesh Kumar Jain:** DD has already started and we hope the deal will be completed within five months.

**D.K. Maheshwari:** Actually, now there will not be any problem to fulfill the conditions precedent because almost 95% we have already complied with. The time required will only for due diligence. They will take their time of two-three months and we are expecting by November it should be completed.

**Parikshit Kandpal:** Just on this quarter, now we are already at 80% of execution/ So we have been averaging around Rs.1,200 Crores of run rate per quarter. So, this quarter we should be somewhere around 50%-60% of average, I am not asking any guidance for the full year, but I am saying particularly this quarter, because we will have handle on the number, because we are already approaching June end. So we should be able to surpass 60%-70% of the average quarterly run rate for this quarter?

**Yogesh Kumar Jain:** This will be more than 50%.

**Parikshit Kandpal:** Thank you.

**Moderator:** Thank you. The next question is from the line of Rita Tahilramani from Invesco. Please go ahead.

**Rita Tahilramani:** I just have one question. Could you help us understand the specifics of the four projects in terms of 3H planned acquisitions for the four of the pending HAM projects?

**T. R. Rao:** 3H is in progress. The money has been disbursed into the CALA accounts, because of this COVID situation and the consequent lockdowns, the disbursement of money into the landowner's accounts is slightly hampered. Now it has again been resumed. So we expect all these four HAM projects, 3H to the extent of 80% to be completed in the next one or two months.

**Rita Tahilramani:** That is it from my side. Good luck for future.

**Moderator:** Thank you. The next question is from the line of Parvez Akhtar from Edelweiss. Please go ahead.

**Parvez Akhtar:** Good afternoon Sir. Congratulations for a good set of number. Just a question from my side, we were supposed to get some bonus at least for the Aligarh-Moradabad project this quarter. So, do these quarter numbers include that bonus?

**T. R. Rao:** It does not include.

**Yogesh Jain:** We are expecting this bonus in the second half of this year.

**Parvez Akhtar:** What is the tax rate for FY2021 and FY2022 that we expect?

**D.K. Maheshwari:** Tax rate in this year we are expecting 32% to 33% in FY2021 and from FY2022 it will be normal, which is around 35%.

**Parvez Akhtar:** Thanks. That is it from my side.

**Moderator:** Thank you. The next question is from the line of Amber Singhania from AMSEC. Please go ahead.

**Amber Singhania:** Thanks for taking my question. Just two clarifications I wanted. One the bonus on Aligarh-Moradabad what will be the quantum of that which we will be receiving in second half and secondly when you mentioned tax rate at 32%, 33% this year and 35% next year, so are not we moving to the new tax regime of 25% and if not so why?

**D.K. Maheshwari:** Actually, we are having MAT credit balance as on March 2020 of Rs.112 Crores. So we will opt for that scheme only after consuming this.

**Amber Singhania:** What is the bonus expected from Aligarh-Moradabad?

**Yogesh Kumar Jain:** It is around Rs. 14 Crores.

**Amber Singhania:** Just last thing if I may ask on the monetization front, as we mentioned about the Ghaziabad-Aligarh, but what about the other HAM projects in all, which we wanted to monetize, Sir, anything concrete on those projects and by when we can see the second round of monetization coming by?

**Yogesh Kumar Jain:** Discussion is going on, but we cannot expect in first half.

**D. K. Maheshwari:** Actually we were discussing with two-three prospective investors. Because of the substantial reduction in the bank rate, it is 4.25%, we are currently under hold position. We are expecting that within two-three months, we will resume discussions with them.

**Amber Singhania:** But in FY2021 other than Ghaziabad-Aligarh there is nothing else coming on our way?

**D.K. Maheshwari:** We do not expect in FY2021.

**Amber Singhania:** Thank you Sir. That is all from my side. Thank you.

**Moderator:** Thank you. The next question is from the line of Mayank Goel from SBI. Please go ahead.

**Mayank Goel:** Good afternoon Sir. Thank you for the opportunity. Sorry, if my questions were answered. I got dropped off from the call. Sir, my questions were regarding the relief measures which NHAI and Ministry have given for these COVID time. Two questions; first is the three-six months extension is there, is it just for the projects under construction or this minimum and maximum extension also applies to the operational BOT projects or is it calculated with a formula of 90%?

**Yogesh Kumar Jain:** It is of both, EPC and operational BOT.

**Mayank Goel:** So, in operational BOT also we will have minimum three months extension we will get?

**Yogesh Kumar Jain:** Yes.

**Mayank Goel:** Sir, secondly though these relief measures look good, but are these just on paper or when you talk to NHAI the replies from them are actually positive and you get a hint that these extensions would definitely be provided?

**Yogesh Kumar Jain:** It looks like that there will not be any problem in future, and NHAI is also creating SOPs for implementation. The headquarters has given directives that approval for three months will be cleared at RO level.

**Mayank Goel:** But more than three months, it is with the member?

**Yogesh Kumar Jain:** It is with the Member. Firstly for the extension it used to go to the chairman. now they have given powers to member for approval, which is good.

**Mayank Goel:** Last thing, the extension will be provided till the time your daily toll collection reach 90% of the average daily fee. So if you do not get 90% collection in any of the projects till three or four months, so extension will be granted till that time or will there be maximum six months ceiling?

**T. R. Rao:** As of now maximum six months ceiling will be there, but discussions are going on with NHAI and the clarity will emerge only after a few months.

**Mayank Goel:** Thank you Sir. That is it from my side. All the best for future.

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

**Shravan Shah:** Sir, continuing to that relief measure, from milestone to monthly payments. As it has started from May, so any of our projects have we received any payment for monthly basis instead of milestone basis?

**T. R .Rao** In case of Chitradurga-Davangere, we have already submitted invoice based on the monthly basis in the HAM project and for other projects, we will be submitting our invoices shortly.

**Shravan Shah:** Secondly Sir, I just wanted to understand this Rs.14 Crores early completion bonus on Aligarh-Moradabad - last time we were expecting by March and now we are saying in second half. So, just wanted to understand why so much delay?

**T. R. Rao:** Normally in NHAI, the approval process takes time. Even in earlier cases also it has happened and now the process also got hampered due to COVID and lockdowns. So we expect in the second half of this year.

**Shravan Shah:** Thanks.

**Moderator:** Thank you. The next question is from the line of Jiten Rushi from Axis Capital. Please go ahead.

**Jiten Rushi:** Sir, on the execution part, so now obviously we have seen the lockdown effect. So what is the run rate as on date, like how much delay in execution we are witnessing and what is the fixed cost per month for us?

**Yogesh Kumar Jain:** All the projects are going around efficiency of between 70% and 75%.

**Jiten Rushi:** If you can highlight the fixed cost per month Sir?

**T. R. Rao:** There is no significant reduction in the fixed cost because we are maintaining our inventory, we are maintaining our manpower and materials and also machinery. There is no significant reduction in the fixed cost, though run rate is around 75%. But the run rate will certainly improve going forward and gap between fixed cost and run rate would reduce.

**Jiten Rushi:** What is the number, if you can highlight a number in terms of absolute number?

**T. R. Rao:** We do not have the numbers readily available. We will share with you offline.

**Jiten Rushi:** That is it from my side. Thank you.

**Moderator:** Thank you. The next question is from the line of Dhrishant Chakraborty from DC & DC Advisors. Please go ahead.

**Dhrishant C:** Thank you for the opportunity once again. Sir, initially you have guided that cash generation in FY2021 would be Rs.1,700 Crores. If you could just give me a break up of that Rs.1,700 Crores into how much would be from assets monetization and how much would be from operations? Like this year we did

around Rs.525 Crores from operations. So if you could just give me that expected ballpark breakup?

**D.K. Maheshwari:** Actually Rs. 1700 Crores, we have told that this is the own cash generation of the next three years, it is internal accruals. We have not considered any payment on monetization of the projects or any bonus

**Dhrishant C:** Thank you. All the best Sir.

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

**Parikshit Kandpal:** Just continuing on from my last question. So, this year at best will be a muted year in terms of revenue. I am not asking for any guidance, but de-growth will not be there for this year?

**Yogesh Kumar Jain:** We cannot tell you anything as of now. It is very early to say anything. If there are no issues with the supply chain our execution will be good since we are fully mobilized and are planning how to revamp or recover in the next 3 quarters whatever we have lost in the first quarter. Let us see. It is very difficult to say at this point of time. It will depend on monsoon, impact of the COVID-19 and lockdowns. Still there are so many uncertainties and issues such as lockdown, curfew in some of the states.

**Parikshit Kandpal:** Are you very cautious or you are very conservative, since we are not able to understand?

**Yogesh Jain:** Since lot of uncertainties are there, we are very cautious at this situation.

**Parikshit Kandpal:** I will just take the last question which was asked before in reference with the loans that are given like the Aligarh-Ghaziabad and projects related to Bareilly. So if we put altogether all the projects we get around Rs.80 Crores to 100 Crores. Besides this is there any other loans given to our own direct associated subsidiaries or to any related party loans given, which is figuring out there, since the amount is huge?

**D. K. Maheshwari:** We have not given any loans.

**Parikshit Kandpal:** That is not getting reconciled. I will take it offline. Just on the hotels, the credit rating of the hotels which you were going to do that is nothing to do with the listed entity, right? It is the personal promoter entity which is basically investing?

**Yogesh Kumar Jain:** Hotel business doesn't have any relation with PNC nor with any of its subsidiaries.

**Parikshit Kandpal:** No funding support also from this entity?

**Yogesh Kumar Jain:** Nothing.

**Parikshit Kandpal:** No guarantees, no funding support even no guarantees, right?

**Yogesh Kumar Jain:** No funding.

**D.K. Maheshwari:** No guarantee, no undertaking, no comfort from PNC.

**Parikshit Kandpal:** Thank you.

**Moderator:** Thank you. The next question is from the line of Sachit Kamath from Anand Rathi. Please go ahead.

**Sachit Kamath:** Thank you Sir for taking my question and giving me a chance to ask few questions. Actually my question was pertaining to MAT credit. D.K. Sir had said that we had around Rs.112 Crores of MAT credit available with us on our books right now as of the year end. But I am pretty sure, I think as per our calculation this will be used up by FY2021 itself. So, while going by that account shouldn't we transfer to the new tax regime that is 25.17% in FY2022? So that was my first question.

**D.K. Maheshwari:** We are accepting that this Rs.112 Crores will be consumed in FY2021 and then we will opt for new scheme from FY2022.

**Sachit Kamath:** So basically in FY2022 we will be around 25.17% tax rate, so basically you said before this will be around 35%, so this will be 25.17%?

**D.K. Maheshwari:** Right.

**Sachit Kamath:** Sure. My second question pertains we were doing some diversification for the metro projects in the middle and you guys said that we have no opportunities in track laying, and you guys are looking at but not actively. But in metro projects the opportunities are more now, like in MCRTC you have orders and in Delhi Metro there are orders for elevated corridors. So are you looking at orders from this segment?

**Yogesh Kumar Jain:** Last time, we had bidden for the metro projects, we could not get it. If any such opportunities come our way, we will go for that.

**Sachit Kamath:** So, it is safe to say that PNC once again will be actively looking at metro and track laying right now. Will that be fair to assume?

**Yogesh Jain:** You cannot say track laying only. We can go in railway, metro and water projects also.

**Sachit Kamath:** Thank you Sir.

**Moderator:** Thank you. Ladies and gentlemen that was the last question. I would now like to hand the conference over to Mr. Ashish Shah for closing comments.

**Ashish Shah:** Thank you all participants for participating in this call. Thank you to the management of PNC Infratech for giving us this opportunity to host the call. Sir, any closing remarks from you.

**Yogesh Jain:** Thank you everyone for your participation in our earnings 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. I urge all of you stay safe and make others safe. Thank you very much for the participation.

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**Moderator:** Thank you. On behalf of Centrum Broking Limited that concludes the conference. Thank you for joining us. You may now disconnect your lines.