



“PNC Infratech Limited Q4 FY2018
Earnings Conference Call”

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ANALYST: MS. RITA TAHILRAMANI - SBICAP SECURITIES LIMITED

**MANAGEMENT: MR. YOGESH JAIN – MANAGING DIRECTOR – PNC INFRATECH LIMITED
MR. D. K. MAHESWARI – ASSISTANT VICE PRESIDENT FINANCE – PNC INFRATECH LIMITED**

Moderator: Ladies and gentlemen good day and welcome to the PNC Infratech Limited Q4 FY2018 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 telephone. Please note that this conference is being recorded. I now hand the conference over to Rita Tahilramani from SBICAP Securities Limited. Thank you and over to you madam!

Rita Tahilramani: Good afternoon everyone, thank you Karuna. On behalf of SBICAP Securities, I welcome you all to Q4 FY2018 Earnings Conference Call for PNC Infratech Today from the management; we have with us Mr. Yogesh Jain, Managing Director and Mr. D. K. Maheshwari, Assistant Vice President – Finance. Without wasting much time I would like to hand over the call to Mr. Yogesh Jain for his opening remarks and followed by that we will have a question and answer round. Over to you Sir!

Yogesh Jain: Good afternoon friends, we welcome you all to participate in our Earnings Conference call to discuss on our performance for the quarter and year ended March 31, 2018. Along with me I have Mr. D. K. Maheshwari - Assistant Vice President (Finance) and Strategic Growth Advisors, our Investor Relations Advisors.

I will start with a brief on the key updates on the Industry then will discuss the company’s performance.

Last year has been a very good for the roads sector. The year witnessed strong awarding activities along with record level of roads constructions. The year as a whole saw NHAI awarded a total of 150 projects aggregating to 7,400 Kms worth Rs. 1.2 lakh crores which is an lifetime high awarding by NHAI during any year since its inception in 1995.

The major contributing factor towards record awarding has been approval of Bharatmala programme and various steps taken by ministry towards faster sanction of projects.

Out of the total awarding of 7,400 Kms, approximately 51% projects were awarded on EPC mode, approximately 46% on HAM mode and balance on BOT-Toll mode. However, in terms of value of projects awarded EPC mode accounted for approximately 35% whereas HAM accounted for a lion’s share with approximately 63%. The ministry as a whole including NHAI has awarded 17,055 Kms in 2017-18 as compared to 15,948 Kms in 2016-17.

Not only awarding, the execution also saw a record performance with total construction of 9,829 Kms in 2017-18 compared to 8,231 Kms in 2016-17, a year on year growth of 20%. The target for 2018-19 has been set at 16,420 kms translating to 45 kms per day against an average of 27 kms per day last year. The MORTH has set itself a construction target of 9,700 kms whereas NHAI is tasked to complete 6,000 Kms.

The Government focus on Highway development is evident with its plan to increase the awarding activity by 25% to 20,000 Kms in 2018-19. Under umbrella Bharatmala programme, the Government is also focusing on developing Express Highways and elevated roads for easing the traffic in major and strategically important cities in the country. The 1st Phase of Bharatmala programme has Rs. 40,000 crores allocated towards the express highways totaling to 1,000 Kms. Taking a cue from MORTH, various State Governments are also working on implementation of Express Highways and elevated roads like Purvanchal Expressway in Uttar Pradesh, Nagpur-Mumbai Super Communication Expressway in Maharashtra etc.

With ambitious target set for project awarding and highway construction, the Government is also addressing a big challenge of funding the projects. In addition to funds allocation under the Union Budget for highway development, the NHAI has also opened up a new option of fund raising through TOT model. The NHAI has recently awarded 1st TOT projects aggregating to 648 Kms of National Highways to Macquarie Group for upfront fee of more than Rs. 9,600 crores against its estimation of Rs. 6,300 crores through bidding.

With upcoming general elections and availability of more funding options, the development of highways is expected to pick up pace from the current year onwards.

Now I'll brief you on our execution of key EPC projects

During the Financial Year 2018, we have received the appointed dates for few of our large key projects, which are

Nagina-Kashipur: Appointed date is October 28, 2017

Varanasi-Gorakhpur: Appointed date is March 31, 2017.

Aligarh-Moradabad: Appointed date is January 26, 2017.

Koilwar-Bhojpur: Appointed date is July 4, 2017.

Bhojpur – Buxar: Appointed date is 18th April 2018 and the construction on the project has already been started.

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

Over the years, we have executed 60 major infrastructure projects including a total of 38 major road projects which has helped us to gain substantial execution experience.

The key to profitable execution is to execute the projects within the budgeted cost and time. As a strategy, we have established strong execution infrastructure in Northern region which helps us to execute faster and with optimum efficiency. However, as a risk diversification strategy, we bid and undertake projects from both Central and State Government agencies like NHAI, MORTH, UPEIDA, MES, MSRDC, State Public Works Departments etc. which makes our client base very diversified.

Our past execution track record has helped us to build up strong project qualification credentials .

Moving on to our Project Portfolio:

Along with execution of Road Projects on EPC basis, we have also established ourselves as a Developer with a portfolio of 13 projects. Our fund based project portfolio is a mix of BOT-Toll, BOT-Annuity, OMT and HAM projects which act as a risk-diversification strategy.

Our operational project portfolio consists of 4 Toll Projects, 2 Annuity Projects and 1 Project on OMT model. The remaining 6 projects are HAM projects and are at various stages of development with an aggregate bid project cost of Rs. 8,391 crores.

Out of the 6 HAM projects, we have achieved the financial closure for the 4 HAM projects.

Dausa-Lalsot-Kathun HAM project: The project is being implemented through our SPV - PNC Rajasthan Highways Private Limited. The project has achieved financial closure on 3rd April 2017 for a total debt of Rs. 371 crores. The total equity investment will be Rs. 66 crores of which we have already invested Rs. 46 crores as on March 31, 2018. The NHAI will pay Rs. 384 crores as Grant during the construction period. The project is under-construction with May, 31, 2017 as the appointed date.

Chitradurga-Davanagere HAM Project: The project is currently under-construction and is being implemented through our 100% subsidiary, PNC Chitradurga Highways Private Limited. The total debt as per the financial closure achieved on 12th December 2017 is Rs. 606 crores. The NHAI will be pay a Grant of Rs 625 crores during the construction period and we will invest Rs. 107 crores as equity out of which we have already invested Rs. 3 crores as on March 31, 2018. The NHAI has declared December 27, 2017 as the appointed date for this project.

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

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

Chakeri Allahabad HAM Project: The project is being implemented by 100% subsidiary PNC Triveni Sangam Highways Pvt. Ltd. which has already executed the concession agreement with NHAI. We are currently working on the financial closure for the project, which is expected within its scheduled time.

Aligarh-Kanpur Package-II HAM Project: We have formed the SPV – PNC Aligarh Highways Pvt. Ltd. for implementation of the project and have initiated the process of signing the concession agreement with NHAI.

The total equity requirement for 6 HAM projects comes to around Rs. 650 crores over the next 2-3 years.

All the operational projects are self-sustaining and their revenues are sufficient to meet financial obligations and therefore do not require any further equity infusion.

Now moving on to our order book

Our order book in terms of contracts pending execution was over Rs. 7,000 crores as on March 31, 2018.

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

Before moving on to Financials, I would like to share that the Board of Directors has recommended a Dividend of 25% i.e. Rs. 0.50 per equity shares of face value of Rs. 2/- each for the financial year ended 31st March, 2018, subject to the approval of the shareholders at the forthcoming Annual General Meeting.

Now I would now present the results for the period ended March 31, 2018.

Standalone Quarterly Result:

Revenue of 4th Quarter of FY18 is Rs. 759 crore which is higher by 116% compared to 4th Quarter of FY17. the growth in revenue is mainly due to faster execution of projects for which we have received the appointed date in the second half of FY18.

The Q4 FY18 Revenue also includes bonus of Rs. 58 crores received by the company for early completion of Agra Lucknow Expressway. we have completed the project 89 days ahead of the scheduled completion date of 28th January 2018. The bonus has been calculated at 0.04% of the total contract price, for each day of early completion. the bonus was received on 3rd February and has been accounted in Q4 FY18.

One of the subsidiaries of the company PNC Raebareli Highways Private Limited has received Rs. 33.73 crore towards the 'Bonus Annuity' on 8th May 2018. The Bonus Annuity is for early completion of Raebareli-Jaunpur BOT (Annuity) Project. The project was completed 96 days ahead of the scheduled completion date of 2nd June 2016. Out of the total Bonus Annuity of Rs. 33.73 crore, PNC Infratech Limited being the EPC contractor is entitled for 75% of the bonus amount, which will be accounted for in Q1 FY19.

EBITDA for 4th Quarter of FY18 is Rs. 161 crore which is higher by 239% as compared to Rs. 47 crore for 4th Quarter of FY17. EBITDA Margin for 4th Quarter of FY18 is 21.2% which is higher by 770 basis points compared to 13.5% in 4th Quarter of FY17.

Profit of 4th Quarter of FY18 is Rs. 111 crore which is higher by 227% compared to Rs. 34 crore in 4th Quarter of FY17.

Cash profit of 4th Quarter of FY18 is Rs. 133 crore which is higher by 177% compared to Rs. 48 crore in 4th Quarter of FY17.

Moving on to Full Year results on Standalone basis

Revenue for FY18 is Rs. 1,857 crore which is higher by 10% compared to FY17.

EBITDA for FY18 grew by 44% to Rs. 319 crore as compared to Rs. 221 crore in FY17. the EBITDA Margin for FY18 is 17.2% which is higher by 410 basis points compared to FY17.

The Tax for FY18 is adjusted for 80IA benefit amounting to Rs. 49.85 crore pertaining to financial year 2014-15.

PAT for FY18 is Rs. 251 crore which is higher by 20% compared to FY17.

Our cash profit for FY18 is Rs. 328 crore which is higher by 25% compared to FY17.

I'll now take you through Consolidated Financials for Full Year

Consolidated revenue for FY18 is Rs. 2,411 crore which is higher by 7% compared to FY17.

Consolidated EBITDA for FY18 is Rs. 769 crore as compared to Rs. 624 crore in FY17 registering a year on year growth of 23%. The EBITDA margin improved by 420 basis points for FY18 to 31.9% as compared to FY17.

Consolidated net profit after taxes, minority interest and share in profit/(loss) of associates for FY18 is Rs. 243 crore which is higher by 105% compared to FY17.

Our consolidated cash profit for FY18 is Rs. 505 crore which is higher by 40% compared to FY17.

On the Balance Sheet side our,

As on 31st March 2018, our stand-alone net worth is Rs. 1,807 crores. The total debt of the company on a standalone basis is Rs. 170 crores which is for equipment finance and we do not have any working capital debt. The company has a total cash & bank balance including current investments of Rs. 147.29 crore on standalone basis.

On consolidated basis our networth as on March 31, 2018 is Rs. 1,689 crores, whereas total debt is Rs. 1,998 crores. The total cash & bank balance including current investments at consolidated basis is Rs. 287 crore and the net debt to equity on consolidated basis comes at 1.12 times.

In calendar year 2017, our cost of borrow for our operational projects has reduced from 10.49% to 8.84%, resulting in savings of over Rs. 20 crore per annum.

Similarly, the cost of borrow on working capital loans has reduced from 10.49% to 8.80% during the calendar year 2017.

I would like to give you brief details on credit ratings of our various SPVs during the year by CARE

- 1) MP Highways Pvt. Ltd. upgraded credit rating from CARE Single A Minus to **CARE A;**
- 2) PNC Raebareli Highways Pvt. Ltd. by 2 Notches and upgraded the credit rating from “CARE A+; to “**CARE AA; for Senior Debt** and from “CARE A; to “**CARE AA-;** for Subordinate Debt
- 3) CARE has also assigned **A MINUS** rating to our 3 SPVs of HAM Project which are under construction stage

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

Moderator: Thank you very much sir. ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Mayank Goel from B&K Securities. Please go ahead.

Mayank Goel: Good afternoon Sir Congratulations on good set of numbers. I just had a couple of questions. To start with can you help me with the project wise execution for the quarter?

D K Maheshwari: Yes, Aligarh-Moradabad is Rs. 103 Crores, Varanasi-Gorakhpur is Rs. 92 Crores, Nagina-Kashipur is Rs. 38 Crores, then Dausa-Lalsot the HAM project is Rs. 133 Crores, Jhansi-Khajuraho package 2 is Rs. 46 Crores and Chitradurga project is Rs. 50 Crores and two airports is Rs. 58 Crores. These are the major executions during the quarter.

Mayank Goel: Sir what is the revenue growth that we expect in FY2019 we have been guiding around 40%, 50% kind of revenue growth in the past concall so as on now when we have a clearer picture, we have received the LOAs for most of the HAM projects so what is the revenue growth do we see for the next year.

Yogesh Jain: We are expecting about 40% growth next year.

Mayank Goel: Sir 40% for FY2019 and for FY2020?

Yogesh Jain: FY2020 again could be around 40%.

- Mayank Goel:** Sir and given majority of the HAM projects that will come into execution in the next year and for this quarter also after removing the impact of the bonus, we have managed an EBITDA margin of 14.7%, so going forward what is the EBITDA margins we will be looking forward to, because as was already guided we had every time guided for around 13% to 13.5% of EBITDA margin so going forward with higher share of HAM projects what kind of margins are we looking for?
- D K Maheshwari:** This year without considering Rs. 58 Crore as bonus and price variation impact of Rs. 6.5 Crore of one of the projects, EBITDA margin is 13.62%. and we are expecting in the same line in the range of 13.6% to 13.75% in FY 19.
- Mayank Goel:** And lastly Sir Can you help me with the toll numbers for this quarter?
- D K Maheshwari:** Toll number for Q4, MP Highways is Rs. 17.32 Crores, Kanpur Ayodhya is Rs. 77.38 Crores, Kanpur Highways Rs. 29.9 Crores, then Narela is Rs. 9.65 Crores, Bareilly-Almora Rs. 10.5 Crores, and Raebareli-Jaunpur Rs. 32.16 Crores.
- Mayank Goel:** Thank you Sir. That is it from my side.
- Moderator:** Thank you. The next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.
- Shravan Shah:** Thank you and congratulations for very good set of numbers. Sir in terms of the order inflow earlier we guided close to Rs. 4,000-5,000 Crores in Q4 and Rs. 8,000-10,000 Crores in FY2019 so what is the view now Sir?
- Yogesh Jain:** We are expecting Rs. 6,000-7,000 Crores new projects in this year.
- Shravan Shah:** Sir so just to coming to the main point in terms of the order inflow and topline also despite all the appointed dates for all the projects coming in why are we becoming so conservative on the topline and the order inflow front?
- D K Maheshwari:** The 40% growth what Yogesh Ji has told are based on the contracts in hand for which we have received the appointed dates, it may be higher but as on date we can indicate growth of around 40% in 2018-2019 only **Shravan Shah:** And this does not include Chakeri-Allahabad and Aligarh-Moradabad when we are saying 40%?
- Yogesh Jain:** Right we have not included.
- Shravan Shah:** Sir Can you give me the order book remaining for Koilwar-Bhojpur, Etah-Kasganj, Lucknow Airport Runway, and Nanau-Dadon?
- D K Maheshwari:** Balance work as on 31st March.
- Shravan Shah:** Yes balance work as on 31st March for Koilwar-Bhojpur?

- D K Maheshwari:** Koilwar-Bhojpur Rs. 425 Crores and Bhojpur-Buxar is entirely outstanding at Rs. 477 Crores.
- Shravan Shah:** Yes that is there, Etah-Kasganj, Lucknow Bakshi Ka Talab Airport.
- D K Maheshwari:** Etah-Kasganj is Rs. 201 Crores; Bakshi Ka Talab is Rs. 53 Crores.
- Shravan Shah:** And Nanau-Dadon
- D K Maheshwari:** Nanau-Dadon is Rs. 119 Crores.
- Shravan Shah:** And Sir also if you can share the full year MAT credit number for FY2018?
- D K Maheshwari:** Rs. 17.61 Crores.
- Shravan Shah:** Rs. 17.61 Crores is the MAT credit number.
- D K Maheshwari:** Yes.
- Shravan Shah:** And Sir tax rate will the same 18% to 21% for FY2019.
- D K Maheshwari:** Yes 18% to 21%.
- Shravan Shah:** And the Capex would be Rs. 50 Crores for FY2019.
- D K Maheshwari:** Capex will be in the range to Rs. 100 – 125 Crores
- Shravan Shah:** That is it from my side and all the best.
- Moderator:** Thank you. The next question is from the line of Bharani Vijayakumar from Spark Capital. Please go ahead.
- Bharani Vijayakumar:** My first question is on the land acquisition status Varanasi-Gorakhpur had low levels can you update us on the current levels of land acquisition there.
- Yogesh Jain:** That Varanasi-Gorakhpur we have around 86% land presently.
- Bharani Vijayakumar:** So it has improved from 62% that we had found in safer side. How about for Jhansi-Khajuraho package one.
- Yogesh Jain:** Jhansi-Khajuraho is around 87% land we have.
- Bharani Vijayakumar:** Again it is same growth, what about the Lucknow-Ballia package IV project that we had won yesterday?
- Yogesh Jain:** As per the department, more than 90% land is available.

- Bharani Vijayakumar:** And how about the recently won two HAM projects Chakeri and the Kanpur?
- Yogesh Jain:** Around 87%.
- Bharani Vijayakumar:** Okay Sir and my second question is on the equity requirement. So about Rs. 650 Crores of equity requirement for all the projects in hand that is total or that is pending to be deployed.
- D K Maheshwari:** Pardon? Can you repeat the question?
- Bharani Vijayakumar:** The Rs. 650 Crores of equity requirement for all the HAM projects that was pending to be deployed over the next two years right or total?
- D K Maheshwari:** Yes in two and a half years it is around Rs. 600 Crores to be infused
- Bharani Vijayakumar:** And going forward if we are guiding for about Rs. 6000 to . 7000 Crores of inflow next year we would focus increasingly on again HAM projects because that would come with more equity requirements so are we still willing to go ahead with the HAM projects going ahead also.
- Yogesh Jain:** Yes, we are going ahead for the HAM project also.
- Bharani Vijayakumar:** Understood Sir. Those are my questions. Thank you for answering and all the best Sir.
- Moderator:** Thank you. The next question is from the line of Charanjit Singh from B&K Securities. Please go ahead.
- Charanjit Singh:** Sir first of all congratulations on great set of numbers during the quarter. Sir my worry is on the financial closure part we are seeing that with the banks having their books stressed significantly there might be some delays in terms of financial closure, we know that the management has done a very great job in terms of having already four financial closures out of the six projects. So going forward for the two projects what is the kind of timeline for the FC and future also we are targeting HAM projects how is the probably of closure of FCs on that and what is the kind of cost of financing for the incremental projects which we might have?
- D K Maheshwari:** Out of six HAM projects, four HAM projects have already achieved financial closure well before time and for Chakeri-Allahabad, we have signed the concession agreement on 25th of April for which financial closure is due on 25th September. We are in the advanced stage and we are expecting that we will achieve the financial closure before time. For Aligarh-Kanpur, concession agreement yet to be signed, so we are hopeful that we will achieve financial closure within the time for this project also.
- Charanjit Singh:** And Sir for these incremental projects their cost of financing what is right now in the market and what rates PNC is able to bid with its strong credit rating and cleaner balance sheet?
- D K Maheshwari:** In range of the 9.2-9.35% because, we have recently seen MCLR has been increased by 10-15 basis points by all the banks, so we are expecting in the range of 9.2-9.35%.

- Charanjit Singh:** And Sir the other question is like as there is an increase in our competition which is going to happen on the EPC side, so our focus will be more on the HAM portfolio but we still want to pick up more EPC projectd how does that for the future Rs. 6,000 to Rs. 7,000 Crores order inflow which you have highlighted.
- Yogesh Jain:** We are bidding for both EPC and HAM and targeting 50% - 50%
- Charanjit Singh:** Okay Sir so 50% from EPC also we are targeting.
- Yogesh Jain:** Yes.
- Charanjit Singh:** And Sir the last question is on the equity requirement of Rs. 650 Crores that main source of financing is going to be mainly from our existing portfolio or from the standalone balance sheet we will have to put in the equity.
- D K Maheshwari:** We can infuse funds from our own accruals and generation. Equity requirement of Rs.600 Crores is over two and half years, so we can comfortably infuse from our own generation .
- Charanjit Singh:** Fine Sir thanks a lot for taking my questions all the best for the future.
- 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 just wish to enquire why trade payables have increased significantly on the standalone balance sheet close to Rs. 460 Crores as on March 2018.
- D K Maheshwari:** Number of days had decreased from 169 days in December to 159 days in March 2018 but total amount wise it is Rs. 668 Crores because majority of the payments we have made in the month of April as execution in the month of March was higher as compared to January and February so all the contractor bills we have passed in the April first week however we have made the provision in the books. Majority of the payment was made in the month of April that is why it has increased.
- Kunal Bhandari:** Sure Sir, so post April now this balance would have come down right.
- D K Maheshwari:** Yes.
- Kunal Bhandari:** And one more question Sir Do you have any BOT monetization plans any concrete plans on that front to even meet your HAM requirement in the coming months.
- D K Maheshwari:** We are working out internally, in case we will get good valuation we may go ahead.
- Kunal Bhandari:** No Sir but are you looking at any specific projects or individual project or would it be a bunch of those?

- D K Maheshwari:** We may go for individual as well as two or three projects combined.
- Kunal Bhandari:** Sure Sir. That is all from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Vibhor Singhal from Phillip Capital. Please go ahead.
- Vibhor Singhal:** Good afternoon Sir, thanks for taking my question and congrats on a great set of numbers. Sir just two questions on firstly on the two Bihar projects Bhojpur-Buxar and Koilwar-Bhojpur as you mentioned so in this quarter there was no execution on any of these projects right in the Q4?
- Yogesh Jain:** In Bhojpur-Buxar there was no execution. Koilwar-Bhojpur there was some work done in last quarter.
- Vibhor Singhal:** In this quarter that is the first quarter of FY2019?
- D K Maheshwari:** No, in Koilwar-Bhojpur, execution in Q4 it was around Rs.13 Crores, in Bhojpur-Buxar there was no execution in Q4, we are expecting in the Q1 of FY2019.
- Vibhor Singhal:** But as we stand on 25th of May has execution started on that project no not as of now.
- Yogesh Jain:** Execution has started.
- Vibhor Singhal:** Started?
- Yogesh Jain:** Yes it has already started.
- Vibhor Singhal:** Sure Sir and you gave the numbers of the execution for the quarter can I just get the numbers for Jhansi-Khajuraho packages I, II and the Chitradurga project please.
- D K Maheshwari:** The Chitradurga was around Rs. 52 Crores and package II Jhansi-Khajuraho was Rs. 46 Crores.
- Vibhor Singhal:** And there was no execution on the package I.
- D K Maheshwari:** Package I, we have fully mobilized. and we are expecting within 15 days that we will start execution
- Vibhor Singhal:** So maybe by June you might be able to start execution on that one?
- D K Maheshwari:** Yes we will get execution in Q1 of FY2019.
- Vibhor Singhal:** Sir secondly if I can just basically get your sense right now we closed the year at around Rs. 7300 Crores of order book and if we look at the two HAM projects which were not included the order book would probably be somewhere around Rs. 10,000-10,500 Crores. Now we have already won one package for the Purvanchal Expressway. There is also a mega expressway project of

Mumbai-Nagpur for which we bid which should also be somewhere in the same range taking these two all these put together our order book would well go up to Rs. 13,000 to Rs. 14,000 Crores. Along with that you have given a guidance of around Rs. 6,000 Crores of order inflow at this point of time. So do not you think there is a basically we probably need to take a breather as the order book has become too big and we basically need to catch up a lot in terms of execution on that so we should probably be taking a step back and maybe restraining ourselves from taking new orders and focusing on execution of these projects or do you think we have enough bandwidth in terms of management bandwidth as well as the capital that we require in terms of taking on the kind of Rs. 6,000 Crores of project that you are talking about this year.

D K Maheshwari: Actually we have no problem regarding the machinery and the capital but conservatively we are taking 40% growth.

Vibhor Singhal: Fair enough Sir and as you mentioned there we are probably targeting 50:50 HAM in EPC so let us say assuming that there is another package of Mumbai-Nagpur Expressway, which comes in and that is also of let us say of similar magnitude would that mean that we would probably showdown a bit on the order intake part going forward or we would still continue to bid for HAM projects taking in with whatever we can in the first six months itself?

D K Maheshwari: We will complete 4-5 projects in this financial year, so based on this we will plan and quote some good projects

Vibhor Singhal: Fair enough Sir. That is it. Thank you so much for answering my questions and wish you all the best.

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

Priyankar Biswas: Good afternoon Sir. Congratulations for great set of numbers. So my first question is like coming more specifically to 1Q FY2019, so what is the level of execution you are expecting in 1Q?

D K Maheshwari: In the range of Q4 of FY2018.

Priyankar Biswas: So it will be roughly around the Q4 level so adjusted for the bonus it would have been something like Rs. 705 Crores right so around that level?

D K Maheshwari: Yes. **Priyankar Biswas:** Sir while you are giving the land acquisition status due to some disturbance on the line, I missed the land availability for Chakeri-Allahabad and Aligarh-Kanpur if you can repeat that please?

Yogesh Jain: The Chakeri-Allahabad land availability is 87% and Aligarh-Kanpur we have around 80% land.

Priyankar Biswas: And one more thing that I notice is like in your last quarter's presentation Jhansi-Khajuraho package I order book was Rs. 1225 Crores so this has decreased to Rs. 1162 Crores, so is there any change of scope or something like that.

- D K Maheshwari:** In package I?
- Priyankar Biswas:** Yes package I so like in the last presentation in 3Q it was shown as Rs. 1225 Crores and now it is showing as Rs. 1162 Crores, is there any change in scope or something like that in this project.
- D K Maheshwari:** There is execution of some work in the 4th Quarter of about Rs. 63 Crores which we have executed not on road, it was like designing etc. these are BOQ items that we have executed but we have not started the work on the road till date..
- Priyankar Biswas:** So those has been billed right those whatever has been executed?
- D K Maheshwari:** Yes.
- Priyankar Biswas:** And last question from my side is like in Q4 what is the exact revenue growth as in I know that in this reporting the GST is completely deducted but in 4Q 2017 it would have been a comparable number so you wanted to know what is the like-for-like growth.
- D K Maheshwari:** We are not adding the GST impact in the revenue, that amount is payable by NHAI.
- Priyankar Biswas:** Yes Sir that I understood but in Q4 FY2017 so that is last year that time you had taxes within the revenues right, so I was just wanting to get the true sense what was the real growth like it would be much more than what is being shown right?
- D K Maheshwari:** It is real growth except bonus if you remove this bonus of Rs. 58 Crores it is Rs. 701 Crores as against Rs. 351 Crores last year.
- Yogesh Jain:** Rs. 701 Crores is the work done without tax impact, while last year it was Rs. 351 Crores including tax.
- Priyankar Biswas:** That is fine. That is all from my side Sir.
- Moderator:** Thank you. The next question is from the line of Rahul Agarwal from VEC Investments. Please go ahead.
- Rahul Agarwal:** Just one very quick question on the bonus payments. So Agra-Lucknow the bonus due was about Rs. 96 Crores. I think we have got about Rs. 58 Crores of that does it mean we will get the balance next year, next as on in Fiscal 2019.
- Yogesh Jain:** We may go for arbitration for seeking the balance amount of Bonus
- Rahul Agarwal:** Apart from this specific project any other projects where you are due for bonus receipts in fiscal 2019?
- Yogesh Jain:** We have already received in Rae Bareli-Jaunpur Rs. 33.73 crores.

- Rahul Agarwal:** That is there. Yes, apart from that
- D K Maheshwari:** As on date there is no due, but as soon as we complete any project ahead of the schedule, , there may be due.
- Rahul Agarwal:** Are you anticipating it in any specific projects which you just said you will complete before time
- D K Maheshwari:** Yes.
- Rahul Agarwal:** Okay alright, so essentially on Agra-Lucknow you may go into arbitration and then further clarity will come is it on the balance Rs. 38 Crores.
- Yogesh Jain:** Yes.
- Rahul Agarwal:** Okay. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Ashish Shah from IDFC Securities. Please go ahead.
- Ashish Shah:** Congratulations on a good set of numbers Sir. First question is you guided for about 40% growth next year. Can you give a breakup of your revenue expectation for some of the key projects for FY2019?
- D K Maheshwari:** Major projects are Dausa-Lalsot which we are expected to complete, majority of the remaining part of Rs.351 Crores in the FY2019. Similarly Varanasi-Gorakhpur and Nagina-Kashipur also we are expecting around Rs. 250 Crores each, Chitradurga, Jhansi-Khajuraho Package-I and Jhansi-Khajuraho package II in the range of Rs.250 Crores to Rs.300 Crores each. Aligarh-Moradabad will be completed. So these are the six, seven projects, in addition to that we are expecting Koilwar-Bhojpur, Bhojpur-Buxar, where we are expecting around Rs.100 to Rs.150 Crores.
- Ashish Shah:** So Koilwar-Bhojpur we are expecting Rs. 100-120 Crores and Bhojpur-Buxar would be how much?
- D K Maheshwari:** Around Rs. 200 Crores
- D K Maheshwari:** The two airports will be completed in FY'19 which will give the revenue of around Rs. 125 Crores.
- Ashish Shah:** So how much is the outstanding order book for the airports?
- D K Maheshwari:** The airport is Rs. 125 Crores for both projects...

- Ashish Shah:** Both projects will be completed?
- D K Maheshwari:** Yes.
- Ashish Shah:** What is the toll revenue for Ghaziabad-Aligarh for the quarter Sir?
- D K Maheshwari:** In this quarter it is Rs. 51 Crores.
- Ashish Shah:** Sir lastly on the working capital side we have seen the receivables remaining fairly high for a long period of time, it is about 135 days now, so do you expect this will remain here or it will come back to 110, 120 days.
- D K Maheshwari:** No, it should go down because debtor days of 136 days including the GST impact of around Rs. 93 Crores in case we exclude this, it comes to around 116 days so I hope that it should be in the range of 120 to 125 debtor days.
- Ashish Shah:** Sure Sir. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Ankush Mahajan from JM Financial. Please go ahead.
- Ankush Mahajan:** Sir, congrats for good set of number. Sir just trying to understand yesterday we won a bid on Purvanchal Express Highway, what is the land acquisition status sir in that segment?
- Yogesh Jain:** Presently more than 90% land is available as per department. .
- Ankush Mahajan:** So how do you see sir to that appointed date on this project basically?
- Yogesh Jain:** I hope we will get this within two months.
- Ankush Mahajan:** And it is a state project basically and that is on the EPC model.
- Yogesh Jain:** EPC model.
- Ankush Mahajan:** Thank you sir and that is it from my side.
- Moderator:** Thank you. The next question is from the line of Parvez A from Edelweiss. Please go ahead.
- Parvez A:** Hi good afternoon Sir and congratulations for a good set of numbers. Sir a couple of questions from my side for the Rs. 600 Crores of equity infusion that we need to do, would it be possible to give the year wise infusion schedule for FY2019, 2020 and 2021?
- D K Maheshwari:** You want 2018-2019 or 2020-2021? e.
- Pravesh A:** Total for the next two, two and a half years.

- D K Maheshwari:** In 2018-2019 it will be around in the range of Rs. 225 Crores similarly in 2020 it will be also Rs. 225 Crores and 2021 it will be Rs.150 Crores.
- Pravesh A:** And Sir secondly on the two packages of the Jhansi-Khajuraho project what is the land acquisition stage as of now?
- Yogesh Jain:** In Jhansi-Khajuraho package I about 86% and package II is about 92%
- Pravesh A:** Sure thanks. That is it from my side and all the best for future.
- Moderator:** Thank you. The next question is from the line of Nitin Arora from Axis Mutual Fund. Please go ahead.
- Nitin Arora:** Sir, can I know the funding limit, the fund base limit of the company as of now?
- D K Maheshwari:** As of now fund base limit is Rs. 650 Crores in consortium and we have already moved our proposal for Rs.750 Crores it has been approved and document to be executed. So fund based limit we can say around Rs.750 Crores and non-fund base limit for bank guarantees is Rs.3,350 Crores. As on date there is no utilization of the fund base limit since 31st of March 2018, even today there is no utilization irrespective we are having a FD and cash and bank balance around Rs.80, Rs.85 Crores in the books.
- Nitin Arora:** And what has been the total mobilization advances received in this year?
- D K Maheshwari:** Mobilization advance we have received around Rs.300 Crores.
- Nitin Arora:** Is it the execution is done from this money?
- D K Maheshwari:** Yes, because majorly we have received from Chitradurga and the package II of Jhansi-Khajuraho HAM project and Dausa-Lalsot.
- Nitin Arora:** Because your quarterly revenue only increased in Q4 barring your last seven eight quarters you have been in that Rs. 350 Crores run rate, so I was just trying to understand that?
- D K Maheshwari:** We are entitled to get mobilization advance 10% of bid project costs after receiving the appointed date. The interest rate is presently at 6.25% PA.
- Nitin Arora:** Just wanted to understand from a funding angle assuming that we are any way is asset light where the balance sheet is still very stable assuming that you have stated a number Rs. 225 Crores a year equity infusion plus you would be taking new projects in HAM which even if you take 50% of your guidance still it adds up Rs. 100 to Rs. 150 Crores every each year of equity needs. So what sort of thinking we have assuming that we do not sell our assets that is something a market will determine when you will be able to sell it, if these are funding limit basically by way of debt and funded, is that the thought process right sir?

- D K Maheshwari:** No, what we have told earlier is that we are contemplating to monetize two or three operational assets in case we get good valuation, else we do not have any problem even after infusing to about Rs.250 Crores each year, we will still be having additional internal cash generation (after infusing equity of existing projects) of more around Rs.150 Crores each year.
- Nitin Arora:** No, I was just thinking for my timing mismatch because if you look at the cash...?
- D K Maheshwari:** Yes, certainly we can think for the monetization, no problem.
- Nitin Arora:** My second question Sir just lastly on Ghaziabad-Aligarh, the traffic if you can guide what sort of growth rate you are saying because again it stuck at about Rs. 51 Crores so just need your guidance on that and what is your total debt now on the project.
- D K Maheshwari:** Total debt is around Rs.1220 Crores presently.
- Nitin Arora:** And the traffic how you see it now for the next year because sort of now stuck at Rs. 51 Crores from the last two quarters, so has anything not moved there or...?
- D K Maheshwari:** Earlier it was Rs. 40-45 lakhs per day and it has gone to Rs. 55 lakhs per day, but on an average we have collected Rs. 50 lakhs for nine months. This should be around Rs.58, Rs.60 lakhs per day going forward.
- Nitin Arora:** Thank you. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Prem Khurana from Anand Rathi. Please go ahead.
- Prem Khurana:** Yes, good afternoon Sir thanks for taking my questions and congratulations on good set of numbers. Sir my question is with respect to our consol numbers and if I were to look at your segment numbers the Toll Annuity number that you report in terms of topline is above almost 7% odd on a Y-o-Y basis basically I wanted to understand are we comfortable with this kind of growth or do you get to see this growth going up and what could be the number in your mind in next year. So Rs. 565 Crores last year has become Rs. 660 Crores this year which is a 7% enough growth.
- D K Maheshwari:** No, certainly the project which are on toll basis there should be a growth of around 12% to 15% but annuity project revenue will remain same like Rae Bareli-Kanpur, Narela Industrial estate but MP Highway, Kanpur Kabrai, Kanpur-Ayodhya and Bareilly-Almora which are toll based projects certainly there will be a growth of around 12% to 15%.
- Prem Khurana:** And Sir just one more observation so when I look at my topline growth in absolute number it works out to be Rs. 41 odd Crores of growth in numbers from five to six assets but then when I look at my segment results the improvement works out to be almost Rs. 117 odd Crores so basically wanted to understand given the fact that topline has gone up by only around Rs. 41 Crores so what do you explain the Rs. 70 odd Crores of incremental growth that we have seen in

profit, so was there any write back or any claims that you have received which is the number would have been different from what we have seen in our increase in the topline in a toll annuity segment.

D K Maheshwari: Can you please repeat.

Prem Khurana: Basically Sir the results which you have reported in the segmental results the profits which are there in the annuity segment from Rs. 220 Crores it has increased to Rs. 336 Crores so there is a change of Rs. 117 Crores, but when I look at the topline it works out to be only Rs. 41 Crores so given the fact that these are toll projects so topline growth should ideally transfer assuming our expenses are kind of stable the topline growth should ideally translate into my growth in my profitability right before...?

D K Maheshwari: That is mainly due to Ind-AS accounting because some part of the revenue has been eliminated.

Prem Khurana: Okay some part of revenue has been eliminated but the profit are still there?

D K Maheshwari: Yes.

Prem Khurana: And Sir could you please help me with the land acquisition status of the two Bihar projects because Bhojpur-Buxar I think last call you said it was around 72% odd, has the number moved up and how about Koilwar-Bhojpur and also if you could update us on the Narela dispute and where are we in terms of settlement there?

Yogesh Jain: Now Bhojpur-Buxar is around 82% and Koilwar-Bhojpur is around 75%.

Prem Khurana: So it is still the same as on last quarter numbers?

Yogesh Jain: They are same as in the last quarter.

Prem Khurana: So but when do we expect this number to move substantially has not crossed 80% because given the fact that we have really started working and we are expecting?

Yogesh Jain: Bhojpur-Buxar we now have presently 82%

Prem Khurana: No Sir Koilwar-Bhojpur because I think our project.

Yogesh Jain: Koilwar-Bhojpur we are expecting in this quarter it will be around 80% to 83%.

Prem Khurana: Sure Sir and how about Narela Sir, the disputes which were going on there for the payments and the delays in payment.

Yogesh Jain: We have already received Rs. 43 Crores and for balance the arbitration is going on. We expect that by Sept' 18 we will get the final outcome of the arbitration.

- Prem Khurana:** So another Rs.40 odd Crores is pending right?
- Yogesh Jain:** Not, it is Rs. 64.5 Crores and after the interest it will be around Rs. 120 Crores.
- Prem Khurana:** Sure and Sir just one last if I may so the Purvanchal, how would have the number changed over a period of time and in terms of payments and all the terms are still the same or we have seen some changes there as well given the fact that the government is changed in the state?
- D K Maheshwari:** It is better than before.. It is now on EPC contract and the land is also available.
- Prem Khurana:** Sure but last time if I compare what is it, have we seen any... do you get to see better margin profile or the margin would remain the same I mean the last time that we bid?
- Yogesh Jain:** It will be almost in the same margin.
- Prem Khurana:** Same margin. Sure sir thank you.
- Moderator:** Thank you. The next question is from the line of Alok Deora from IIFL Wealth. Please go ahead.
- Alok Deora:** Actually most of the questions have been answered. Just one question Sir, you have guided for around 40% sort of growth but Sir be a Purvanchal also would start contributing like three, four months' time so do you think that growth could be much higher than what we are talking about?
- Yogesh Jain:** We will relook after receiving appointed date of all the recently awarded projects .
- Yogesh Jain:** The guidance does not include execution from Allahabad–Chakeri project, Aligarh-Kanpur project and expressway project. When these three projects get started then we will see whether guidance is be changed.
- Alok Deora:** Yes because sir we have received?
- D K Maheshwari:** We are giving the guidance of 40% after considering the execution ongoing projects of which we have received the appointed dates because last one and a half years there were delays in the appointed dates that is why we are not considering revenue all these projects. As soon as we will get the appointed dates of all these projects we can relook at our growth.
- Alok Deora:** And just Sir one last question the order inflow guidance you have given of around Rs. 6,000-7,000 Crores this excludes the recently one project or it is including that?
- Yogesh Jain:** It is including that.
- Alok Deora:** Okay so we are looking at a nearly Rs. 5,000 Crores or more projects.
- Yogesh Jain:** Yes.

- Alok Deora:** Okay that is all from my side thanks.
- Moderator:** Thank you. The next question is from the line of Ashish Soni from Chhattisgarh Investment. Please go ahead.
- Ashish Soni:** Congratulations Sir and I wanted to ask could you please elaborate on how do you account for a 770 basis point increase in the EBITDA margins for this quarter as respect to this quarter in the previous year.
- D K Maheshwari:** Actually this quarter 770 basis point increase includes the bonus of Rs. 58 Crores and also Rs.6.5 Crores price variation of one of projects which we have executed earlier and payment received in this year. In case, we exclude these two items, then EBITDA margin is 13.62%.
- Ashish Soni:** So if you and what is expected going forward Sir let us say in the coming quarters?
- D K Maheshwari:** It is in the range of 13.6% to 13.75% EBITDA margin.
- Ashish Soni:** That is it from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Anupam Gupta from IIFL. Please go ahead.
- Anupam Gupta:** Sir given the amount of investment required for the HAM and given where your working capital cycle is where you have not seen very significant reduction what is the expectation of the debt level going to from let us say the number which it desires. So what would the debt look at versus Rs. 170 Crores right now in the next two years?
- Yogesh Jain:** For working capital -debt should be in the range of Rs. 250 to Rs.300 Crores when all projects will be on full swing.. We will get the 10% advance in Chakeri-Allahabad as well as the Aligarh-Kanpur which comes to around Rs. 350 Crores which we will get in the month of November/December.
- Anupam Gupta:** So in that case what would be your expectation on interest cost because then interest as a percentage of debt should inch up right because mobilization advance you are not categorizing as debt but your interest cost which was let us say Rs. 31 Crores this year that should increase substantially in the next year without the debt going up as well?
- D K Maheshwari:** I am not talking about the interest rate I am talking about the financial cost, financial cost should be in the range of Rs. 38 to Rs.40 Crores in the year because there are BG commission charges and we are presently getting the mobilization advance @ interest of 6.25% p.a.
- Anupam Gupta:** Okay thank you.
- Moderator:** Thank you. As there are no further questions from the participants. I now hand the conference over to management for her closing comments. Over to you madam.

Yogesh Jain: Thank you everyone for your participation in our earning call. We have uploaded the presentation of our company's website. In case of further queries, you may get in touch with the strategic growth advisor, our investor relations advisor or feel free to get in touch with us. Thank you very much for your participation.

Moderator: Thank you. Ladies and gentlemen on behalf of SBICAP Securities Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.