

## Transcript

### Conference Call of PNC Infratech Limited

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#### *Presentation Session*

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**Moderator:** Good afternoon ladies and gentlemen. Welcome to the FY16 conference call of PNC Infratech Limited hosted by HDFC Securities Limited. For the duration of this call, all participant handsets will be in the listen-only mode. Later, we will conduct a question and answer session. Please note this conference is recorded. I would now like to hand over the floor to Mr. Parikshit Kandpal of HDFC Securities; over to you sir.

**Parikshit Kandpal:** Thank you so much. I would like to thank the management of PNC for giving us this opportunity to host the FY16 earnings call. I would also like to thank all the participants for taking time to join in. Without any further delay, I would like to handover the floor to Mr. Yogesh Kumar Jain, the Managing Director. The other Management team members in this call include Mr. Chakresh Jain, MD, Mr. D.K. Agarwal, CFO, and Mr. D.K. Maheshwari, AVP – Finance. Over to you Yogesh sir. Thank you so much.

#### **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 the year ended March 31, 2016. Along with me I have Mr. Chakresh Kumar Jain, Managing Director, Mr. D. K. Agarwal – Chief Financial Officer, Mr. D. K. Maheshwari – Assistant Vice President (Finance) and Strategic Growth Advisors, our Investor Relations Advisors.

**First of all, I would like to take this opportunity to thank all the stakeholders & Capital Market Participants for their continued support and confidence shown in the company in the first year of our listing.**

**Now I'll just recap some of the recent industry updates that have given impetus to the sector.**

The present Central Government has been focussing on the Roads & Highways sector since it got elected. It announced a slew of policy measures in the past two years to revive stranded projects, initiated huge number of new projects and also taken proactive measures to bring in fresh investments in to the sector.

It has also expedited the tendering process by easing the procedures and delegating more powers at functional level. It has also brought in new financing models that reduce the developer's risk and make debt servicing easy for the developers in form of Hybrid Annuity Model. In the new Hybrid Annuity Model (HAM) the authority will provide 40% of the total project cost as "construction support" to the concessionaire during the construction period. The remaining 60% will have to be funded by the concessionaire through a combination of debt and equity. This 60% will be paid by the authority along with interest and returns by means of annuity payments, post commercial operation date over the concession period of 15 years. In addition to the Annuity Payments, separate provision for O&M payments during the concession period is included in the model. In this model, the concessionaire is insulated from the traffic risk making it lucrative for the private players. At the same time, upfront funding by Authority remains limited to 40% of the project cost vs 100% in EPC projects, giving the government headroom for higher awards with the same budgetary allocation.

The Union Cabinet has authorised the MORTH to approve projects up to Rs 10 billion in both EPC and PPP modes. This would lead to a quicker turnaround time for approvals and award of road projects.

The Union Cabinet has also approved a comprehensive exit policy that allows developers to exit the road projects completely after two years of completion of construction. This sell out can be invested in the new projects.

The increased Budgetary Allocation for FY17 exemplifies the government's commitment to stimulate Infrastructure, especially Roads sector to act as a Catalyst for Overall Economic Development.

Another major policy initiative which will help the developers is with regard to Infrastructure Investment Trusts. SEBI has recently cleared guidelines for formation of Infrastructure Investment Trusts (InvIT). The Trusts will help in financing / refinancing of already completed infrastructure projects, un-lock the capital which is tied up in the completed projects, lowering domestic financial institutions' loan exposure and to attract foreign capital.

In term of Land acquisition, the government is taking steps to speed up the acquisition process. The Government is making higher payments to farmers to acquire Land in cases, where awards were fixed as per old law but compensation has not been paid to land owners.

**Now moving on to the awarding activities:**

The government proposed in the budget that about 50,000 km of state highways will be taken up for upgrade to national highways.

The Government has awarded approximately 12,900 Kms of road projects since it took over in May 2014. NHAI has awarded a total of 4,171 kms during the year FY16, which is higher than 3,068 km it awarded in FY15 and 1,437 km in FY14. Out of the 4,171 kms, 3,017 kms were awarded through EPC Projects, 803 kms through BOT Projects and 351 kms through Hybrid Annuity Projects. Ministry as a whole has awarded total contracts of 10,000 kms including the NHAI contracts. The targets set for FY17 by the Ministry is 25,000 kms. The awarding activities will be divided between NHAI, Ministry and other agencies like NHIDCL. In terms of constructions targets, NHAI is targeting to construct 8,000 kms while the Ministry and NHIDCL will target to construct 7,000 kms taking the total construction target to 15,000 Kms in FY17 Compared to 6,000 kms constructed in FY16.

**Now moving on to our company and recent updates,**

We are essentially a Road construction and developer Company. We have executed over 51 major projects across the length and breadth of India. We have worked in as many as 13 States across the country. Our major projects are Road EPC Projects of NHAI, MORTH and State Public Works Departments. We also undertake projects of Construction of Airport Runways at both Civil Airports as well as Defence Airports. Till date we completed 19 airport projects. We have also developed one Industrial Area at Narela in New Delhi. Currently we are executing 20 projects in different sectors.

We have portfolio of 7 BOT projects, of which 5 are Road BOT projects, 1 is OMT road project and 1 project is for development of Narela Industrial area in Delhi on Annuity basis. Our BOT portfolio comprises of both toll and annuity assets. All the seven projects are operational.

During the year 2015-16 we have divested our minority stake of 8.51% in Jaora-Nayagaon Toll Road Company Pvt. Ltd. to Viva Highways Limited for an aggregate consideration of Rs. 34.19 crores. The profit earned on this divestment of Rs. 9.72 crores is reflected in Other Income.

In Financial year 2016, 4 of our BOT projects commenced commercial operations. In May 2015, we commenced tolling at our 100% owned Kanpur-Kabrai project, in June 2015, tolling commenced at Ghaziabad Aligarh project where we have 35% stake, in October 2015, tolling operations commenced at our 100% owned Bareilly Almora project and recently in March 2016, our 100% owned Annuity Project Rae Bareli Jaunpur, received the Final COD three months ahead of its schedule completion date. Due to the early completion of Rae Bareli Jaunpur project we are eligible for a bonus of approximately Rs. 34 crores. We expect to receive this bonus along with our first annuity payment in December 2016.

On the Equity side, We have invested Rs. 464 crores as Equity in our BOT portfolio and No further investment is pending.

Our revenue from these projects in term of Toll and Annuity income in line with the expectations and has been improving constantly. Our OMT project which is Kanpur Lucknow Ayodhya is performing well and presently the average per day toll collection is Rs. 78 lakhs. It is higher by 20% compared to last year. We have also seen higher toll collection for our Gwalior Bhind project where the toll collection has increased by 42% over the last year.

### **Now moving on to our order book**

The order book in terms of contracts pending execution has crossed Rs. 5,500 crores as on 31<sup>st</sup> March, 2016 which is the all time high. Our order book consists of 18 Highways projects, 1 Airport Runway Project and a small T&D Project.

We have secured 7 new projects in FY16 totaling to Rs. Rs. 3,972 crores.

Of the 7 projects secured in FY16, 6 are Roads EPC projects and 1 airport runway project as follows:

Four Laning of Nagina – Kashipur Section of NH 74 in Uttarakhand and Uttar Pradesh for Rs. 1,155.70 crores.

Four Laning of Varanasi - Gorakhpur Section of NH 29 in Uttar Pradesh for Rs. 868.5 crores.

Construction of Airport Runaway at Air Force Station, Chakeri in Kanpur, Uttar Pradesh for Rs. 167.17 crores.

Improvement of Aligarh – Moradabad Section of NH 93 in Uttar Pradesh for Rs. 644.50 crores.

Construction of Three Lane Road on both sides of Sharda Sahayak Feeder Canal from Lucknow – Faizabad Road to Lucknow – Sultanpur Road in Uttar Pradesh for Rs. 205.69 crores.

Four Laning of Koilwar – Bhojpur section of NH 84 in Bihar for Rs. 825.17 crores. This project is won under a JV with S P Singla Constructions Private Limited. Our share in the JV is 55%.

Four Laning of Bhojpur - Buxar section of NH 84 in Bihar for Rs. 681.67 crores. This project is also won under a JV with S P Singla Constructions Private Limited. Our share in the JV is 70%.

Letter of Acceptances for all the afore-mentioned projects have been received by 31<sup>st</sup> March 2016.

We have started the FY17 on a good note and stood lowest bidders in two projects of worth Rs. 261 crores in FY17 till now. These projects are:

Upgradation of Nanau – Dodon Section in Aligarh District in Uttar Pradesh tendered by the State Public Works Department for Rs. 119.9 crores and;

Resurfacing of Runaway at Air Force Station, Bakshi ka Talab, near Lucknow for Rs. 140.6 crores.

We are yet to receive the Letters of Acceptance for these projects and not included in the order book

I would now present the results for the period quarter ended March 31, 2016.

**Standalone Quarterly Result:**

Revenue of quarter 4 FY16 is RS. 589 crore which is higher by 27% compared to 4<sup>TH</sup> quarter of FY15.

EBITDA of quarter 4 FY16 is Rs. 77 crore which is higher by 26% compared to 4<sup>TH</sup> quarter of FY15.

PAT of Quarter 4 FY16 is Rs. 154 crore which is higher by 369% compared to 4<sup>TH</sup> Quarter of FY15.

Other income also includes Profit on Sale of Minority Stake in Jaora-Nayagaon of Rs. 9.72 crores.

**Consolidated Quarterly Result:**

Consolidated revenue of Quarter 4 FY16 is Rs. 694 crore which is higher by 28% compared to 4<sup>th</sup> Quarter of FY15.

Consolidated EBITDA of Quarter 4 FY16 is Rs. 114 crore which is higher by 47% compared to 4<sup>th</sup> Quarter of FY15.

Consolidated PAT after minority and share of associates interest of Quarter 4 FY16 IS Rs. 148 crore which is higher by 428% compared to 4<sup>th</sup> Quarter of FY15.

### **Moving on to full year results on Standalone basis**

Revenue for FY16 IS RS. 2,014 crore which is higher by 29% compared to FY15.

EBITDA for FY16 is Rs. 266 crore which is higher by 23% compared to FY15.

PAT for FY16 is Rs. 243 crore which is higher by 142% compared FY15.

As a conservative policy we have not accounted for expected bonus for early completion of Raebareli Jaunpur. we will account the bonus amount on receipt basis.

The Income Tax assessments for assessment year 2013-14 (financial year 2012-13) have been finalised and accordingly we have written back the excess provision for tax amounting to Rs. 15.24 crores. also, the MAT liability of Rs. 23.71 crores for the same year is eligible for MAT credit, and recognised accordingly. the relevant adjustments for financial year 2013-14 And 2014-15 will be made when the assessments for these years will be finalised.

Since we were allowed to claim benefit under section 80 IA(4)(I) of The Income Tax Act, 1961 by the assessing officer for AY 2013-14, we have made provisions for tax under MAT for financial year 2015-16 after availing the aforementioned deductions.

### **Now the Consolidated Results for FY16 are as follows:**

Consolidated revenue for FY16 is Rs. 2,395 crore which is higher by 29% compared to FY15.

Consolidated EBITDA for FY16 is Rs. 407 crore which is higher by 46% compared to FY15.

Consolidated PAT after minority interest and share in associates of for FY16 is Rs. 216 crore which is higher by 137% compared to FY15.

### **On the Balance Sheet side our,**

Our consolidated networth as on March 31, 2016 is Rs. 1,310 crores where as Total Debt is Rs. 1652 crores. Net Debt to Equity comes at Consolidated basis comes at 1.22 times. Cash and bank balance including current investment is Rs. 117 crores.

On stand-alone basis our net worth is Rs. 1,362 crores. Long-term debt of the company is Rs. 6 crores. There is NO Short Term Debt as on March 31, 2016. The total Debt on standalone basis as on March 31, 2016 is Rs. 6 crores which has reduced by Rs. 318 crores from Rs. 324 crores as on 31st March 2015. We have Net Cash on Standalone basis including current investment is Rs. 97 crores as on March 31, 2016.

Credit agency has upgraded credit ratings on the bank facilities of four of Subsidiaries of the Company:

- MP Highways Private Limited revised from BBB To **BBB(+)**
- PNC Kanpur Highways Limited revised from BBB(-) To **BBB**
- PNC Bareilly Nainital Highways Private Limited revised from BBB(-) To **BBB**
- PNC Raebareli Highways Private Limited after 31st March 2016 revised as follows
  - Long term bank facilities (Senior Debt ) from BBB to **A(-)**
  - Long term bank facilities (Subordinate Debt) from BBB (-) to **BBB(+)**

With this, we now open the floor for questions and answers.

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*Question and Answer Session*

- Moderator:** Thank you sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press \* and 1 on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw yourself from the question queue, you may do so by pressing \* and 1 again. We request all the participants to use the handset while asking the questions and restrict yourself to two questions per participant in order to enable everyone to ask questions.
- Sir, the first question comes from Mr. Ashish Shah from IDFC Securities. Please go ahead sir.
- Ashish Shah:** Good afternoon sir. Congratulations on a great set of numbers.
- Yogesh Jain:** Thank you.
- Ashish Shah:** Sir, question is on the tax treatment going forward. So, for FY15-FY16, you have taken the benefit of MAT. So, one could expect a similar treatment for 2017 also?
- D K Maheshwari:** Yeah.
- Ashish Shah:** So, basically you would be computing your tax according to MAT and would be taking a credit for the MAT. So, effectively your tax provisions, the P&L will be zero or close to zero? Is that how we should look at it?
- D K Maheshwari:** You are right, for the financial year 2016-2017.
- Ashish Shah:** Okay. And sir, any view on how 2018 will look like?

- D K Maheshwari:** In financial year 2017-2018 we have to provide the normal rate of the tax on the projects commence on or after 1<sup>st</sup> day April 2017..
- Ashish Shah:** In which year, sorry?
- D K Maheshwari:** In the financial year 2017-2018.
- Ashish Shah:** Okay. After that in 2018 you will anyways have to pay the regular tax on the project which commences on or after 1<sup>st</sup> day April 2017.
- D K Maheshwari:** Yeah, yeah.
- Ashish Shah:** Okay. And sir, may I know in which kind of projects are making you eligible for this? Is it that this benefit is available for the road projects which you are doing? Earlier sir, this benefit was always there for the developers, whereas the contractors were not claiming this benefit. So, now that it has been allowed, so road is one sector where you are claiming this benefit?
- D K Maheshwari:** Yes.
- Ashish Shah:** Okay. Sir, again on the Bihar projects, sir, they don't seem to be moving. If you see the order backlog from these projects, they have not moved. So, any problem as far as the execution is concerned in the Bihar projects?
- Yogesh Jain:** The delaying appointed date is due to the land acquisition problem. Earlier NHAI was ready to pay compensation four times of the old circle rates of 2012 and farmers are not ready to take this old rate. Now, NHAI is ready to give compensation as per the current circle rates. So, we hope the appointed date expected by July. We have already mobilized for this project.
- Ashish Shah:** Okay. Sir, which are the other projects in your order book, where the appointed date is still to come?
- Yogesh Jain:** In Aligarh-Moradabad, Varanasi-Gorakhpur and Nagina-Kashipur, we are expecting appointed dates by the end of July.
- Ashish Shah:** Varanasi Gorakhpur and Nagina?
- Yogesh Jain:** Yeah.
- Ashish Shah:** Okay. For all the other projects which are in your order book currently, you have the appointed dates?

- Yogesh Jain:** Yeah, we have the appointed dates.
- Ashish Shah:** Sure. Sir, on the interest cost, now our debt for the March 2016 is almost zero, but the interest cost has still risen on a quarter on quarter basis, so any particular reason for that?
- D K Maheshwari:** Substantial debt has reduced in the month of March only, because we have received the payment of the UPEIDA, for the Agra Lucknow project. So, thereafter, March onwards there is no debt in the balance sheet, even today.
- Ashish Shah:** Okay. So, also in the mobilization advances which we have, can you give me the number, what is the total mobilization advances we have today for as on March?
- D K Maheshwari:** As on March it was around Rs.170 crores.
- Ashish Shah:** Right. And all of this is interest free or there is some interest you pay on this?
- D K Maheshwari:** They are interest free for certain period
- Ashish Shah:** Interest free. Okay, sir. I will come back if I have more questions. Thank you very much.
- Moderator:** Thank you sir. Sir, the next question comes from Mr. Adhidev Chattopadhyay from Elara Capital. Please go ahead.
- Adhidev Chattopadhyay:** Yes sir, congratulations on a great set of numbers.
- Yogesh Jain:** Thank you.
- Adhidev Chattopadhyay:** Sir, now obviously we have got a very large order book now, so what is the sort of revenue guidance you are looking for the next year and on the order wins also, if you could give?
- Yogesh Jain:** We are expecting around 15% to 20% growth in our top line.
- Adhidev Chattopadhyay:** Okay. Sir, and in terms of new order wins, how much are we targeting?
- Yogesh Jain:** We are targeting around 5000 crores from new orders in this financial year
- Adhidev Chattopadhyay:** Okay. And sir, this would include the Lucknow Ballia Expressway?
- Yogesh Jain:** It is not known now, but in all it is expected to be Rs. 5000 Crore

**Adhidev Chattopadhyay:** Okay. Sir, could you just update us on what is the status of the project? Where is it currently? And when do you expect it to get opened or something?

**Yogesh Jain:** We are expecting bidding within next two-three months

**Adhidev Chattopadhyay:** Okay. Sir, what we read in print that land acquisition is still to be done for this project. They are still negotiating for the land with the farmers.

**Yogesh Jain:** The land acquisition process is going on.

**Adhidev Chattopadhyay:** Okay. And sir, lastly sir, for your larger projects, if you could share toll numbers for the year, the total toll collection we have done for the major projects?

**Yogesh Jain:** Mr. Maheshwari would tell.

**D K Maheshwari:** Do you want all the projects?

**Adhidev Chattopadhyay:** Sir, the major four-five. I just want the full year number or the quarter, whatever?

**D K Maheshwari:** In MP Highways, it is Rs. 47 crores, which is higher by 42% as compared to last year. And Kanpur Ayodhya OMT project is Rs. 233 crores, which is higher by 20% as compared to last year. Kanpur Highways is Rs. 53 crores. Bareilly Nainital is Rs. 16 crores and Narela Industrial is Rs. 37 crores.

**Adhidev Chattopadhyay:** Okay sir. And sir, just last question on the Ghaziabad Aligarh project, so what is the current rate of collection and when are we expecting improvement?

**D K Maheshwari:** Presently we are collecting around Rs.40 lakh per day sir. But, we are going to start the overloading within two weeks. So, it will further increase by Rs.7 lakhs to Rs.8 lakhs per day. And we are expecting the complete COD within two months. So, thereafter it will further increase by Rs. 8 lakhs to Rs.10 lakhs sir, because presently we are collecting 103 kilometer as against 126 kilometer.

**Adhidev Chattopadhyay:** Okay sir. By around August-September we will be up to the 60 lakhs figure that is what you expect?

**D K Maheshwari:** Yeah, yeah, it is expected on COD.

**Adhidev Chattopadhyay:** Okay sir. That was very helpful sir. Thanks sir and all the best from my side.

**Moderator:** Thank you sir. Sir, the next question comes from Mr. Andrey Purushotram and Sangeetha Purushotram from Cogito Advisors. . Please go ahead.

Mr. Andrey, could you please go ahead.

Sir, I will move on to the next question and it is from Mr. Vibhor Singhal from Phillip Capital. Please go ahead.

**Vibhor Singhal:** Good afternoon sir. Thanks for taking my question. And congratulations on a very strong set of numbers.

**Yogesh Jain:** Thank you.

**Vibhor Singhal:** Just wanted to check this, basically in terms of the margins, our margins have been quite stable at around 13% EBITDA levels. Do you see these margins being under pressure or any some kind of a thing, because of increasing competition or are you confident that you will be able to maintain these kind of margins over next year as well?

**Yogesh Jain:** Now, we are able to maintain this between 13% to 14%.

**Vibhor Singhal:** 13% to 14%. So, in terms of competition, are we seeing any increase in the competition, especially in the road projects by NHAI or by the UP State Government or is it like kind of a similar scenario which has been for the past let's say, eight or twelve months?

**Yogesh Jain:** No, you can say some bids are aggressive, but more or less it is in the moderate pace.

**Vibhor Singhal:** Right. And sir, we would be looking to bid for hybrid annuity projects as well, right?

**Yogesh Jain:** Yeah, yeah.

**Vibhor Singhal:** So, the 5000 crores of order inflow target that you have earmarked for this year, this would include any bids if possible for the hybrid annuity projects also from NHAI?

**Yogesh Jain:** Yeah, yeah, we are targeting one or two bids from the hybrid model.

**Vibhor Singhal:** Okay. Fair enough sir. And sir, in terms of the BOT projects, we would still would want to avoid, if I am correct in my understanding, right?

**Yogesh Jain:** Yeah, yeah, we are not much interested in BOT projects.

- Vibhor Singhal:** Not much interested. And sir, any consolidation that we can expect in the current BOT portfolio, in terms of maybe reducing our stake in projects in which we have less than 100% stake, maybe Ghaziabad Aligarh or something or you are happy with the status quo?
- Yogesh Jain:** Not now.
- Vibhor Singhal:** Fair enough sir. Sir, could I just get the last debt number, the standalone and the consol level at the end of the financial year, including the current maturities of long term debt?
- D K Maheshwari:** Total debt including the current maturities of long term debt - on standalone it is Rs.11 crores which is exclusively finance for purchase of the equipments, otherwise working capital loan is zero and on consol it is Rs. 1620 crores.
- Vibhor Singhal:** So, this Rs. 11 crores is only loan that we have on the books for the purchase of the equipment.
- D K Maheshwari:** Right.
- Vibhor Singhal:** Okay sir. Thank you so much for answering my questions. I will come back again in the queue if I have more. Bye.
- Moderator:** Thank you sir. The next question is from Mr. Abhijit Vara from Sundaram Mutual Fund. Please go ahead.
- Abhijit Vara:** Thank you for taking my question. Sir, could you please repeat per day toll collection in your toll projects for Q4?
- D K Maheshwari:** Q4?
- Abhijit Vara:** Yeah.
- D K Maheshwari:** Q4 is MP Highways is Rs.15 crores.
- Abhijit Vara:** For the quarter?
- D K Maheshwari:** Yeah. For the quarter. Kanpur Ayodhya is Rs. 64 crores. Kanpur Highways is Rs. 20 crores. And Bareilly Almora is Rs. 10 crores.
- Abhijit Vara:** Sir, my second question is, there is a comment in the notes to accounts that there is a change in the accounting policy. Is this the way you are recognizing the revenues?

- D K Maheshwari:** Actually revenue of our own BOT projects, we are considering on the submission of the bill and acknowledged by the authorities, or otherwise it takes time to accounting for that bill. In our case presently all the revenue are from third party as all the BOT projects are operational so there is no impact of the change in accounting policy in the revenue.
- Abhijit Vara:** Okay, last question. Out of this 4000 crores order inflow which you are expecting, could you broadly help us understand whether it will be NHAI or some State level project targeting or anything already in pipeline in terms of your bid tendered pipeline?
- Yogesh Jain:** These all are mainly from the Ministry and NHAI
- Abhijit Vara:** So, how much will be the project in the UP State sir as of now, which are active?
- Yogesh Jain:** We are bidding around 15000 crores to 20000 crores project in NHAI and some eight to ten projects of hybrid model of Rs.8000 crores. And UP also we are targeting around 2000 crores worth of bids. So, in totality we are targeting 5000 crores in this financial year.
- Abhijit Vara:** Okay. Sure sir. I will get back in the queue. Thank you.
- Moderator:** Thank you sir. The next question comes from Mr. Rajendra Mishra from IDFC. Please go ahead.
- Rajendra Mishra:** Hello sir. How much you said you would do your bidding for NHAI project?
- Yogesh Jain:** Hello?
- Rajendra Mishra:** How much is you are bidding for NHAI project?
- Yogesh Jain:** It is around 15000 crores to 20000 crore packages.
- Rajendra Mishra:** Okay. And just some housekeeping numbers.
- Yogesh Jain:** It will be around fifteen EPC highway projects that is costing around 18000 crores.
- Rajendra Mishra:** Okay. Just some housekeeping numbers. What is the order book that you disclosed at the start of the call?
- D K Maheshwari:** 5500 crores.
- Rajendra Mishra:** Sorry?

- D K Maheshwari:** 5500 crores as on 31 March '16
- Rajendra Mishra:** Okay. And what is the working capital in terms of number of days?
- D K Maheshwari:** Within 92 days as against 122 days in March '15.
- Rajendra Mishra:** Okay. So how do we explain this reduction?
- D K Maheshwari:** Because debtor days also decreased from 86 days to 68 days as compared to FY15.
- Rajendra Mishra:** Okay, so has the company done anything specific in terms of during the quarter, so that we have seen this reduction?
- D K Maheshwari:** We have control on the debtors as well as in inventory and we received the payment from the authorities in the month of March.
- Rajendra Mishra:** Received payment from whom? Sorry?
- D K Maheshwari:** From the authorities like Uttar Pradesh Expressways Industrial Development Authority for the project of Agra-Lucknow and one more NHAI project.
- Rajendra Mishra:** Okay. Also just wanted to check in terms of bidding of projects, would you be also looking at any acquisition of assets in the market? Or that is something, which you are not looking at.
- Yogesh Jain:** Not now,
- Rajendra Mishra:** Okay. And we also saw that there is lot of metro activity happening in UP, so now Kanpur has announced plans and Varanasi is also looking at. So could that be a future area, this year, next year?
- Yogesh Jain:** We have seen in metro, competition is very high. So we are not interested in metros at-least this year.
- Rajendra Mishra:** Okay. So because we already have so much of work in hand or we think we need some more capability to be built in?
- Yogesh Jain:** No we are the master in the roads sector and runways sector. So we are getting good work in roads, highways and runways. We are also going to bid a DFCC package, which is amounting Rs.1500 crores.
- Rajendra Mishra:** This is which stretch?

- Yogesh Jain:** Railway line package this is in Haryana and Uttar Pradesh combined.
- Rajendra Mishra:** Okay. So this will be the laying of the railway track.
- Yogesh Jain:** Yeah. This is the laying of railway track costing about Rs.1500 crores.
- Rajendra Mishra:** Okay. And in railway projects would margins be similar to what we are seeing in road projects or would it differ?
- Yogesh Jain:** Yeah, you can say 14% to 15% EBITDA margins again.
- Rajendra Mishra:** Okay, thanks sir. Thanks for giving answer to all my questions. I am from IDFC Mutual Funds, just in case, because there is other questions coming from the other IDFC guy. So we are at arm's length, just to...Okay, thanks sir.
- Moderator:** Thank you sir. Sir, the next question is from Shravan Shah from Dolat Capital, please go ahead.
- Shravan Shah:** Sir, congratulations on good set of numbers. Sir, can we have the revenue breakup of this 4QFY16 project-wise?
- D K Maheshwari:** You want the quarterly?
- Shravan Shah:** Yeah, quarterly.
- D K Maheshwari:** Okay. Revenue break-up of 4QFY16 is mainly from, Agra-Lucknow was Rs. 350 crores, Gorakhpur Sonauli was Rs.80 crores, Bareilly Badaun Rs. 25 crores, Agra Bypass was Rs. 11 crores, Dholpur Morena was Rs. 24 crores Raibareli Jaunpur was Rs. 32 crores and others
- Shravan Shah:** Agra bypass was how much?
- Yogesh Jain:** Agra bypass was 11 crores in this quarter.
- Shravan Shah:** Okay. And sir you have mentioned the appointed date for most of the projects are expected in July and ...just for Aligarh Moradabad the appointed date is?
- Yogesh Jain:** We are expecting by end of July
- Shravan Shah:** And for this airport runway at Chakeri, Kanpur?
- Yogesh Jain:** Chakeri we have already got it.
- Shravan Shah:** Okay. And in terms of the execution period including this, first of all this Bihar one, already as we are late, so after

receiving this appointed date the execution period of two, two-and-a-half years will be there or will it be from the original one and some extension will be there?

- Yogesh Jain:** Two-and-a-half years from the appointed date.
- Shravan Shah:** Okay. So there will be...in terms of the escalation it will be included even for the raw material.....
- Yogesh r Jain:** Escalation is there in EPC contract.
- Shravan Shah:** Okay. Sir, in terms of the opportunity for airport runway, how do you see, are any projects coming up in airport runway?
- Yogesh Jain:** Some of the airports are coming. We are going to submit two bids within three months, you can say.
- Shravan Shah:** Which one are you talking sir? Or the number in terms of two, three and the amount, then also...
- Yogesh Jain:** Amount is around 500 crores, one is in Thoise near Leh and another one in Western India.
- Shravan Shah:** Okay. And sir, the call got disconnected in between, the inflow guidance you said is 5000 crores or 4000 crores?
- Yogesh Jain:** 5000 crores.
- Shravan Shah:** But in terms of the revenue we are expecting only 15%, 20% growth, why is it so low?
- Yogesh Jain:** We are saying in a conservative manner, growth may be more.
- Shravan Shah:** Okay, and sir in terms of the CAPEX how much we did in FY16 and how much we require in '17 and '18?
- D K Maheshwari:** In FY16 we have added around Rs.50 crore in machinery and in '17 we are expecting around Rs.80-90 crore CAPEX mainly for these concrete projects, which has been awarded in this FY16, most of the projects are of concrete roads.
- Shravan Shah:** Okay. So in '18 also there will be then 80, 90 crore CAPEX will be there or this will be sufficient for next two, three years?
- D K Maheshwari:** No, I think in '18 it will be further around 40, 50 crores, but not much more than that.
- Shravan Shah:** And in terms of the debts, sir, so how do you see then the debt level by the end of FY17?

- D K Maheshwari:** It should be around Rs.250 to Rs.300 crore at the end of the year.
- Shravan Shah:** Okay. Maybe from the second half it will start picking up.
- D K Maheshwari:** Yeah, It is expected.
- Shravan Shah:** And sir when we say Rs.5000 crore inflow, are we including this Lucknow-Ballia only one package or...
- D K Maheshwari:** Overall Rs.5000 crores which includes the hybrid, EPC, airports, and road projects.
- Shravan Shah:** Okay. Because there are eight packages and only 10 players are there, so most likely one definitely will be winning and any time line when it will be, RFP will be there and award will be there, in Lucknow Ballia?
- Yogesh Jain:** The award process will take time, I think, it will take more than three months. We can't comment anything at this point of time. It is government work.
- Shravan Shah:** Yeah. And sir this existing Agra-Lucknow-Ferozabad, will it be over by October, September or it will take till December?
- Yogesh Jain:** We are expected to complete provisionally by October and finally it is expected to complete by November-December.
- Shravan Shah:** Okay. And sir this quarter the other expenditure has gone up significantly, so do we, is there any one off or do we assume the same run rate going forward, 73 crores per quarter?
- D K Maheshwari:** As regards to?
- Shravan Shah:** Other expenditure of 4QFY16, in the standalone is 73 crores, 94% up as compare 4QFY15, so is there any one off or the same kind of run rate will be there?
- D K Maheshwari:** It is mainly because of growth in revenue 28% and other expenses which was earlier in the material cost. However our EBITDA margin is 13.05% as against 13.16% in corresponding quarter of last year.
- Shravan Shah:** So you are saying there may be a possibility that other expenses may remain at same level, but the material cost will be lower to that extent.
- D K Maheshwari:** Yes but overall EBIDTA margin will be in the range of 13% to 13.5%

- Shravan Shah:** Okay. Thanks sir, I will come in the queue.
- Moderator:** Thank you. Dear participants, please restrict yourselves to two questions per participant in order to enable everyone to ask questions. The next question comes from Mr. Nitin Arora from Emkay Global.
- Nitin Arora:** Hi sir. Good afternoon. Sir, you mentioned about the tax rate is going to be almost nil in FY17 for the MAT eligibility you are claiming. I just want to understand because I think if you go by the analysis that the adjustment for FY14 and FY15, you know, will be made up on completion of the assessment year, the relevant year for that assessment. It seems like the last two years you have executed more of your BOT projects, your in-house projects, where you must be claiming the MAT credit on the BOT arm. Sir, will it be possible for you for FY17 to claim the MAT credit for the projects which got executed two years back?
- D K Agarwal:** In the following two years, one assessment of FY14 is expected to complete in this current year that is in '16-'17 and for FY15 the assessment is expected to complete in FY18.
- Nitin Arora:** Okay, so sir in the '13-'14, I think, majorly you executed your in-house BOT projects largely. Now, in that you must be already claiming the MAT credit on your BOT arm. So sir, how it is possible that two way we can take the credit on the EPC as well as on the BOT?
- D K Agarwal:** We have been allowed in fact by the department
- Nitin Arora:** So I am actually paying the government 20% tax here on my EPC and also as well as on my BOT and taking the MAT credit also again in fact.
- D K Agarwal:** Definitely. Because earlier we had won the case from the High Court in the year 2014 and against that the department has not preferred the appeal before hon'ble Supreme Court and on the strength of that the assessing officer has assessed our case for the financial year '12-'13.
- Nitin Arora:** Okay. Now, sir with respect to your guidance on the construction revenue, which is about 15%-20%, I assume that you are going a little cautious with respect to the LOA received, near date of receiving the LOA. How much working capital utilization you see in the FY17 on aspect of two things, one I have already have 170 crores mobilization

advances and #2) I have 100 crore cash on my balance sheet.

**D K Maheshwari:** We are expecting the working capital days in the range of 110 to 120 days.

**Nitin Arora:** And sir working capital debt?

**D K Maheshwari:** Working capital debt will be around in the range of 250 to 300 crore rupees at the end of the financial year '17.

**Nitin Arora:** Okay. Sir, with respect to the other income going up, you mentioned that you have booked some profit from the stakes sale of Jaora, how much would that be?

**Yogesh Jain:** That is 9.72 crores.

**Nitin Arora:** Sir, can you share with me with the numbers of Gwalior-Bhind, absolute numbers for Q4 revenue, toll revenue and your Ghaziabad Aligarh

**D K Maheshwari:** MP Highway Rs.15 crore last quarter and Ghaziabad-Aligarh exactly we are not having readily, but it will be in the range of 39 or 40 lakhs per day on an average.

**Nitin Arora:** Sir, your consolidated depreciation has come down on a sequential basis, any particular reason for that?

**D K Maheshwari:** This quarter, right?

**Nitin Arora:** Yes sir.

**D K Maheshwari:** Actually at the time of the finalization of accounts, whatever grant we received at Rs.220 crore, we have reduced the gross block and accordingly we have charged the depreciation.

**Moderator:** Thank you sir. The next question comes from Mr. Parvez Akhtar from Edelweiss. Please go ahead sir.

**Parvez Akhtar:** Congratulations on a good set of numbers. Sir a couple of questions from my side. At the end of FY16 what is the total outstanding loans and advances that we have given to our subsidiaries?

**D K Maheshwari:** In March '16?

**Parvez Akhtar:** Yes

- D K Maheshwari:** Actually we have given loans and advances to subsidiary Ghaziabad Aligarh Expressway Pvt .Ltd. as there was an EPC outstanding which has been converted into unsecured loan and all the partner has given loan proportionate to their share. We are having a holding of 35%. That amount is around Rs. 70 crore. In addition we have given unsecured loan to our subsidiary PNC Delhi Industrialinfra Pvt. Ltd.
- Parvez Akhtar:** Apart from that there is no other loan to any other subsidiary?
- D K Maheshwari:** Yes.
- Parvez Akhtar:** Sir, second thing is if you look at the current order book of 5500 crores, 4100 crores are the order which we won in FY16 which leaves balance of about 1400 crores for previous orders. So out of those 1400 crores how much revenue can you book in FY17?
- D K Maheshwari:** Most of the revenue balance we will book in FY17 because major part of Agra Lucknow which we are going to complete in the month of October – November and remaining is Gorakhpur Sonauli and Barabanki, so all these three projects are expected to be completed in the current financial year.
- Parvez Akhtar:** Sure. Thank you, that's it from my side.
- Moderator:** Thank you sir. The next question comes from Mr. Abhijit Vara from Sundaram Mutual Fund. Please go ahead sir.
- Abhijit Vara:** Thank you for taking my question. The question is on Ghaziabad Aligarh project, full COD has not yet been achieved is it?
- Yogesh Jain:** Right. We are expecting the full COD by July
- Abhijit Vara:** Actually this has been delayed for long sir. Any particular reason why so much delay?
- Yogesh Jain:** Land problem was there. Now everything is clear. Work is going on in full swing, so we are expecting to finish it within two months.
- Abhijit Vara:** So right now you are earning 48 lakhs per day which will go to 60 lakhs once full COD come in?
- Yogesh Jain:** Right. Right now we are earning around 40 lakhs.
- Abhijit Vara:** 40? Not 48?
- Yogesh Jain:** Not 48.

- Abhijit Vara:** But I think it used to be slightly higher in the previous quarters....it has come down is it?
- D K Maheshwari:** It is almost in the same range.
- Abhijit Vara:** Okay when you mentioned MP Highway 15 crores, this is Gwalior Bhind is it?
- D K Maheshwari:** Right.
- Abhijit Vara:** Sure sir, thanks.
- Moderator:** Thank you sir. The next question comes from Mr. Alok Deora from India Infoline. Please go ahead.
- Alok Deora:** Actually most of the questions have been answered just a couple of pending questions. You mentioned about this hybrid annuity project. So are you actively looking at that as an opportunity because any which way you are sitting on your larger order book and also the EPC opportunities which are expected to come in the next one or two years is going to be huge especially in your region? So are you actively considering the HAM project or would it be just like if it comes it comes otherwise you are primarily looking at EPC only?
- Yogesh Jain:** No, no we are bidding for HAM projects and we are expecting to get one or two projects. We are interested in one or two projects.
- Alok Deora:** Okay and BOT is completely ruled out for now?
- Yogesh Jain:** Yes,as of now.
- Alok Deora:** One more thing is that the scale of operations and the size of your revenues had increased significantly and so are you looking any kind of improvement in your margins because of that or are we expected to see that with the rising revenues because somewhere the economies of scale would also flow in right? So can we expect to see margins go slightly higher or the competition is equally immense?
- Yogesh Jain:** We are expecting the EBITDA margins of between 13% to 14%.
- Alok Deora:** Okay so you don't see any significant improvement from that?
- Yogesh Jain:** Yeah.

- Alok Deora:** Okay, just one last question. There has been a significant increase in competitive intensity what we have understood in the EPC segment particularly where there used to be eight bidders now there are 12, 13 bidders, just a hypothetical situation....so have you seen that kind of intensity in this segment and how do you see that going forward because a lot of BOT players alone....EPC who have ventured into BOT have now again moved back to EPC, so how do you see that?
- Yogesh Jain:** Yes, you can see competition is in moderate pace in some of the biddings, also some bids are aggressive but most of the bids are in moderate pace.
- Alok Deora:** Right. So you don't see any significant impact on your margins as such?
- Yogesh Jain:** Yes
- Alok Deora:** Okay so you don't see any impact on your margins where you come down on the prices and you are confident of maintaining the margin performance?
- Yogesh Jain:** Yeah definitely.
- Alok Deora:** Alright, thank you and all the best.
- Moderator:** Thank you sir. The next question comes from Mr. Devam Modi from Aquarius Securities. Please go ahead sir.
- Devam Modi:** I just wanted a clarification on the interest cost. So basically for the quarter we have reported an interest final cost of around 8.9 crores. How much of this is related to interest and how much of this is non-interest related BG commission cost?
- D K Maheshwari:** You are talking about 4<sup>th</sup> quarter?
- Devam Modi:** Yes for the quarter.
- D K Maheshwari:** The BG commission charges was Rs. 90 lakhs
- Devam Modi:** Sorry, you said BG commission charges in the quarter was 9 crores....?
- D K Maheshwari:** No it is Rs. 90 lakhs.
- Devam Modi:** Okay because what we can see is an finance cost of around 8.9 crores for the quarter, the remaining related to interest then?

- D K Maheshwari:** The remaining is interest on CC, interest on term loans which we have taken for purchase of equipment and the interest to the UPEIDA because we have repaid mobilisation advance after three months from its due date, though they have sanctioned it for one year.
- Devam Modi:** Okay so what component of interest you have paid to UPEIDA on mobilization advance.
- D K Maheshwari:** About 3.6 crore
- Devam Modi:** Okay sir and the other thing on long-term loans and advances which has gone up, you mentioned that there was a 70-crore retention and security deposit with Govt. Departments so there has been an increase from 104 crores to 234 crores so what is the increase led by?
- D K Maheshwari:** You are talking about long-term advances?
- Devam Modi:** Yeah long-term advances.
- D K Maheshwari:** Actually the major part of increase in the long-term advance is Rs. 65-crore of MAT credit entitlement which we have considered for FY12-13 and the current year.
- Devam Modi:** Okay out of the Rs. 234 crores, Rs, 65 crores relates to MAT credit entitlement?
- D K Maheshwari:** Right.
- Devam Modi:** Okay and sir a couple of disclosures on the order book, in the March '16 investor presentation we are saying that the order book is 5536 crores while in the quarterly press release, research analysts are talking about 5200 crores. So is the difference the amount which was executed during the period of April and May?
- D K Maheshwari:** Yeah.
- Devam Modi:** And this does not include the other two projects of Rs. 240 crores awarded in current financial year of which LOA is awaited.
- D K Maheshwari:** Yeah.
- Devam Modi:** Okay sure sir, that's it from my side.
- Moderator:** Thank you sir. The next question comes from Mr. Nilesh Bhaiya from Yes Securities. Please go ahead sir.

- Nilesh Bhaiya:** Congratulations sir for a very good set of numbers. Most of my questions have been answered. Just about this capital ground that you mentioned, so we have received our entire grant for our BOT assets?
- D K Maheshwari:** Yeah we have already received the entire grant of Rs. 220 crore rupees for all the BOT projects.
- Nilesh Bhaiya:** Okay and then we have removed it from capital reserve
- D K Maheshwari:** We have removed from capital reserve and reduced the block.
- Nilesh Bhaiya:** Okay and that's why our depreciation is lower?
- Yogesh Jain:** Yeah.
- Nilesh Bhaiya:** Okay sir thank you.
- Moderator:** Thank you sir. The next question comes from Mr. Ashish Shah from IDFC Securities. Please go ahead sir.
- Ashish Shah:** Sir come back on tax treatment issue again. I wasn't very clear whether in FY18 we will be claiming the benefit of 80IA and hence we will be providing on MAT basis or we will be providing regular tax rates for FY18?
- D K Agarwal:** For FY18 we will be subject to the normal tax liability.
- Ashish Shah:** Right and this is because the benefit of 80IA is no longer available in FY18 on the project commences on or after 1<sup>st</sup> day April 2017 is that the reason?
- Agarwal:** Right.
- Ashish Shah:** Okay, got it thank you.
- Moderator:** Thank you sir. The next question comes from Mr. Amber Singhania from Asian Market Securities. Please go ahead sir.
- Amber Singhania:** Sir, you also mentioned that current maturity of long-term debt is currently zero right?
- D K Maheshwari:** Current maturity?
- Amber Singhania:** Yeah current maturity of long-term debt?
- D K Maheshwari:** It is Rs. 5 crore

- Amber Singhania:** Just one more thing sir, on the DFCC you mentioned about Rs. 1500 crore project. What is the stage of bidding that is in and how fair we are placed to win that?
- Yogesh Jain** Our qualification document has already been submitted and we are expecting bidding process to commence within three months
- Amber Singhania:** Okay and this Rs. 80-90 crore CAPEX which you mentioned for FY17 that includes the equipment which we might require for railway....?
- D K Maheshwari:** No.
- Amber Singhania:** So if in case contract awarded then how much additional CAPEX will be there sir?
- Yogesh Jain:** Then I think around Rs 20-30 crore it will increase.
- Amber Singhania:** For FY17?
- Yogesh Jain:** Yes.
- Amber Singhania:** Okay, thank you sir, that's all from me sir.
- Moderator:** Thank you sir. The next question comes from Mr. Shravan Shah of Dolat Capital. Please go ahead sir.
- Shravan Shah:** Sir just a book keeping question. What is the gross block and capital WPA as on FY16?
- Yogesh Jain:** Gross block in FY16 is 431 crores.
- Shravan Shah:** Okay and capital WIP is also included or is it a separate....?
- D K Maheshwari:** Included.
- Shravan Shah:** Okay and sir on all the projects that we won recently apart from the Bihar one that you mentioned the land issue; any other projects, any land, environment, or any other issues?
- Yogesh Jain:** No, not in other projects.
- Shravan Shah:** Okay so once we start the execution we don't find any problem.
- Yogesh Jain:** We don't find any problem.
- Shravan Shah:** Okay. That's it from my side and thank you.

- Moderator:** Thank you sir. The next question comes from Mr. Vibhor Singhal from Phillip Capital. Please go ahead sir.
- Vibhor Singhal:** Thanks a lot for taking my question again. Sir on the interest section, I wanted a bit of clarification. Now that our debt is only Rs.11 crores, but there would still be a bare minimum amount of BG, LC charges and other charges as such we would need to pay to the bank despite our balance with them being almost zero. So what would be that amount of minimum charge that we will need to still pay next year as a part of our interest expense?
- D K Maheshwari:** We need to pay around Rs.8-10 crore on account of BG, LC charges and bank charges in addition to the interest on term loan and interest on the utilization of working capital which is expected to increase from October onwards. In all we are expecting financial expenses for FY17 is around Rs. 40-42 crore.
- Vibhor Singhal:** So Rs.40 to 42 crores of interest expense next year?
- D K Maheshwari:** Yes, which includes BG charges and the other financial cost.
- Vibhor Singhal:** So sir the total interest expense you are expecting is around Rs.40 to 42 crores?
- D K Maheshwari:** Yes.
- Vibhor Singhal:** And the debt level to be at what level at the end of current year?
- D K Maheshwari:** As the working capital requirement in the range of Rs. 250 to 300 crore rupees sir at the end of FY17.
- Vibhor Singhal:** Okay so by the end of FY17, you believe debt might actually go from almost zero levels to around Rs. 250 to 300 crores?
- D K Maheshwari:** Yes.
- Vibhor Singhal:** Okay sir, thanks a lot.
- Moderator:** Thank you sir. The next question comes from Mr. Bharanidhar Vijayakumar from Spark Capital. Please go ahead sir.
- B. Vijayakumar:** Good afternoon and congratulations on a good set of numbers. My question is on this Koilwar Bhojpur project in Bihar, does this also face the similar land problems as the Bhojpur Buxar project?
- Yogesh Jain:** Yeah similar problem in both projects.

**B. Vijayakumar:** So both these projects which amounts to 900 crores is facing execution delays?

**Yogesh Jain:** Yeah. We are expecting appointed date in July. We have already mobilized both the projects.

**B. Vijayakumar:** Understood sir. That's it from my side.

**Moderator:** Thank you sir. Since there are no further questions, I would like to hand over the floor to Mr. Parikshit Kandpal for closing comments; please go ahead sir.

**Parikshit Kandpal:** Once again thank you for giving us this opportunity. Any final comments you want to make sir, Mr. Maheshwari?

**Yogesh Jain:** Thank you gentlemen for your participation in our earnings call.

**Moderator:** Thank you sir. Ladies and gentlemen this concludes your conference call for today. Thank you for your participation and for using Door Sabha's conference call service. You may all disconnect your lines now. Thank you and have a pleasant evening everyone.

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**Note:** 1.This document has been edited to improve readability.  
2. Blanks in this transcript represent inaudible or incomprehensible words.