



“PNC Infratech Limited Q2 FY 2016
Earnings Conference Call”

November 06, 2015



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Moderator: Ladies and gentlemen, good day and welcome to the PNC Infratech Limited Q2 FY 2016 Earnings Conference Call hosted by IDFC 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 for an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ashish Shah from IDFC Securities Limited. Thank you and over to you Mr. Shah!

Ashish Shah: Hi, good morning everybody. Welcome to the PNC Infratech’s Q2 FY 2016 earnings call. Today we have from the management Mr. Yogesh Jain, who is the Managing Director, Mr. D.K. Agarwal, who is the Chief Financial Officer and Mr. D.K. Maheshwari who is the AVP Finance of the company. At the outset I congratulate the company for giving very strong results and also congratulate them for the recent order win. I would request the management to make some initial remarks and we can follow that with the Q&A session. Over to you sir!

Yogesh Jain: Thank you very much. Good afternoon friends. We welcome you all for discussion on our earning conference call to discuss performance for the quarter and six month ended September 30, 2015. Along with me I have Mr. D.K. Agarwal, CFO and Mr. D.K. Maheshwari, Assistant Vice President Finance and Strategic Growth Advisors our investor relation advisors.

I would like to start with a brief on the industry and then move on to our business performance

In year till date, the Government of India has taken several measures to accelerate growth in road sector like easing financial strain and reducing risk of developers by allowing premium restructuring, easing exit clause from road projects, fast tracking dispute resolution, introduction of hybrid model, amending model Concession Agreement (MCA), fast tracking dispute resolution, Right of Way & Land acquisition whose impact has started to show with the pace of road construction improving from 2 kms/day to around 14-18 kms/day. The government has targeted constructing 30 kms/day by 2016. In FY15, NHAI awarded over 3,000 kms of roads and plans to award 5,300 kms out of which 2,800 kms will be under Engineering, Procurement and Construction (EPC) mode, 1,000 kms under build, own and operate (BOT) and remaining 1,500 kms under hybrid mode in FY16.

Recently NHAI has announced three critical reforms:

First, for projects awarded on a premium basis, developers will pay premium after the fourth year of the commencement of road project. Besides this, the premium amount will increase by 3% per annum till the 10th year and thereafter by 8% till the end of the concession period.

Second, NHAI said that if a road project does not start within a year of signing the agreement, it would be deemed as terminated.

Third, contractors will now have to maintain roads for four years (instead of two) after completion. It has changed the structure of fees (paid by the government to contractors) to 0.5%, 1.0%, 1.5% and 2.0% of the project costs over four years from current rates of 1.5% and 2% over two years.

All these moves will ensure timely completion of projects and faster government clearances.

Also, The Cabinet Committee on Economic Affairs gave its approval for one time fund infusion to revive and physically complete languishing national highway projects under the extension of provision available for BOT (Toll) Projects to BOT (annuity) Projects.

Moreover, NHAI is planning to acquire 10,000 hectares in 2015-16, up from 6,733 hectares a year ago, to speed up road laying in the country. Between April and August 2015, the authority has acquired 4,272 hectares.

Moving on to our company,

We are primarily an Infrastructure construction, development and management company with EPC at its core strength. Till now we have executed 48 major infrastructure projects spread across 13 states, of which 28 are road EPC projects, 19 are Airport Runways projects and 1 project is of Industrial Area Development at Narela, New Delhi. And currently we are executing 20 projects across sectors.

We have a portfolio of 8 BOT project which comprises of 5 Toll projects, 2 Annuity Projects and 1 OMT project. As a strategy we bid for projects which have Grant Component so you can see majority of project in our current portfolio have been won on Grant.

Now moving on to our BOT portfolio,

In total we have 8 BOT projects, of which 7 are Road projects and 1 project is for development of Narela Industrial area in Delhi. Of the total 8 BOT projects, 7 projects are operational.

The 1 under-construction project is 100% owned Rae Bareli Jaunpur project on Annuity Basis which is expected to be operational by end of this financial year. We are expecting to complete the project ahead of Scheduled Date which will help us get additional annuity.

The 7 BOT projects which are currently operational are as follows:

- Kanpur Kabarai, National Highway 86, 100% owned BOT toll project
- Gwalior-Bhind section of National Highway 92, 100% owned BOT toll project
- Bareilly-Almora section of State Highway 37, 100% owned BOT toll project
- Kanpur-Lucknow-Ayodhya section of NH 25, NH 56 and NH 28 100% owned OMT project
- Redevelopment and management of Narela industrial area New Delhi 100% owned Annuity project
- Ghaziabad-Aligarh section of National Highway 91, 35% owned BOT toll project
- Jaora Nayagaon section of Madhya Pradesh State Highway 31, 8.5% owned BOT toll project.

There is No further equity requirement for any of our BOT projects as we have already invested the required equity.

Our revenue from these projects in term of Toll income and Annuity income has improved. The average per day toll collection for Gwalior-Bhind project has increased by 28% from 9.03 lakhs per day in FY15 to Rs. 11.56 lakhs per day in first half of FY16 and the toll collection on Kanpur-Ayodhya OMT project has increased from Rs. 53.05 lakhs per day in FY15 to Rs. 59.09 lakhs per day in first half of FY16 a growth of 11.40%.

In this financial year till now, we have commenced toll collection on 3 projects which are Kanpur - Kabrai project, Ghaziabad-Aligarh project and Bareilly Almora project.

The Kanpur - Kabrai projects has commenced toll from May 7, 2015, Ghaziabad-Aligarh project toll collection commenced from June 25, 2015 and toll collection on Bareilly Almora project has commenced on October 19, 2015.

Now moving on to our order book

Our current order book as on 30th September, 2015 is Rs. 3,578 crores of which 99% of our order book comprises of Roads EPC and balance is a Power T&D project and track laying of railway line on Mughalsarai - Sonnagar section of Dedicated Eastern Freight Corridor.

The total order inflow in the current year till now is Rs. 1,743 crores.

We have won 2 road projects in JV on EPC basis in the state of Bihar. The Lol/LoA for both the projects has been received. The total project value of both the project put together is Rs. 1,507 crores and our share of this is Rs. 931 crores. The projects are Koilwar - Bhojpur package where PNC holds 55% and Bhojpur - Buxar package where PNC holds 70%.

We have been selected as Lowest Bidder for 2 projects worth Rs. 812 crores. The projects where we are selected as L1 are as follows:

- Airport Runway Project at Air Force Station, Kanpur which is worth Rs. 167.25 crores
- Aligarh-Moradabad section on NH-93 from NHA1 on EPC basis worth Rs. 644.5 crores

The order book in terms of contracts pending execution has crossed Rs.4,000 crores which includes projects where the company is L1 but Letters of Award is yet to be received.

Before moving on to Financial Results, I would like to state briefly our Growth strategy.

There are four Pillars of Our Growth Strategy –

First is focused approach

We will continue to focus on our core strength that is EPC in highway sector. As I mentioned earlier, we have executed 48 major infrastructure projects out of which 28 are road EPC projects. Our focus region will be the northern part of the country where huge number of projects in highway sector are coming in the next one to two years.

Second is diversification

Our project execution expertise enables us into diversify into new but related functional areas of infrastructural development like dedicated flight corridor projects and development of industrial areas etc.

Third is, being competitive without compromising on margins

Our intent is to improve our performance and competitiveness of existing business through investment in technology, equipment and skilled manpower. Over the years, we have invested into building up our own equipment bank, which helps us to be cost-effective during the execution

of projects. Our fixed assets turnover on standalone basis is 4.1 times during the financial year 2014-15, which is among the best in the industry.

Fourth is, continue to maintain strong relationships

We maintain strategic alliance with companies whose resources, skills and strategy complement our strengths and accordingly enter into project specific JVs or sub-contracting relationships. We have developed strong relationship with the state, central and local government authorities through our excellent project execution track record, which also helps to de-risk our business.

Our growth strategy has been playing out well which is visible in term of improved financial performance of the Company over the years.

With this I would now present the results for the period quarter ended September 30, 2015.

Standalone Quarterly Result:

Revenue of quarter 2 FY16 IS Rs. 469.49 crore which is higher by 41% compared to 2nd quarter of FY15

EBITDA of quarter 2 FY16 is RS.61.1 crore which is higher by 15% compared to 2nd quarter of FY15

PAT of quarter 2 FY16 is Rs. 30.45 crore which is higher by 43% compared to 2nd quarter of FY15

Cash profit for quarter 2 FY16 is Rs. 42.9 crore which is higher by 36% compared to 2nd quarter of FY15

Consolidated Quarterly Result:

Consolidated revenue of quarter 2 FY16 is Rs. 556.71 crore which is higher by 38% compared to 2nd quarter of FY15

Consolidated EBITDA of quarter 2 FY16 is Rs. 92.19 crore which is higher BY 31% compared to 2nd quarter of FY15

Consolidated PAT of quarter 2 FY16 is Rs. 22.2 crore which is higher by 2% compared to 2nd quarter of FY15

Consolidated PAT after minority and share of associates interest of quarter 2 FY16 is Rs. 17.8 crore which is lower by 18% compared to 2nd quarter of FY15

Consolidated PAT after minority and share of associates interest is lower due to commissioning of our BOT projects which increased the depreciation and amortization on a year on year basis.

However our consolidated cash profit for quarter 2 FY16 is Rs. 50.5 crore which is higher by 33% compared to 2nd quarter of FY15

Moving on to Half Year results on Standalone basis

Revenue of first half of FY16 is Rs. 903.09 crore which is higher by 27% compared to first half of FY15

EBITDA of first half of FY16 is Rs. 121.2 crore which is higher by 22% compared to first half of FY15

PAT of first half of FY16 is Rs. 56.6 crore which is higher by 29% compared to first half of FY15

Our cash profit for first half of FY16 IS RS. 80.8 crore which is higher by 33% compared to first half of FY15

Now our Consolidated Half Year Results are as follows:

Consolidated revenue of first half of FY16 is Rs. 1,070.2 crore which is higher by 26% compared to first half of FY15

Consolidated EBITDA of first half of FY16 is Rs. 176.6 crore which is higher by 32% compared to first half of FY15

Consolidated PAT of first half of FY16 is Rs. 47 crore which is higher by 7% compared to first half of FY15

Consolidated PAT after minority interest and share in associates of first half of fy16 is Rs. 41.4 crore which is lower by 6% compared to first half of FY15

Consolidated PAT after minority and share of associates interest is lower due to commissioning of our BOT projects which increased the depreciation and amortization on a year on year basis.

Our consolidated cash profit for first half of FY16 IS RS. 95.2 crore which is higher by 31% compared to first half of FY15

On the Balance Sheet side our,

Our consolidated networth as on September 30, 2015 is Rs. 1,325.1 crores and Total Gross Debt is Rs. 1,721.5 crores compared to Rs. 1,634.9 crores as on March 31, 2015. The total cash and bank balance including current investments as on September 30, 2015 is Rs. 121.1 crores. The Net Debt on Consolidated Basis is Rs. 1,600.4 crores and Net Debt to Equity comes at Consolidated basis comes at 1.21x

On stand-alone basis our net worth is Rs. 1,192.3 crores. Long-term debt of the company on stand-alone basis is only Rs. 9.6 crores. The Total Gross Debt on standalone basis as on September 30, 2015 is Rs. 211.3 crores which has reduced by Rs. 112.8 crores from Rs. 324.1 crores as on 31st March 2015. The total cash and bank balance as on September 30, 2015 is Rs. 74.2 crores. The Net Debt on Standalone basis is Rs. 137.1 crores which gives a Net Debt to Equity Ratio of 0.11x

Our credit rating has been recently revised upwards by CARE. Our credit rating for Long term Loans is CARE A+ where as for Short Term Loans it is CARE A1+ which indicate our financial strength.

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

- Moderator:** Thank you very much Sir. We will now begin the question and answer session. The first question is from the line of Shravan Shah of Dolat Capital. Please go ahead.
- Shravan Shah:** Congratulations for good set of numbers sir. If I exclude Bhojpur Buxar and Koilwar Bhojpur projects from the order book, then if I compare first quarter, our execution is coming to Rs. 388 Crores because there is no inflow in the second quarter excluding these two projects where there is no execution, whereas you have booked a revenue of Rs. 469 Crores. So there is higher revenue booking of close to Rs. 81 Crores. So, can you explain this?
- D.K. Maheshwari:** This is mainly because of the increases in contract value due to escalation/ price variation in two of our existing projects: Dholpur-Morena and Hamirpur Kalpi for Rs.53 Cr. and Rs. 10 Cr. respectively. Remaining was on account of sale of Aggregates and execution of other misc. works which were not considered in contracts in hand as on 30th June 2015..
- Shravan Shah:** Okay that is fine and sir can you tell us in terms of the scheduled COD or we can say execution time period for these Bhojpur Buxar and Koilwar Bhojpur?
- Yogesh Jain:** The time period for execution of these projects is 30 months.
- Shravan Shah:** And in terms of the higher revenue, higher material cost for this quarter is any specific reason?
- D.K. Maheshwari:** Are you comparing with the second quarter of FY15 sir?
- Shravan Shah:** Yes.

- D.K. Maheshwari:** You are right that in 2nd Qtr. of FY'16, EBITDA Margin is lower than Margin of 2nd Qtr. of FY'15. Actually EBITDA margin depends on the projects which were executed during the period. For instance; in July-Sept'14, out of the total revenue of Rs. 333 Crores execution of about Rs. 250 Crores was from our own projects which was around 74% where margins are comparatively higher due to the in-built price escalation etc and during that period fortunately cost of all the petroleum products were lower. In second quarter of FY 2016 out of the total revenue of Rs. 469 Crores execution of our own BOT project is around Rs. 90 Crores which is hardly 18%, but on an average our EBITDA margin is sustained in the range of 13% - 14%.
- Shravan Shah:** And sir is there any specific reason that why you have changed the revenue recognition method to physical work completion?
- D.K. Maheshwari:** Since we have to complete the quarterly financial results within 45 days from the end of the quarter being a listed company and it is very difficult to get the bill certified from concerned authorities including Independent Engineer (in case of BOT Projects) within 25-30 days.
- Shravan Shah:** And sir I understand that the debtors have gone up significantly, that may be because of the particular as on September 30 we may have revenue and it might have come in October, is it so?
- D.K. Maheshwari:** Right, absolutely correct.
- Shravan Shah:** And Yogesh sir, if you can guide in terms of the opportunities specifically road EPC in UP, Bihar or may be overall where we are looking at and the bid pipeline where we have bid or going to bid.
- Yogesh Jain:** We will discuss about the forthcoming NHAI projects. 38 EPC projects with total estimated cost of around Rs.22,500 Crores to be bid out before the end of current financial year. MORTH also initiated 14 EPC road projects with the total estimated cost of Rs. 11,000 Crores, which are also to be bid out before the end of current financial year. Out of 52 projects, 17 projects identified for considering bidding before December 31, 2015 for an aggregate value of Rs. 12,000 Crores and we started our pre-bid activities
- Moderator:** Thank you. The next question is from Adhidev Chattopadhyay of Elara Capital. Please go ahead.
- Adhidev C.:** Good morning sir and thanks for the opportunity. Sir, just wanted to know your working capital has gone up in the first half, so the debtors, I think if not consolidated has gone up from Rs. 250 to Rs. 450 Crores. So for your ending, second half where do you see this closing at; you think there will be improvement in the second half or will it remain at where it is?
- D.K. Maheshwari:** **Working capital days and Debtors days** have gone up to 154 days and 111 days respectively mainly because of the billing of September 30 specifically for Agra-Lucknow Expressway. But, subsequently on receiving of payments as on date if you see our working capital days have gone down and are in the range of 118-120 days, and debtor days are also in the range of 90 days.

- Adhidev C.:** Sir, so in the next six months will this again come back to 120 – 130 days or will it remain at 150 days, just wanted to get an idea.
- D.K. Maheshwari:** It should be in the range of 120 – 125 days
- Adhidev C.:** Sir and loans and advances also gone up by Rs. 100 Crores in the first half, any specific reason why it is there?
- D.K. Maheshwari:** Actually we have given the advances to our sub contractors, who are working on our projects.
- Adhidev C.:** Sir next question is on two projects where you are L1 in Bihar, so I am assuming now you have now got the letter of award. When do you think work will start on this projects in Bihar ?
- Yogesh Jain:** We will start the work within next two-three months time. Ee have already started mobilization of site staff and machinery etc.
- Adhidev C.:** And any Capex you have incurred for this first half.
- D.K. Maheshwari:** Yes, we have invested around Rs. 30 Crores in this first half on capex.
- Adhidev C.:** Sir, and now in terms of order win, you have already won Rs. 1700 Crores till date in this year, so how much more are we targeting at least in this year?
- Yogesh Jain:** We are expecting to win further projects of around Rs. 1500 to Rs. 2000 Crores in FY16
- Adhidev C.:** Do you expect to exceed that because lot of bids are still are to be invited at NHAI level in the next two to three months.
- Yogesh Jain:** Yes,
- Adhidev C.:** And sir on this toll roads, have you taken any hikes in any project during the quarter in the toll?
- Yogesh:** No.
- Adhidev C.:** And anything due in the next six months, any hikes or something?
- Yogesh Jain:** No
- Adhidev C.:** Not now, only in the next financial year?
- Yogesh Jain:** Yes.
- Adhidev C.:** Sir total revenue across the projects, how much toll revenue are you expecting now this year?
- D.K. Maheshwari:** We are expecting toll revenue around Rs. 350 -370 Crores in FY'16.

- Adhidev C.:** Is this revenue includes Annuity Amount.
- Yogesh Jain:** Yes. Toll revenue includes annuity amount also.
- Moderator:** Thank you. The next question is from the line of Ujwal Shah from Quest Investment Advisors. Please go ahead.
- Ujwal Shah:** Thank you for taking my question sir and congrats on great set of numbers. Sir, you laid out a lot many policy changes that have happened on account of government. Anything that particularly you feel is yet untouched and if that happens it would significantly boost the road sector. Secondly, in terms of bid pipeline are we seeing very aggressive bids by the current players how do you see that situation panning out and what kind of margins can we expect for the bids that you would be making over next six months.
- Yogesh Jain:** I think, now bids are going in the moderate pace, not in the aggressive pace. So you will see the lowest bidders are in the range of plus or minus 5% to 6% of estimated cost. So I think it should not be aggressive in future.
- Ujwal Shah:** Okay sir and what kind of margins are we seeing currently that people are pushing for and then this EPC contract basically. Can we expect anything around 11% - 13%?
- Yogesh Jain:** We are expecting around 13% - 14% EBITDA margin in our EPC contracts.
- Ujwal Shah:** Okay sir and on the government policies, do we expect any further change or you believe that whatever changes have happened recently are good enough to take the sector forward?
- Yogesh Jain:** Now government is proposing to change some of the conditions of hybrid annuity model, so that hybrid annuity model will become more amenable for financing by bankers.
- Ujwal Shah:** Okay sir and lastly in terms of order book, where do we see our order book for FY 2016 by end of FY 2016 and going forward do you think our gross block our total assets are good enough to handle how much, what capacity of order book as of now?
- Yogesh Jain:** Order book will be in the range of Rs. 4500 – Rs. 5000 Crores at the end of FY 2016 and with the gross block of Rs. 475 Crore we can execute the works up to Rs. 3000 Crore to Rs. 3200 Crore in a year.
- D.K. Maheshwari:** Our gross block will be between Rs. 450 – Rs. 475 Crores.
- Ujwal Shah:** So, what are your Capex plans for this year and next year?
- D.K. Maheshwari:** Last year by 2015 it was Rs. 400 Crores and it will be around Rs. 450 Crores – Rs. 475 Crores in FY 2016.

- Moderator:** Thank you. The next question is from the line of Nitin Arora from Emkay Global. Please go ahead.
- Nitin Arora:** Hi sir, can you share the numbers of toll collection in Kanpur-Kabrai, Ghaziabad-Aligarh and Bareilly-Almora for the second quarter?
- D.K. Maheshwari:** MP highway it was Rs. 11 Crores, Kanpur-Ayodhya was Rs. 54 Crores, Kanpur Highway was Rs. 12 Crores and Narela was Rs. 11 Crores.
- Nitin Arora:** Sir, Kanpur-Kabrai you said Rs. 12 Crores and how much is Ghaziabad-Aligarh?
- D.K. Maheshwari:** Ghaziabad-Aligarh is not included in turnover.
- Nitin Arora:** No sir that is fine but what is the toll collection number?
- D.K. Maheshwari:** Toll collections are in the range of Rs. 35 Lakhs to Rs. 38 Lakhs per day.
- Nitin Arora:** Last quarter we were having about Rs. 40 Lakhs per day, it has come down. Is it the overloading still not started, can you just explain us?
- Yogesh Jain:** We have not yet started overloading. We are collecting toll 103 km out of 126 km now.
- Nitin Arora:** And sir when do you see the stabilizing now because I think it is more than two quarters and if I remember correctly, in FY 2018 or rather in FY 2017 we are standing at about Rs. 90 Lakhs per day kind of a toll collection number. So when do you see the stabilizing going forward?
- Yogesh Jain:** We hope it will take three months more for full COD.
- Nitin Arora:** At full COD what is your expectation of toll collection?
- Yogesh Jain:** It will increase around Rs. 17 Lakhs from full COD and also overloading is I think Rs. 7 Lakhs per day. So 17 plus 7 will be Rs 24 Lakhs – Rs. 25 Lakhs.
- Nitin Arora:** And Rs. 40 Lakhs is your base at this point?
- Yogesh Jain:** Rs. 40 Lakhs and so it will be around Rs. 65 Lakhs
- Nitin Arora:** Sir, I just missed the revenue number of Kanpur-Ayodhya and Kanpur-Kabrai, Narela, if you can repeat it once, I am really sorry for that.
- D.K. Maheshwari:** Kanpur-Ayodhya is Rs. 54 Crores and Kanpur Highways we are at Rs. 12 Crores.
- Nitin Arora:** And sir, Narela is how much?
- D.K. Maheshwari:** Rs. 11 Crores.

- Nitin Arora:** And Gwalior Bhind?
- D.K. Maheshwari:** Rs, 11 Crores.
- Nitin Arora:** Sir, in terms of the escalation part which you mentioned in two of your projects, can you share the amount in absolute terms and also the crusher sale number?
- D.K. Maheshwari:** That Dholpur-Morena earlier we have taken the project cost at Rs. 296 Crores, it is now Rs. 346 Crores.
- Nitin Arora:** And how much was the crusher sale & others sir?
- D.K. Maheshwari:** Rs. 26 Crores.
- Nitin Arora:** Sir, the gross debt number, which you shared, includes the current maturities - the number which you shared on the gross debt side?
- D.K. Maheshwari:** Gross debt is Rs. 218 Crores in standalone and Rs. 1548 Crores in SPV. The total consolidated debt is Rs. 1766 Crores which include current and long-term liabilities.
- Nitin Arora:** And sir in terms of the project bid, as you mentioned, I just missed out the number, how much we have bid for this point, if you can break it up at the state – the UP state as well as the NHAI projects?
- Yogesh Jain:** No, actually bidding has not yet started. NHAI has postponed some of the bids. So this bidding will start may be by end of this month and we are planning to bid projects of Rs. 12,000 Crores aggregate before the end of this financial year.
- Nitin Arora:** I will come back for more questions in the queue. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Vibhor Singhal from Phillip Capital. Please go ahead.
- Vibhor Singhal:** Good morning sir. Thanks for taking my question. Sir, just wanted a bit of information on the Aligarh-Moradabad project from NHAI in which we stand L1, the project cost that we bid is around Rs. 645 Crores. So what was the L2 bid in that, if I can get that information?
- Yogesh Jain:** L2 bid is NCC; it is around Rs. 700 Crores.
- Vibhor Singhal:** Okay and sir we have already done top line of approximately Rs. 900 Crores in the first half, so do we stand by that guidance that we have given out last quarter that we will probably do around 20% - 25% growth in the top line at the standalone level?
- Yogesh Jain:** Yes, comfortably we will.

- Vibhor Singhal:** With the margins in the range of 13% - 14%?
- Yogesh Jain:** Yes.
- Vibhor Singhal:** Perfect sir and also just wanted – you mentioned that out of the 52 projects by NHAI and MORTH we are looking to bid for the 17 projects worth around Rs. 12,000 Crores. These are the projects in the state of UP itself is it?
- Yogesh Jain:** Maximum is UP and in Madhya Pradesh, Haryana, Punjab, Chhattisgarh also.
- Vibhor Singhal:** Okay UP and the neighboring states?
- Yogesh Jain:** Yes, three projects are also in Chhattisgarh.
- Vibhor Singhal:** Okay, fair enough. Also sir, overall I think as you mentioned we are seeing a healthy pipeline in the entire road sector. Any other projects that we are looking in the state of UP, let us say, Lucknow metro project or any other flyover projects that we are looking at from the state government, some big ticket projects which we were expecting over the next six months.
- Yogesh Jain:** We are expecting one project that is the Lucknow-Faizadabad road to Lucknow -Sultanpur road, which is estimated at around Rs. 300 Crores. We are expecting bidding of this project within one month.
- Vibhor Singhal:** This would be awarded by UPSHA?
- Yogesh Jain:** No, it's UP PWD and we are also expecting some more projects, that is World Bank and ADB funded projects which are coming in the next three to four months. These are 12 projects.
- Vibhor Singhal:** Again in UP?
- Yogesh Jain:** Yes.
- Moderator:** Thank you. The next question is from the line of Abhinav Bhandari from Reliance Mutual Fund. Please go ahead.
- Abhinav Bhandari:** Good morning Yogesh ji, Abhinav here. Sir, two questions – one is, this Gwalior and Kanpur the collections that you mentioned from March 2015 they have increased from Rs. 9 Lakhs to Rs. 11.6 Lakhs and in Kanpur-Ayodhya Rs. 53 Lakhs to Rs. 59 Lakhs. This is purely traffic hike or there is a volume hike or tariff hike also involved in this?
- Yogesh Jain:** This is because of volume hike as well as tariff hike
- Abhinav Bhandari:** What is the kind of number you are expecting on tariff increase sir?
- Yogesh Jain:** 5%.

- Abhinav Bhandari:** So these are about 3% plus 40% on WPI?
- Yogesh Jain:** Yes, 3% fixed and 40% on WPI.
- Abhinav Bhandari:** Sir, other question was if you could provide numbers for the SPVs for the first half on revenues and profitability
- D.K. Maheshwari:** Okay, we will provide separately.
- Moderator:** Thank you. The next question is from the line of Rajendra Mishra from IDFC. Please go ahead.
- Rajendra Mishra:** Good morning Mr. Yogesh, Rajendra Mishra from IDFC. Sir in the initial part of the call you had mentioned about the order book. Just wanted to clarify, this order book number of Rs. 4000 Crores as of now which you are saying, does it include the L1 of Rs. 843 Crores or that L1 is separate from that?
- Yogesh Jain:** Yes, L1 is included.
- Rajendra Mishra:** and 1743 order inflow is only in quarter 3, So when you are saying this Rs. 4000 Crores order book will go to Rs. 4500 – Rs.5000 Crores, which means that you will end up winning Rs. 1500-Rs.2000 Crores order inflows in next six months, because you will have Rs. 1000 Crores of execution.
- Yogesh Jain:** Yes.
- Rajendra Mishra:** So, am I right in assessing that this Rs.1500-Rs. 2000 Crores is what you have just said that it will from EPC Projects of NHAI and then couple of ADB
- Yogesh Jain:** Yes.
- Rajendra Mishra:** EPC Projects of NHAI are from which regions would be these, UP?
- Yogesh Jain:** These projects are also in Chhattisgarh, Punjab and UP, one project in Madhya Pradesh also, all are from Northern region.
- Rajendra Mishra:** Yes understood, that you had clarified that this will be on the northern part. And there has been a lot of focus on this north-eastern part this Asian Highway and other stuff being talked about. So is there any opportunity materializing that north-eastern part of the country and would you go that far?
- Yogesh Jain:** More Opportunities are in Northern Region. North-East part also we may go but our priority will be the northern region.
- Rajendra Mishra:** Okay, so that is a space you could look forward in future also.

- Moderator:** Thank you. The next question is from the line of Pankaj Kumar from Kotak Securities. Please go ahead.
- Pankaj Kumar:** Good morning sir. My question pertains to the recently operational Bareilly-Almora project, what is the kind of toll revenue that you are expecting and how has been the response in the initial toll collection that we have started.
- D.K. Maheshwari:** Toll has recently started and it is in the initial stage; earlier we have estimated Rs. 14 Lakhs in our models. Presently it is coming around Rs. 10.5 Lakhs per day.
- Pankaj Kumar:** And by when are you expecting it to stabilize?
- Yogesh Jain:** Within two months.
- Pankaj Kumar:** And on this Kanpur Airport runway project, I think it is L1 for last three months. So when are you expecting LOI on this?
- Yogesh Jain:** We are expecting LOI by end of this month. Actually, Our rate was above 10% of their estimates. So there is delay due to departmental procedure to get it approved..
- Pankaj Kumar:** And finally on this BOT side or on hybrid project side, are we looking at project or are we currently bidding in the BOT projects?
- Yogesh Jain:** We are not bidding in BOT Projects presently but we are looking at hybrid projects. We are planning to bid three - four hybrid model projects of NHAI.
- Pankaj Kumar:** And how do you see the competition in this hybrid model?
- Yogesh Jain:** Competition you can say in moderate pace presently.
- Pankaj Kumar:** Roughly in terms of numbers, how many bidders?
- Yogesh Jain:** In hybrid, you can say six to seven bidders may come.
- Pankaj Kumar:** And on the EPC side, how many bidders you are seeing?
- Yogesh Jain:** May be 10 to 11 bidders in some states but otherwise in the range of 4 to 5 bidders.
- Moderator:** Thank you. The next question is from the line of Nimit Shah from ICICI. Please go ahead.
- Nimit Shah:** Good afternoon sir. Congratulations on a good set of numbers. Sir on the Raibareili – Jaunpur when do you think that we will start the project, because earlier we were targeting around October – November? So is there some delays in that?

- Yogesh Jain:** There is no delay. The scheduled completion date is June 2016 but we are trying to complete this project by December 15. So we can get one extra semi annuity of Rs. 64 Crore or proportionate to it.
- Nimit Shah:** June 2016, so we will get the extra annuity entirely for the six months?
- Yogesh Jain:** Extra annuity for six months maximum.
- Nimit Shah:** And this is completing in December, you were telling.
- Yogesh Jain:** Yes, we are expecting to complete this by December.
- Nimit Shah:** Sir, on the Jaora – Nayagaon what is the status right now?
- D.K. Maheshwari:** We are holding 8.51% presently.
- Nimit Shah:** I think last time there were talks about getting out of that project, so any updates on that?
- Yogesh Jain:** Not yet .
- Nimit Shah:** On the EPC project of Agra, what is the status right now, how much we have booked revenues and what is the status of completion?
- D.K. Maheshwarit:** About Rs. 230 Crores billing has been completed by September as against Rs. 1635 Crores.
- Nimit Shah:** So, it is progressing well.
- Yogesh Jain:** Progressing well, we are working in entire length and it will further improve.
- Nimit Shah:** Sir, one more question. Any update on the dedicated freight corridors like what are we targeting on that side of the business?
- Yogesh Jain:** We are expecting that it will take further 2-3 months for bidding
- Nimit Shah:** The scope of work would be?
- Yogesh Jain:** Our scope of work is from earth work to track laying, complete construction of civil structures; earth work and drainage layer and then track laying also
- Nimit Shah:** Up till the track laying and we are going independently without any JV Partner...
- Yogesh Jain:** We are qualified bidders in two of the projects of around Rs. 3300 Crore, on standalone basis
- Nimit Shah:** Is this the Eastern?
- Yogesh Jain:** Yes, this is the Eastern corridor.

- Nimit Shah:** What would be the size of the projects?
- Yogesh Jain:** -Sahnawal-Pilkhani is around 175 km single lane and Dadri-Khurja is 46 km double lane, the estimated cost of both the projects is around Rs. 3300 Crores.
- Nimit Shah:** The EPC work?
- Yogesh Jain:** This is EPC.
- Nimit Shah:** So we are targeting I think, both of them.
- Yogesh Jain:** Yes.
- Nimit Shah:** So, if we get any positive response it will increase the order backlog significantly.
- Moderator:** Thank you. The next question is from the line of Nitin Arora from Emkay Global. Please go ahead.
- Nitin Arora:** Sir just two questions on the Aligarh-Muradabad where we are L1 what was the NHAI benchmark cost here?
- D.K. Maheshwari:** 503 crores,
- Yogesh Jain:** We were around 28% above the NHAI cost.
- Nitin Arora:** Sir any particular reason because we saw two projects about six months back which were bid in Jammu Kashmir where we saw a good amount of premium coming in, any particular reason why so much premium came in to this project?
- Yogesh Jain:** This is an EPC project. Cost estimate of NHAI was three years older, so this is the correct quote what we feel..
- Nitin Arora:** So what according to you would have been the project cost as NHAI the RFP is actually two years back, so the estimated cost of 503 Crores, so what is your sense this project cost would be?
- Yogesh Jain:** It should be around 625 to 650 Crores.
- Nitin Arora:** This is including your 13-14% margins.
- Yogesh Jain:** Our bidcost is 644.5 Crores.
- Nitin Arora:** Sir in the DFCC you said Dadri Kurja and one more project?
- Yogesh Jain:** Dadri-Kurja and Sahnawal-Pilkhani.

- Nitin Arora:** Sir just to understand your scope of work will you be doing the track laying part on this?
- Yogesh Jain:** Our scope of work is from earth work to track laying, complete construction of civil structures; earth work and drainage layer and then track laying also.
- Nitin Arora:** Are we going to import the track laying machine for this work?
- Yogesh Jain:** We may.
- Nitin Arora:** How much capex we are looking at this point?
- Yogesh :** Machine cost is around 40 Crores rupees, but we may also hire the same on rental basis.
- Nitin Arora:** Sir what is your plan, are we going to take on lease or you are going to buy out the machines from them?
- Yogesh Jain:** If we get both projects then we may consider to buy
- Nitin Arora:** Are we bidding for this project in JV with some one?
- Yogesh Jain:** No, we are independently qualified for bidding.
- Nitin Arora:** So both the packages you are saying that it will cost you on capex side on machine side basis is just 40 Crores, one track laying machine you are saying for that right? How much you require for this particular project if you win both the projects how many machines you will be requiring?
- Yogesh Jain:** We will require two machines but we may consider to purchase only one machine at initial stage or we may hire.
- Ashish Shah:** Sir you gave the revenue number for Agra Lucknow, could you also give revenue numbers for other two or three key projects for Q2 preferably?
- D.K. Maheshwari:** Bareilly Almora was 67 Crores, Raibareili Jaunpur was 21 Crores and Gorakhpur-Sonali was 31 Crores and ASR is 23 Crores, Hamirpur 23 Crores, and Agra bypass is 30 Crores.
- Ashish Shah:** Sir in the consolidated accounts you said that increase in depreciation is because of the commissioning of Kanpur Kabrai but is that entirely related to Kanpur Kabrai or there is some reassessment or restatement which has happened.
- D.K. Maheshwari:** In MP highway it is restated because we have changed the financial model permitted by the bank and based on that we have calculated depreciation after computing this as revenue stream.
- Ashish Shah:** Sir how much is the restatement of depreciation?
- D.K. Maheshwari:** Around 3 Crores rupees.

- Ashish Shah:** 3 Crores is attributable to this restatement and remaining you can attribute it to the commissioning of Kanpur Kabrai.
- D.K. Maheshwari:** Exactly.
- Ashish Shah:** How much do we expect will be the impact of this Bareilly Almora which will reflect in the December quarter now, depreciation and interest impact?
- D.K. Maheshwari:** Depreciation on quarterly basis will be around Rs. 2.2 Crores.
- Ashish Shah:** Interest will be?
- D.K. Maheshwari:** Around 12 Crores.
- Moderator:** Mr. Shah we have no questions come up in queue, would you like to make closing comments.
- Ashish Shah:** Thank you very much Yogesh Ji, Agarwal Ji and Maheshwari Ji for your time. We congratulate you once again for the results and hope to speak to you next quarter. Thank you everybody for participating in the call.
- Yogesh Jain:** Thank you everyone for your participation in our earnings call. We have uploaded the presentation in our company website. In case of further queries you may get in touch with the Strategic Growth Gdvisors, our investor relations advisors or feel free to get in touch with us. Thank you very much for participation.
- Moderator:** Thank you gentlemen. On behalf of IDFC Securities Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.