



“Sadbhav Engineering Ltd Q4 FY-15 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Sadbhav Engineering Q4 FY-15 Earnings Conference Call hosted by Ambit Capital. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Achint Bhagat of Ambit Capital. Thank you and over to you, sir.

Achint Bhagat: Good afternoon, ladies and gentlemen, welcome to the 4Q FY-15 Earnings Conference Call of Sadbhav Engineering. We have with us here today the management of Sadbhav represented by Mr. Nitin Patel, the Executive Director and CFO. Can we now request the management to give their brief commentary and then we will open up the floor for questions. Over to you, sir.

Nitin Patel: Thank you, Achint bhai. Good evening everybody and I am really thankful for taking your valuable time for understanding basically the earnings of Q4 FY-15 and full year of FY-15. So on behalf of Sadbhav Engineering Limited, I warmly welcome all the participants to the earnings call.

As discussed in our last earnings call actually many projects have started and now bided by NHAI, MoRTH as well as the various state authorities more particularly in EPC as well as in BOT by NHAI during the last 3-4 months. We expect that basically going forward healthy inflow of bids from NHAI and EPC and BOT both as well as the MoRTH and the state government into the various EPC projects actually. So we have seen obviously there is a strong competition particularly in EPC segment for the projects below the 500 crores of the size also in some of the projects above 500 crore size there was a competition but during last three-four bids we have started seeing that the it is has getting easing out. But obviously going forward in EPC we are of the view that the little bit competition will continue above 500 crore to say 700 crore range and above 700 crore there will be very less competition. But number of bidders we are seeing that obviously the ranging from 8 to 12 particularly for the project size below 500 crores and above 500 crores we are seeing the bidders are coming between 5 to 9-10 actually. So that is the range being seen, so thus this is the update particularly for the bidding front.

Apart from that under the BOT scheme we are seeing hardly around 5 bidders to 6 bidders particularly during the last six bids which have happened during the last 3-4

months. So this bidding strategy how and we are seeing and particularly in BOT we do not see more competition. However, going forward, we expect even in BOT also it may further reduce because obviously the capital requirement for the BOT project is very essential thing and having the limited source, so we are of the view that not much people, much developer will come forward for the purpose of BOT bidding so this way.

And now the basically at Sadbhav I would like to give you some brief that we have planned to take obviously a couple of BOT project with approximate size of 2,500 crores to 3,000 crores in the coming six months to eight months' time, so that is what we are internally thinking. Even in the EPC front, we will continue to basically put the bids in road sector across the country and across basically various bidding entities like NHAI, MoRTH as well as State Government and obviously the flow is continuing in a reasonable pace but we are seeing that the continues order book will be there from the road sector particularly in FY-16 we are seeing a very strong inflow from the road sector alone actually.

Apart from that, I can further share that we already bid for two projects well doing 1,843 crores particularly in the EPC segment in the road sector. We are yet to get the results out of the same. Also there are another 25 projects well doing 23,796 crores for which the financial bids are to be submitted in June itself actually. So NHAI on their website they have put the date what they have floated and as well as other authorities so this is size we are looking for the bidding in the road sector. Obviously there are approximately 16 projects of value of 10,248 crores for which the RFQs are to be submitted in this month itself. So this is over and above this 23,000 crores worth of the project so this all are in the EPC.

Apart from this the new bidding we foresee obviously there is a good opportunity particularly in terms of different projects are available there in the market obviously some of the lenders are really wanting it to substituted with basically the capable developers. So this opportunity we are seeing very good opportunity and obviously the company level we are carrying out the diligence for a couple of projects and once everything is through and all the parameters will be there so obviously we will come with the announcement that what we are going into this also. So this is basically broadly in the road sector.

Apart from this, I would like to share here further that the NHAI per say 2-3 things have been decided. Mainly earlier what was happened once the project particularly in BOT when project got complete so there was a lot of time taken basically by the

authority to issue the COD even after independent consultant has approved and then after getting the COD again the validation of fee it was also taking a lot of time so obviously developer was losing a lot of money but recently the NHAI has come out with a circular once the authority to issue the COD will only lay with the independent consultant so there is no necessity to consult with NHAI authorities for issuing the COD. So this is a very big development what we are seeing in the BOT front so obviously at Sadbhav level, the three projects of NHAI, the Shreenathji-Udaipur, Bhilwara-Rajsamand and Rohtak-Hissar, so once the COD will be issued by the authorities though immediately we will be able to start collecting the toll. So that time I think we should be able to save going forward and as well as obviously this will be available for all the developers.

Now going to the mining segment, we see the huge opportunity particularly because of the large bidding of the mines which have happened. We are obviously currently discussing with some of the players who want to open up their mines and because they have also committed the timeline to their coal ministry and obviously once this negotiation level will be through so we will be able to basically share the detail. But we expect that particularly the fresh order from this segment from Q3 onwards of the current fiscal so I think this another effort from road mining should be another source of opportunity to get the further growth in the business and also at a company it is very clear and management is very much through that the company will focus only on the open cast over burden removal work as well as the obviously the extraction of coal from the mine area so this will be the area of operation going forward. And mainly the operation will be done through basically the mix of asset heavy and asset light kind of machinery finance requirement. So considering the duration of the project as well as the basically how the client is getting paid so obviously we will some of the couple of projects we are negotiating to get some advance kind of interest free advance for the procurement so this will if these are that kind of equipment can be held on the balance sheet rest we can basically take asset-light kind of structure and we can take the particular execution growth in these businesses; so that is the idea.

And on the irrigation segment we see at least 6-12 months will be required for any major project announcement because at various state levels the projects are under preparation but obviously the nature of considering the nature of the irrigation business so this will take a little about more time so coming 6-9 months' time we are not expecting any significant order basically from the irrigation sector. Obviously the business which is there in the pipeline this will continue to be executed. So this is mainly on the front of this.

Coming back to obviously business order, the order book as of 31st March 2015, without considering obviously the project we won after March 31st the order book stands at 8,200 crores, out of this execution of in-house projects we expect to complete 95% in FY16. So all these BOT projects mainly these four: Rohtak-Hissar, Shreenathji-Udaipur, Bhilwara-Rajsamand and Mysore-Bellary obviously hardly 5% work will remain basically by the end of FY-16 so this is and this will be a major contributor for revenue for the coming year.

We expect the margins to improve considerably obviously in FY-16 because going forward contribution of execution BOT project is going to increase particularly in FY-16 because all the projects are on a very fast pace the work is going on in full-fledged manner actually so these projects we are obviously we are having the basic advantage in terms of the reduced commodity prices mainly the steel, cement as well as obviously the petroleum products like bitumen and diesel. So steel basically prices have not yet reached the level on the basis which we have submitted the bids we got the project, so this way how we are looking from this current out of the order book position. Also looking at overall bidding scenario and based on readiness we believe that will be obviously able to touch the new heights particularly in terms of the order book as well as the execution because consistently the company is of the view that the view that the particularly these three sectors alone we are confident that we will be able to add the significant business coming period of time.

Now let me start with the summary of this quarter and yearly standalone financial. Income from operations for the quarter has increased by 21% to 967 crores as against the 799 crores of the last year. The EBITDA for the quarter increased by 8% to 96 crore as against 88 crores last year and profit after tax for the quarter stood at 39 crores as against 36 crores of the last year.

In terms of the construction business on a standalone basis obviously this year the company has achieved this is the highest turnover since the inception of the company so almost we remain close to 3,000 crores just 30 crore less than the same. And the construction expenses as a percentage to total revenue from operations have reduced to 81.15% as compared to 82.44% in Q4 of FY-14. So this is mainly because obviously during the last conference call I have also mentioned that there is a chance that we will be able to get the benefit of the reduced price of the diesel more particularly as well as the bitumen. So this is mainly the reason of the same.

Obviously the EBITDA margin for the quarter stood at 9.9% as against 11.4% in the same period of the previous year. The main reason for the impact basically in the

EBITDA is during Q4 of FY-15 the VAT rate particularly Value Addition Tax rate in the state of Haryana has increased from 4% to 5% actually hence we had to provide the differential 1% of the total driven in the last quarter itself; actually this is basically retrospective effect from 1st of April 2014 and actually financial impact on the quarters result is almost 10-12 crores basically because of this 1% change because Rohtak-Hissar as well as the DMRC project all put together I think there is a significant turnover has happened from these two projects during the entire financial year. Obviously we are eligible to get compensated from NHAI/SPV under the provisions in the change in law clause of the concession agreement so from Sadbhav level we have to lodge the claim on SPV and SPV will lodge a claim on NHAI. Once NHAI will agree because this purely because of the change in law so we will once we get, it will be passed on to Sadbhav.

So apart from that also as discussed on our last call, due to slow execution work we have taken over some of the irrigation project from our JV partner. Three projects we have taken over as well as the one of the projects of DMRC that we have taken over from Corsán and Corviam and almost close to 300 crores of the job we had taken over from them. So that is another reason basically in these 3-4 projects there is a little bit impact on the margin because the company has to add the additional resources to get the work through actually.

Also the income operations for FY-15 has increased by, this is on total standalone basis, by 26% to 2,970 crores as against 2,358 crores of the last year. EBITDA for FY-15 has increased by 20% to 300 crores against 249 crores last year and profit after tax for FY-15 was 114 crores as against 106 crores of the last year.

Now on execution of the transportation business as I have mentioned earlier but let me give the numbers basically the Shreenathji-Udaipur project has contributed revenue to the extent of 152 crore in the Q4 of FY-15 and total Rs. 591 crore in FY-15 for full year. While Bhilwara-Rajsamand contributed revenue to the extent of 91 crores in Q4 of FY-15 and total of 248 crores in FY-15. Rohtak-Hissar has contributed the revenue of 148 crores in Q4 of FY-15 and total of 546 crores in FY-15. So above obviously all the above three projects are running in full swing and expected to complete well before the schedule. Assuming we achieve the above target of competition we shall receive obviously the early completion bonus from all these projects because these projects are going all the three are going ahead of schedule actually. So obviously every quarter we will update that what is actual competition where we are completing as against the schedule completion date.

In the mining business Amlohri mine has contributed 40 crore in Q4 of FY-15 and total of 160 crore in FY-15. So we expect the mining contribution to increase in the coming quarter because work in the few mining has been started basically during the last quarter itself and we there is as per the requirement of the client basically we should get the higher numbers for the coming year as well as the next year also based on the current order book. And contribution of irrigation has increased significantly in this quarter to Rs. 165 crores led Bahuti canal of Omkareshwar canal of Rs. 40 crore this is mainly this two projects what we have taken over from GKC project. So company has basically taken the project and decided to complete the project on war footing basis. So there should not be any impact from the client side to the company also.

Changes in the order book of EPC business as I have mentioned that post the last earnings call the company has won 5 EPC road projects worth 1,911 crores obviously during the company has bought out the work from Corsán and Corviam in two DMRC projects obviously worth 298 crores and I think this basically is exclusive of the new projects what we have won today in a joint venture with PIPL in the state of Punjab so this is basically how the new business has been entered came with the company.

Now coming to the BOT business we have already shared the toll revenue numbers in the first week of April as evident from the Q4 numbers and overall revenue of FY-15 numbers and also from numbers till date traffic has improved significantly provide leading indicator for rightly economic growth in the coming months. We continue to remain confident on the traffic growth in FY-16 and FY-17.

Average toll revenue particularly this basically for the benefit for all just we are indicating that average toll revenue of the month of April 2015 and May 2015 for each of project stood as basically follows Ahmedabad Ring Road it was a 24.80 lakhs per day that is average for 60 days of April and May 2015, this is after increasing the toll rate with effect from 1st of because Ahmedabad Ring Road will be from 1st of September but all other SPVs it has increased from 1st of April so this is Ahmedabad Ring Road. Aurangabad-Jalna it is 11.10 lakh per day. Bijapur-Hungund it is 31.18 lakh per day. Hyderabad-Yadgiri is 14.83 lakhs a day. Maharashtra Border Check Post it is 37.68 lakhs per day from nine operational check post. Rohtak-Panipat it is 23.86 lakhs per day and Dhule-Palesner Rs. 40.02 lakhs per day. So this is for the April and May this we have update obviously update during the quarter in the BOT business.

Due to the change in issue structure, SIPL obviously the SIPL has re-filed the DRHP with SEBI on 26th May 2015, change in the issue structure is as follows obviously the primary issue now shall be Rs. 425 crores as against Rs. 600 crores earlier. Offer for sale by Xander and Norwest Venture Partners shall be approximately 20% of their current stake as compared to 50% of their current stake earlier actually. So this is the change in the issue structure.

SIPL has signed the definitive share purchase agreement with Hindustan Construction, HCC Group to buy out 60% stake in Dhule-Palesner for Rs. 204 crore which is slightly lesser than the book price of HCC. However, the net cash outlook basically due to the recovery of our outstanding amounts from the HCC Group shall be 130 crores for this for acquisition of this project actually. So I think around 74 crores of our outstanding dues will be we will be getting once this transaction will be through this was the second point particularly in BOT development. Third is SIPL has completed the acquisition of 20% stake in Ahmedabad Ring Road from GIPL and now SIPL now holds 100% stake. And with effect from today because everybody is aware that the Aurangabad-Jalna has stopped collecting toll from passenger cars and state transport busses.

And in terms of the numbers and impact just I would like to share here that the actual toll revenue from passenger cars in FY-15 was Rs. 6.38 crores which is approximately 18.05% of the total revenue of Aurangabad-Jalna of 35.32 crores basically and obviously 1.27% of the total revenue from operations basically of 501.53 crores for SIPL alone actually on a consolidated basis. So obviously we are awaiting the clarification from government of Maharashtra in relation to compensation for this revenue basically loss in the upcoming period but what we are hearing from the sources through the MSRDC because MSRDC is highest impacting agency it is being told that the government of Maharashtra is considering paying the basically this bided amount of the car revenue of the light vehicle revenue basically to each developer on a yearly. So I think once it is through then obviously the revenue stream will continue it is okay, it will take another at least one month to two months' time we are waiting for the same actually. So this is basically overall from the business prospective. We continue to obviously, I would share here that as a company level and management is very confident basically to scaling a new high in terms of the construction business as well as obviously the BOT business itself actually and we expect a significant growth for the coming period of time in construction business as well as the obviously once the project the BOT will be completed the revenue growth also come on a very far better manner actually so this is from my side and I am really thankful to all the participant for hearing me

patiently. Now, over to the floor for the questions and answers. Thank you very much.

Moderator: Thank you very much sir. Participants we will now begin with a question and answer session. We have the first question from the line of Dewang Patel from IL&FS. Please go ahead.

Dewang Patel: My first quarter was on the margins. In the previous call you are saying that bitumen prices had come down by 12,000 to 14,000 and therefore we should see margin increase so has the margin increase and price declines in line with what you are expecting? Or if it has not happened is it practical to directly import bitumen?

Nitin Patel: See obviously the imported bitumen is also sourced but normally what is happening once you start importing and once the refinery understands there is large consumers are basically started importing the bitumen so they will straight away go and offer the discount so that is to match the prices actually but if I share that the obviously the bitumen work major we have completed in Shreenathji-Udaipur more of during the last quarter actually and the coming quarter Rohtak-Hissar, Mysore-Bellary and Bhilwara-Rajsamand will continue to have a more bitumen work as compared to Shreenathji-Udaipur actually. So other work of the structure and other road work basically portion that has been majorly completed for Rohtak-Hissar even for the Bhilwara-Rajsamand and I think the bitumen prices there is still there is arbitrage in the prices so that is why I have mentioned that the construction expense and actually out of the construction expense if it segregate the material consumption expense as well as the real construction expense pertaining to the basically this sub-contractor and as well as the diesel and all other basically part but the purchases front we have seen the significant drop actually basically from the previous year's level actually and this is mainly because of the reduction in the prices.

Dewang Patel: Sir to put it differently, gross margin size increase, so material cost has come down, is this in line with what you are indicating in December or there is still scope?

Nitin Patel: Obviously that is same thing actually so if we take out to nullify the effect of the other expenses what has happened actually as well as so that will obviously give the numbers that EBITDA will show that higher number actually.

Dewang Patel: Okay. So can one expect further increase in this because you have not seen all the bitumen prices decline in the opening comments also you are saying that your bid assuming some decline in bitumen prices which has not happened so very simply can these gross margin increase further?

Nitin Patel: See we are confident that obviously the margin level should basically go up because there is a clear arbitrage so far as material prices is concerned, okay and rest of the things because all the execution and everything all the front is going on very well actually so that is why we do not see any other reason that it should have any other impact actually.

Dewang Patel: Okay. Sir secondly my question was on this move to exempt cars from paying toll. Now this idea was first mooted by the Central Minister although you know it is there is no concrete proposal that has come through but it has got implemented by the State Government. Do you see any risk that this issue could be taken a bit larger level at the National Highway level?

Nitin Patel: See actually to be frankly speaking Dewang, the thing is that is a concession and any change basically if government happens so they have to compensate to the developer without any basically and otherwise there will be a legal implication on the government also so that is why we do not see because once they are so, Aurangabad they are closing but we are very clear of the view that it is getting compensated so in absolute terms there is no other impact rather we see basically there maybe the benefit because to collect the toll from the cars and this kind of small vehicles obviously it is a challenge not only for us but it is across basically the sector so now when the government itself is taking care and based on our bid submitted numbers okay if they are paying us actually so we do not see any other harm rather it is beneficial and it will reduce some of the operating cost also for us.

Dewang Patel: Right, sir. Sir and out of this bid submitted amount compare to the 6.38 crore is it higher or lower?

Nitin Patel: So it is actually lower than what our submitted number actually obviously it is at least 25% lower than our submitted number.

Moderator: Thank you. Next question is from the line of Amit Sinha from Macquarie. Please go ahead.

Amit Sinha: Sir my first question is the 10 crores to 12 crores number which you said was it part of other expenses for the quarter?

Nitin Patel: Yes, this is part of the other expenses.

Amit Sinha: Okay. And secondly, sir in terms of next year guidance last year you gave a guidance of 3,000 crore and flat margin. Would you like to share any margin for FY-16?

Nitin Patel:

Amit to be very frank particularly what we are at a company level we are seeing and considering the last five things what company had basically particularly in EPC and obviously the bidding process how it is going on at the company level so everybody at company is very bullish in terms of getting the orders from road sector. If you see historically almost last five to seven years the Sadbhav's order book from road sector always remain above 70% actually even execution turnover from the road sector alone was coming 70%. So obviously this last year FY-14 so it has come down because of the earlier year there was no order book particularly no much bidding was happened from the road sector only mining and irrigation has continued to give the basically upside in terms of the orders.

Now apart from that the road sector has come again in the lime-light and obviously going forward there is a huge opportunity so we are confident that at the pace of 22-25% growth we can easily achieve in the coming period of time because strong order book pipeline is already there and obviously the new order which of our preferred sector obviously Sadbhav has a very strong road sector basically road execution team and network across basically every level. So there we do not see any other further challenge for execution for coming period of time.

Amit Sinha:

Right, sir. Now going forward with all the EPC awards, our EPC contribution within the transportation segment will go up. Do you think this will dilute the margins going forward because this year we had almost two-third of our revenues from the BOT roads but going forward given all these awards your EPC contribution will go up.

Nitin Patel:

No, see ultimately just I would like to share, our total this year's if you see the numbers basically revenue break-up okay so obviously the 68% of our sales is coming from the transport sector; BOT was around say out of that 47% from BOT and 20.44 from EPC. Particularly in BOT and EPC as a company per se we do not have the different margin levels actually. Even EPC we are very confident to generate obviously the 11-12% at EBITDA level without any basically effect and in BOT also we are taking almost same kind of margin so we do not see any other reduction particularly and going forward when the road is going to dominate so obviously there we does not have much CAPEX requirement actually in the road sector also accept for the concrete equipments basically some of the new projects come under the concrete road so we have obviously given the order for some of the concrete equipments and rest other than that everything is available with the company.

Amit Sinha: Okay, sir. Lastly, for all the five road projects which you have won in the last 4-5 months what is the status? How soon you are likely to start construction on these projects?

Nitin Patel: See we have received all the orders from the government out of five, three we have already enter the basically contract EPC contract agreement with NHAI and state government and apart from that the two last one we have already received I think before 15th we will be able to sign the contract agreement so the execution flow will start from obviously Q2 we will see the revenue from the three of the projects and Q3 onwards all this five will start giving the revenue to government.

Moderator: Thank you. Before we take the next question, participants are requested to limit their questions to two at a time. Should you wish to ask more question kindly come back to the queue again. We will take the next question from the line of Nitin Arora from Emkay Global. Please go ahead.

Nitin Arora: Sir, just want to understand the VAT rate which got increased from Haryana so we must have accounted for large revenue from the state going forward any other state where we can book such kind of a cost going forward?

Nitin Patel: See as of now actually what has happened initially because Delhi and Haryana if we see the working level because Delhi is having some different tax rate Haryana different and to differentiate the work between Delhi and Haryana also the procurement of the material so little bit difficult area. It is very difficult basically to differentiate these two. So initially what company we have decided that we will purchase procure all the material under C Form actually then after based on the advice from basically government authority state the VAT authority they advises to go for the composition in the VAT. So earlier initially we have decided we have to go for the composition for the current year itself actually. In the last quarter they have increased the rate actually obviously for us we has to get it compensated basically as per our contract mechanism with NHAI this is one part. But other states I think the raise they are not everybody is changing this all of sudden actually that gives the experience what we are having.

Nitin Arora: Okay. And sir in terms of your depreciation which has declined sequentially can you throw some colour on that what led to this depreciation declining on the sequential basis?

Nitin Patel: See obviously first mainly because there is sale of the assets mostly around I think around 35 crores to 40 crores worth of assets has been sold particularly during the

quarter actually so because of that it has gone out. So that portion of the depreciation has not been charged to the quarter, number one. Number two, in initial basically for their beginning of the year around 11 crores worth of the machineries where there residual life were only nine months actually for this 11 crores of worth of machinery so this 11 crores has been written off during the first three quarters only actually and on 31st of December the residual life as per the new Companies Act is got over actually so that portion has not been charged to the Q4 so that is the reason both put together the depreciation has come down by almost 10 crores to 11 crores.

Nitin Arora:

Okay. Now sir in terms of your growth I mean 1,800 crores of BOT project is there and you are saying 95% you will complete in this year so 95% or rather 60% of the total revenue as compared to the last year will come only from the BOT this year. So what sort of revenue growth you are targeting for FY-16 based on this?

Nitin Patel:

Revenue growth obviously as I have mentioned because new business has been also added in and all are from the EPC so it will not take much time to basically start execution obviously and BOT because obviously at a company level everybody is of the view that we would like to complete the project as early as possible and basically start collecting the revenue across all these projects so obviously the growth should be there should be considering because order book is also relatively very strong order book and going forward it is just a beginning of the year actually and going forward we are of the view that this sector road particularly as well as mining should add very good orders for the years. That is why I would mention in my speech also that the coming years couple of years we are very bullish that this sector it is too alone we will give a significant growth for the company actually.

Nitin Arora:

Yes. And sir in terms of what are the equity requirements left if you can give the break-up project wise?

Nitin Patel:

See total equity actually if I see that the balance equity requirement is around Rs. 100 crore from Shreenathji-Udaipur for Shreenathji-Udaipur we have two funds, 36 crores -37 crore for the Mysore-Bellary that is it remaining everything has been fully funded.

Nitin Arora:

Okay. So the additional stakes what we have bought that also we have paid like Dhule and Aurangabad Ring Road?

Nitin Patel:

See all are basically has been fully funded actually this Ahmedabad Ring Road all this equity has been funded and Dhule basically for acquisition what we have net amount what we were supposed to pay we already raised basically through in form of

NCD actually at SIPL level, so I think that is also being met actually. Only our purpose in our DRHP we have also mention that our equity requirement for ongoing projects is around 139 crores -138 crore which as I have mentioned for this two projects this we are mentioned as one of the object of our raising the funds through the IPO in SIPL.

Moderator: Sorry, to interrupt Mr. Arora.

Nitin Arora: Yes, can I just squeeze in one more please?

Moderator: Sure.

Nitin Arora: Thanks. Sir in terms of your project which you mentioned Aurangabad-Jalna, 6.38 crore is the total revenue which you will lose. Sir how the mechanism works out when you calculate because you are on the 20-25% lower as per the estimates so how the mechanism it is based on the number of years left in the project on that basis they will just calculate the net amount and give it to you?

Nitin Patel: No, it is like see in Maharashtra generally basically this all the concession by either it maybe PWD it maybe MSRDC. At the time of bidding developer has to submit its complete revenue model on which he has estimated and what IRR he has estimated for the project actually, okay. So in Aurangabad-Jalna every year what will be my car toll from both the toll plazas that number we have mentioned for each of the year what will be the rate for collection actually that also you have mentioned and what will be the revenue from the car similarly what will be the revenue from LCV, Truck, MAV all put together this will be total revenue my O&M operation and maintenance cost and then after the net, basically after adjusting the tax effect this will be IRR, So this entire model has been submitted and any change basically so government has basically obligation even if they basically says they are not allowing they have basically decided now waiving the car revenue which I have to forgo as per the base case business plan that they have to fund me so according to my basically submission our bid submission we were supposed to collect at least Rs. (+8) crores from in FY-15 alone actually in Aurangabad-Jalna from car itself which against that we have collected 6.78 so now next year it will be more than 8 because there will be the growth in the traffic as well and then once the toll rate will also increase accordingly every year they have to pay exactly the amount what we have mentioned in the bid so this is way how the bid will process.

Moderator: Thank you. Next question is from the line of Parthiv Shah from Tracom Stock Brokers. Please go ahead.

Parthiv Shah: Sir my first question is our company planning to venture into any kind of civil contract work for railways? And if so what are the margins based upon which the company will decide to bid for such contracts?

Nitin Patel: See as of now we have not yet basically started submitting the obviously the this RFQs and everything because we would wait let once the project should come actually obviously there is not any difference basically for construction of railway carrying out the railway civil as well as road civil work actually it is more or less the same all kind of structure as well as basically only basically geographic conditions maybe different but machinery man power arrangement all kind of skill and everything it is more or less common actually. We do not see to carry out civil construction if some good large-sized contract is the coming period of time?

Parthiv Shah: Correct. So the second question is now that the coal auction the one phase is kind of over even at the schedule two mines. I have seen like the company's past track record the company has focused more on the public sector mining companies vis-à-vis the private sector companies so now is the company planning to change the policy now that such undeveloped mines are there for graph?

Nitin Patel: There are maybe two things we are looking some of the large size very good groups basically particularly who are developing the coal mines and majority of the coal mines first way is the mines which has been bided out all the basically coal mines the either of the state government is partner in that actually so basically this is governed through the very say what we can say the reasonable contract conditions and obviously being a state government everything will be happened through the bidding process actually so depending upon the geographical area where we can add have a very stronghold obviously, second thing the credit quality of the client is also very much important and the third thing we will see we will try to get the escrow mechanism so once the client will get the payment from the power sale of power so obviously some of the payment should go to the escrow that kind of agreement even if the contract size is large actually so this is also we are seeing actually while carrying out negotiations with the potential bidder.

Parthiv Shah: And the last one sir, in the visibility of irrigation contract especially if in a worst case scenario if the land bill gets delayed still the company is quite confident that they have a lot of other irrigation contracts to bid for and if so what the margins that are targeted?

Nitin Patel: See irrigation contracts particularly per say in Gujarat and Madhya Pradesh that will continue to flow so these are the area where we will continue bid even today also the major business we are having in the Gujarat and Madhya Pradesh itself actually. Obviously some of the state like say Karnataka is also coming out with various irrigation projects and obviously in UP also there was some of the good irrigation but we have to see that whether it is funded through either any central agency or clear fund basically payment mechanism is there so then only it maybe the bid case for the company otherwise we do not mind for weight for some more time for entering into the getting some more irrigation business.

Moderator: Thank you. We will take next question is from the line of Bhavin Vithlani from Axis Capital. Please go ahead.

Bhavin Vithlani: Couple of questions, if you can help us with the EBITDA margins for fourth quarter and the full-year segment-wise roads, BOT, external, irrigation, and mining?

Nitin Patel: That has not been worked out basically by us actually and clearly only just we are bifurcating what is the business from these. But on a large basis basically as I have mentioned in earlier also more or less mining our EBITDA obviously is around say between 18% and 20% it is there and particularly in road sector obviously it remains between 10% and 12% or depending upon the project and this area geographical condition and third is obviously irrigation it is little bit lesser but more particularly irrigation work which we have taken over from the joint venture partners who fail to carry out the work during the year actually so I think there the margin level is little bit lesser I think even it is close to 4-5% only. So this way how it is being worked out but clear number is not available with me.

Bhavin Vithlani: Second question is the recent project you have won on EPC basis if you can help what was your variance vis-à-vis the L2 rough number will also help.

Nitin Patel: See it is not readily available but out of the five projects what we have won actually I can share that the four projects the difference between us and the second lowest bidder it is not more than around say 2-2.5% or 3% maximum so this is for four projects out of five and one project the difference between L1 and L2 it is around close to 6-7% actually this is mainly in Haryana and mainly because in Haryana we are having the very large set of presence of the equipment man power everything so our mobilizing in cost is almost 0% actually there and obviously the other set-up in terms of the basically availability of the various kind of sub-contractors and labor contractors all has been lined up there so that is why we are reasonable competitive

then the other bidders based on other thing there is not much difference basically in almost all the projects.

Moderator: Thank you. We will take the next question from the line of Naveen Jain from JM Financial. Please go ahead.

Naveen Jain: Sir, I have a couple of questions. One on this SIPL IPO now that we have done the residing we have to go through the entire process of getting the say the approval again basically what I am trying to get what is the timeline going to be for the IPO now?

Nitin Patel: See Naveen two things basically what I would like to obviously your question is important but as a company per se what we have thought the about to close the refining of four of the SPVs and just within obviously couple of weeks all the four with the two we have already finalised the term sheet and another two within couple of weeks we will be through so obviously as per this we are getting the alternate source of funding at a company level and at the end of when they are Norwest, Xander when they have decided to stay more time with the company actually so and because obviously they have seen the traffic numbers are growing very significantly.

All the projects are coming to the completion level obviously there is fair chances of heading for the new projects actually so all considering that when the size itself has come down and as per the ICDR guide line so we are not allowed to basically obviously go for this earlier basically SEBI guard which was available. So we have re-file but the bankers have suggested obviously they have confirm that they will be confident that they will be able to get the clearance within 30-35 days and at a SIPL per se if you see that the actually the requirement the company is not under pressure actually to basically go for the funding of the equity because equity requirement is early around 135-140 crores actually so much commitment is there on the hand. So that why we will wait for the proper basically appropriate basically by timing once we get all the clearance on the hand our investors will basically filing of SIP.

Naveen Jain: Fair enough, sir. And secondly, what is the kind of sale hike that we got in our projects so from 1st April any of our projects?

Nitin Patel: NHAI projects basically it is around 4% actually all NHAI projects and in Maharashtra Border Check Post it is 25%.

Naveen Jain: It was supposed to be 18%, right?

Nitin Patel: Actually it is 5% CAGR every year and the toll rate should be nearest to the multiple of Rs. 5 so last time when it was decided so nearest multiple was on the lower side actually and now the nearest multiple is coming on the higher side, upper side actually. So giving both the effect actual revenue increase basically based from the previous toll rate it has increased by 25% across all basically.

Moderator: Thank you. Next question is from the line of Aditya Mongia from Kotak Securities. Please go ahead.

Aditya Mongia: Sir two questions from my side. Firstly, this one relates to the projects which are under construction right now. If one sees the latest updates from NHAI it appears as all these three projects are earnings slightly behind the schedule which NHAI has set so just thought I will check with you because as far as you are suggesting all these are kind of eligible for early completion bonus and are on track of getting complete quite early so this is what I will check with you sir.

Nitin Patel: See two things basically, the percentage what NHAI is basically considering, I do not see basically they might be based on some data they might be getting from PIU project implementation unit or the ICs report actually but normally independent consultant does not consider the various other activities basically which is already being lined up by the company so what they are considering only the completed space they might be taking in the account race where the continues work in process and everything is going on they might not be taking into the account. But obviously the current because at a company level if you see the basically the actual spending on their project as well as the basically how the growth on the ground level the work has got completed so based on that company this is happening even almost to all the developers actually but obviously it is a company and once the project will be completed it will automatically be demonstrated that work has got completed before time actually.

Aditya Mongia: Sure, sir. Sir second question was related to the debt on the companies book and here I am talking specifically about projects that the company has this had obviously has been increasing because we are investing in new projects. For the projects under consideration when do you envisage this debt to kind of start coming down, would this more of an FY16- 17 or an FY18 phenomenon?

Nitin Patel: See two things basically first of all, if you see that this is rate based on the original financing plan. Now in the refinancing everything is getting first of all it is getting change overall debt obviously it will remain the same but obviously the cash

generation now if you see the cash generation because initially majority of the projects will take some time to get stabilised. Now the cash generation out of the nine this operation one eight has already been stabilised now and this eight view is now see the continuous basically that surplus cash flow pay practically because if I give the debt numbers practically we have to serve and how the cash flow we will be able to generate so based on the current run rate of the project without considering additional check post which are going to be operational I am telling only nine check post from boarder check post and all other SPVs how it is getting operated and the current traffic considering the only normal growth of around 5-6.5% actually so FY-16 we should be basically get we should get the revenue of around 680-690 crores from the current projects only I am not telling any Shreenathji-Udaipur, Bhilwara everything will be getting added, another new check post will get added, another new check post will get added that will be the further addition and this we are not considering the Dhule-Palesner also because Dhule-Palesner the entire ones entire project will come and entire revenue and debt will be transferred to SIPL.

So against that our actual debt for these under-construction this basically is around under-operational project 3,500 crores which we have to serve from the revenue actually and also around 1,190 crore from the our standalone debt at SIPL level actually and out of this if I say that 3,500 crore I have to serve regularly every month at a 10.5% average cost basically because it is a mix of the rupee and SEB and at SIPL debt actually I have to serve the interest payment hardly around 50 crores for FY-16 because it has been structured in a such a way because it a long-term five to eight year structure and the coupon rate has been adjusted depending upon how the revenue in the every project in business will continue to get an increase actually so based on actual cash outflow in hardly 425 crores as against my cash EBITDA of around 580 crore for FY-16 so this will be utilised so this is basically number so every SPV-wise because we have shared the numbers also for FY-15 how the basically the quarterly the number is there all the year really what is our revenue and what is the EBITDA and what is basically interest payment of each of the SPV that itself shows that the how the numbers will going forward actually.

Aditya Mongia:

It would great if you could kind of give the break-up for MBCP in terms of the cost which is associated with projects which check post which are being tolled right now? Because as of now as I understand the operating cost also include cost related to check post which are not generating any revenues.

Nitin Patel:

That is why that has been so next quarter what will happen see obviously these two months as passed now at any point of time this government is going to issue the GR

to start collecting, it is already they have confirmed to us that and even they have also shifted their entire old check post to the new check post also so I can share that my contribution of this nine check post should not be more than around 580 third-party 590 crores and the revenue from this nine actually based on the FY-16 number if I can share I share the number of 38, or we can take the 39 lakh of 40 lakhs a day and that will be around close to 145 to 150 crores should be the revenue from this nine check posts alone for FY-16 and against that I have to serve the debt of this around close to 600 crore. So we do not see any other challenge now broader check post is coming on completely different light itself actually.

Moderator: Thank you. Next question is from the line of Anupam Gupta from IIFL. Please go ahead.

Anupam Gupta: One question on the interest cost so there was sharp increase interest cost in this quarter versus the last quarter, so any specific reason for that?

Nitin Patel: See actually interest cost per se compare to last quarter obviously because last quarter company after completing this QIP so almost that utilisation basically has happened on a structured manner, number one. So immediately the debt got reduced at that point of time during last quarter itself and obviously because once this as I have mentioned when the new projects when we have taken over mainly with irrigation and this Corsán project also so obviously the little bit increase in the working capital for this projects has also gone up actually and but I think all the projects now has been fully funded in terms of the working capital requirement.

Anupam Gupta: Okay. So this should be the run rate going forward in FY16-FY17 or slight increase as we increase our working capital requirement.

Nitin Patel: Here we are likely to get reduction because now the consortium at Sadbhav Engineering we have agreed to reduce the rate by at least 120 basis points to 125 basis points from the current level, number one. Number two, obviously SIPL per se post this refinance we are going to see impose this because there will be regular cash generation at SIPL level so SIPL will whatever money because post servicing whatever will be required that will not be remain idle at SIPL level that may obviously continue to flow back to Sadbhav actually and so entire FY-16 numbers we are of the view that the interest cost should come down at least 20% from the current level.

Anupam Gupta: So versus 89 crores which was there in FY-15 which will be lower by 25%.

- Nitin Patel:** Actually it should come down.
- Anupam Gupta:** And what is total debt on our standalone book what is basically current maturities of long-term debt which is sitting in other current liabilities?
- Nitin Patel:** It is long-term basically debt put together it is around 560 crores Sadbhav Engineering level.
- Anupam Gupta:** And what portion sitting in other current liabilities sir?
- Nitin Patel:** It is around 100 crores.
- Moderator:** Thank you. We will take the next question is from the line of Achint Bhagat. Sir, you may go ahead.
- Achint Bhagat:** Just one question from my side in terms of your working capital at a standalone level sir appears that your working capital cycle continues to remain a little bit on the higher side even debtor days as I can see is roughly about 115 days. Sir when do we see this get normalized when do we see cash flow getting generated at the SEL level?
- Nitin Patel:** See cash flow generation is already there actually so there is no any other problem so far as cash flow generation is there if you see the this cash flow statement so cash flow from the business operating activity it is positive number one apart from that as we have mentioned, some of the projects more particularly the irrigation project what we have taken and this portion basically because they have completely left over the projects so as to carry out their portion of work we have to comp everything fresh actually so right from the man power requirement obviously the arrangement of all this ground stuff say arrangement all construction material all put together and that is the reason basically now I can share that the 95% of the turnover of the FY-15 has been executed by the company with its own man power actually so you can see the cost of the employee benefits has also gone up basically number of employees are also increased because majority of the company and going forward the company has also internally decided that we will not be more inclined to go for the continuously JVs basically except there is some strategically advantage or we can get some kind of say backup guarantees and everything from the JV partners otherwise we are not of the view that we should go in things like that. So that is the reason why it is continued to remain. Obviously now the situation has got changed and once this every quarter-to-quarter we will now see this basically this will continue to come down also.

Nitin Patel: And sir how much was the CFO in FY-15 sir standalone level as against the EBITDA that you reported in this year was roughly 300 crores and how much was the CFO was against that?

Nitin Patel: It is not upfront available with me actually but we will share it with you once we will get the working of this thing.

Nitin Patel: Sir a couple of questions here again. So sir what is of the overall loans and advances of 1,210 crores how much is given to SIPL?

Nitin Patel: SIPL outstanding loan basically is around close to 480 crores.

Nitin Patel: 480 crores and sir the debt on SIPL level if you could tell me how much is external debt out there I mean which is not project finance or which is not taken from SIPL which is taken from the bank how much debt is SIPL taken externally?

Nitin Patel: Externally it is around say 790 crores to 800 crores.

Nitin Patel: 790 crores to 800 crores. And this includes the amount that has been taken to acquire the stake Dhule, right?

Nitin Patel: Yes, in all stake basically if you see the Ahmedabad Ring Road, Aurangabad-Jalna this two has been paid also out of this basically.

Nitin Patel: Okay. So now incrementally now stake acquisition cost is required, it is fully funded, right.

Nitin Patel: Yes, completely funded.

Nitin Patel: Okay. And just one last question, housing keeping question, on MBCP. Sir how many check post are complete now and how many will get completed in the next quarter and the end of the year?

Nitin Patel: See now 14 check post are completed as I have mentioned, nine are generating the revenue and before March 2016, 23 will be completed and made operational only one check post will remain outstanding.

Nitin Patel: So nine are generating revenue right now?

Nitin Patel: As of now nine is generating before March 16 we should be generating the revenue from 23 check posts.

- Nitin Patel:** So you should be the getting the COD for the other five fairly soon possibly.
- Nitin Patel:** Another three, we are expecting just end of June itself actually and then after again October, November and December every month we will get COD for....
- Moderator:** Thank you. The next question is from the line of Parvez Akhtar from Edelweiss Capital. Please go ahead.
- Parvez Akhtar:** Sir just want to check what kind of top-line growth can we see in FY-16?
- Nitin Patel:** Parvez, see as I have mentioned that obviously the company is sitting on a good set of order book and there is strong basically belief across everybody that we are going to add significant orders from the roads and mining itself in the current year basically. So considering these and based on the order book and how we have to implement what we have mentioned that his BOT we would like to complete before March 2016 almost 95% of the activity. We should get at least around say again 25% jump as on a conservative basis basically as compared to the FY-15 numbers actually.
- Moderator:** Thank you. The next question is from the line of Devang Modi from Equirus Securities. Please go ahead.
- Devang Modi:** Sir if you could highlight whether we could have possibility of getting any bonus in Mysore-Bellary, Rajsamand-Bhilwara and all those any under construction project and if there is possibly then of how what nature and how much quantity could this bonus be?
- Nitin Patel:** See ultimately, the number of days we complete start tolling earlier then basically schedule four-laning date so all this period whatever surplus revenue is there that is going to first it will come to SPV itself. So out of this revenue after deducting the cost of the expense of SPV with a remaining amount the 75% of that remaining amount will go to Sadbhav Engineering Limited as an early completion bonus for the early part. So in terms of the amount I can share that the highest number of revenue is from Mysore-Bellary because it is annuity project and it is very clearly stated in agreement that per day early completion bonus is almost close to Rs. 40 lakhs a day.
- Devang Modi:** And so what amount will it come to sir for Mysore-Bellary?
- Nitin Patel:** Obviously it depends 40 lakh is a day once suppose if the company is completing the project 180 days ahead of schedule or 200 days ahead of schedule, okay. So

obviously the bonus amount will be in may be around in 70 crores to 80 crores actually.

Devang Modi: So this is the possibility you are talking of in Mysore-Bellary sir?

Nitin Patel: In all the projects we are expecting because pace and how the equipment has been installed and now the team has been established everywhere and it is present in even quarterly numbers also and going forward because every quarters these four projects will obviously basically significant growth from the so far as top-line is concerned actually because all the work and complete site has been fully settled actually. It is just completion of the execution even majority of the structure work has also been completed.

Devang Modi: Sir for all the four just an indicative number obviously there will be a lot of calculation I think but is this indicative number for all the four projects collectively?

Nitin Patel: See obviously we are of the view that all four put together Sadbhav should get at least 100 crores bonus.

Devang Modi: And this will be coming through in FY-16 or over FY-16 and FY-17?

Nitin Patel: See it will be once the project will be completed then after only it will be shared and every month bonus will come upfront actually it will come on monthly basis so like in earlier case also in Bijapur and even Dhule we got in the same fashion actually.

Devang Modi: Okay. And sir if you could just I mean help us with the amount of low margin irrigation jobs which are remaining in the system?

Nitin Patel: See low margin irrigation we can share that the before June end there are two projects one in Rajanpur in Gujarat and there are two projects are in Omkareshwar, out of two one will be completed before June. The one in Rajanpur we are also planning to complete before June so this is end of by the end of this month itself actually. Other project in Omkareshwar I think it will continue till March 2016.

Devang Modi: Sir and finally just one last question on MBCP the scope has I mean now we will just hope that there will be 23 check post so first of all because of all these delays that have been happening has there any change in the total project cost and because of 23 check post also is there any change and with this 33 check post now what kind of steady state toll revenues are expecting in the first full year of operation?

Nitin Patel:

Devang bhai, actually in the concession agreement itself is very much clear that any delay in handing over the land by the government of Maharashtra as well as anything beyond the control of the concessioner this will be compensated in terms of the extension of time so now we have already got the extension of time approved for all these 14 check posts where we have completed number one and the mechanism of basically compensating this delay in terms of the total concession period that has also been approved by the clearing committee where all the three departments is sitting in this committee so they have given the approval for the same; so now what we are of the view it is just once these entire all the projects entire will be completed and based on the complete changes the overall concession period will be worked out but in terms of the numbers particularly because we can share here that the as of now as we have been collecting the revenue of around close to 39 lakhs a day from these nine check posts for this April and May as we have mentioned right now. All put together 23 we expecting the revenue should almost be close to Rs. 70 lakhs a day.

Devang Modi:

Okay, in FY-16 you are saying or FY-17?

Nitin Patel:

FY-17 actually so it will gradually to grow so when another five and it will become operational we are looking that we should get incremental revenue of around 10 lakhs to 11 lakhs a day actually and then after another basically three check posts which we are expecting that should get a COD by the end of this month itself actually, okay. We already applied for the COD so, once it will be through then again the revenue will be, it will for this entire FY-16 it will increase incrementally and obviously this FY-17 will have a full-year revenue from all these operational check posts.

Moderator:

Thank you. As there are no further questions, I would now like to hand the floor over to the management for closing comments.

Nitin Patel:

First of all, thank you very much to all the members who have taken their time and for understanding the business of the company. And as I have mentioned that now company is entering basically obviously during last couple of quarters it is clear in the entire company and management that we are obviously going to basically settle numbers of basically for coming couple of years either in terms of the construction business also all in terms of the BOT business major risk of the construction as well as clarity in the project and the entire business model is there on the table and post EBITDA it is re-financing obviously as I have mentioned it is very-very major activity for the company and this is through we are expecting that at least around 40 crores to 50 crores of interest saving basically per annum from only just because of

this refinancing activity from the almost 5 SPVs or 6 SPVs actually this is going to come up on the table actually, this is one. And apart from post basically this company is basically very clear and confident to go ahead and list basically SIPL and thereafter to grow the SIPL at its own actually so this is how the management is looking for the future growth of the entire group and the companies actually. So this is from my end. And again, thank you very much to all for taking their valuable time. Thank you.

Moderator:

Thank you. On behalf of Ambit Capital that concludes this conference. Thank you for joining us and you may now disconnect your lines.