



“Sadbhav Engineering Limited & Sadbhav Infrastructure
Project Limited Q4 FY2019 & Full year 2019 Results
Conference Call”

May 31, 2019



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Moderator: Ladies and gentlemen, good day and welcome to Sadbhav Engineering Limited & Sadbhav Infrastructure Project Limited Q4 FY 2019 and Full Year 2019 Results Conference Call hosted by Asian Market Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Amber Singhania from Asian Market Securities. Thank you and over to you Sir!

Amber Singhania: Thank you Stanford. Good evening everyone. On behalf of Asian Market Securities I welcome you all to the 4Q FY2019 and Full Year FY2019 Earnings Conference Call for Sadbhav Engineering Limited & Infrastructure Projects Limited.

We have with us today Mr. Vasistha Patel – Executive Director of Sadbhav Engineering & Managing Director of Sadbhav Infra Projects. Mr. Nitin Patel - Executive Director & CFO of Sadbhav Engineering Limited and Mr. Varun Mehta – CFO of Sadbhav Infrastructure Project Limited representing the company.

I now request Mr. Nitin Patel to take us through the quarterly results and the outlook for the company and then we shall begin with Q&A session. Over to you Nitin Bhai!

Nitin Patel: Thank you very much. Good afternoon everyone. On behalf of Sadbhav Engineering Limited & Sadbhav Infrastructure Projects Limited, I warmly welcome all the participants and thank you for taking your valuable time for the earnings call for quarter ended and year ended March 31, 2019. I am sure you must have seen the media release provided to stock exchanges for both the companies.

During this call actually in our opening remarks Mr. Vasistha Patel would first start with the status of major under construction projects and then I will take you through the SEL numbers and then Mr. Varun Mehta will take you through the SIPL numbers.

Now with this, I would request and I will hand over the call to Mr. Vasistha Patel.

Vasistha Patel: Good afternoon everyone. Status of 12 under construction HAM projects is as follows. Rampur-Kathgodam package one 69% work is completed; we have applied for a COD. NHAI has approved the de-scoping work. For Rampur-Kathgodam package two 33% work is completed. Bhavnagar-Talaja 68% work is completed. Una-Kodinar 48% work is completed. For BRT Tiger Reserve Bangalore section 73% work is completed. For Udaipur bypass 66% work is completed. For

Waranga-Mahagaon 42% work is already completed. Jodhpur Ring Road 14% work is completed. Bhimasar Bhuj financial closure is completed. For Kim Ankleshwar financial closure is completed, Vizag Port Road financial closure is achieved, Tumkur-Shivamogga we have submitted financing documents to NHAI.

We would take the appointed date for these four projects, only once 80% land is available under 3H stage because in past we have seen 80% land under 3D has hampered the construction progress of the existing HAM project. Three EPC projects namely Ahmedabad Rajkot, Samruddhi Expressway and Lucknow Ring Road are expected to contribute revenue during full year of FY2020.

With this I will hand over to Mr. Nitin Patel.

Nitin Patel:

Thank you Vasistha Bhai. Let me take you through the numbers for the quarter and year. The income from operations for the quarter stood at 1021 Crores as against 1104 Crores for the last year. EBITDA for the quarter has grown by 2.21% to Rs.126 Crores as against Rs.124 Crores last year.

PBT before exceptional items for the quarter has grown by 15.83% to Rs.80.9 Crores as against Rs.69.8 Crores for the last year.

Profit after tax in Q4 FY2019 remaining at Rs.28.89 Crores as against Rs.69.86 Crores in Q4 of FY2018 and this is due to higher taxation and creation of deferred tax liability. The tax rate has increased in this quarter because contribution from projects where 80IA benefit is available is reducing gradually.

Now the EBITDA margin for the quarter stood at 12.41% as against 11.23% in same period of the previous year. EBITDA margin increased in this quarter because of value accretive works in many projects. Now the income from operations for full year FY2019 stood at Rs.3549 Crores as against Rs.3505 Crores of the last year, these numbers are not comparable because Q1 of FY2018 included the indirect taxes in the revenue.

The EBITDA for FY2019 has grown by 3.07% to Rs.428 Crores as against Rs.415 Crores of the last year.

Profit before tax before exceptional items for FY2019 has grown by 19.06% to Rs.257.53 Crores against 216.27 Crores in the last year.

Profit after tax was impacted because of the higher taxation. The tax rate during FY2019 stood at 27.7% as compared to negative 2% during FY2018. With this PAT remains at Rs.186.85 Crores as

against Rs.220.65 Crores in the last year. EBITDA margin stood at 12.06% in FY2019 versus 11.84% in FY2018.

Also the outstanding debt as on March 31, 2019 on standalone basis stood at Rs.1490 Crores in Sadbhav Engineering.

Now on the execution front top five projects by execution during Q4 of FY2019 have been disclosed in the media release.

Order book as on March 31, 2019 stands at Rs.11981 Crores. This time we would provide the revenue and order intake guidance during the Q2 because almost 31% of the order book is yet to start the construction, this we have also mentioned in the media release, what we have published yesterday.

This is the largely in terms of the numbers for the quarter and year ending and as well as the orders and how the basically things we are going forward looking this.

With this now I will hand over to Mr. Varun Mehta to discuss the financial numbers and operational performance of SIPL and again I am thankful to everyone for listening to the opening remarks.

Varun Mehta:

Thank you Nitin Bhai for giving the useful update on the operating performance of the company. And good afternoon to all the participants and thank you for taking your valuable time to attend the earnings call for Q4 FY2019 & Full Year FY2019.

I am sure you must have seen the financial results of SIPL along with the media release share on May 27 and also the SPV wise toll revenue data, which was shared on April 15, 2019.

I will start with the financial number first and then will go to the operating performance. The breakup between operational SPV, under construction SPVs and SIPL standalone has already been provided in the media release. Total cash income for all operational SPVs during Q4 FY2019 has increased by 8.1% to Rs.300.1 Crores from Rs.277.7 Crores during Q4 FY2018. This number includes Nagpur-Seoni annuity receipt also.

Cash EBITDA from operational SPVs during Q4 FY2019 has increased by 4% to Rs.242.8 Crores from Rs.233.5 Crores during Q4 FY2018. EBITDA margin in Q4 FY2019 stood at 80.89% versus 84.80% during Q4 FY2018.

The cash profit in the operational SPVs during Q4 FY2019 has increased by 11.9% to Rs.71.93 Crores from Rs.64.26 Crores in Q4 FY2018. The total cash income for full year FY2019 for this operational project has increased by 10.3% to Rs.1182.8 Crores from Rs.1072.6 Crores in FY2018.

Cash EBITDA from operational SPVs during full year FY2019 has increased by 9.5% to Rs.990.7 Crores from Rs.905.1 Crores during FY2018. EBITDA margin in FY2019 stood at 83.76 versus 84.38% in FY2018.

Cash profit in the operational SPVs during the full year FY2019 has increased by 53.1% to Rs.306.8 Crores from Rs.200.43 Crores in FY2018. Out of this cash profit of 306.8 Crores in FY2019. We have repaid 200 Crores to the various SPV lenders during FY2019 as per the schedule repayment and the balance, in the bank balance in the operational SPVs along with the current investments has increased by 73 Crores to Rs.151 Crores as on March 31, 2019 as compared to Rs.78 Crores as on March 31, 2018.

Now coming to the standalone business, cash profit from standalone business stood at 10.1 Crores in Q4 FY2019 as compared to Rs.12.8 Crores in Q4 FY2018 and this has reduced mainly due to the lower HAM maintenance income.

Cash profit from standalone business for the full year stood at around 84.4 Crores in FY2019 from Rs.79.4 Crores in FY2018. The overall cash profit for the company during FY2019 has increased by 31.2% to Rs.391.2 Crores from Rs.298.3 Crores during FY2018.

SIPL has a current order book of 550 Crores towards the maintenance of 12 HAM projects which is to be executed over a period of next 24 months and this is apart from the routine maintenance and the major maintenance revenue, which has been generated from the operational SPVs.

The consolidated debt of operational SPVs as on March 31, 2019 stood at 6,884 Crores, the consolidated debt for the under construction SPV stood at 1,409 Crores and the standalone debt is around 1427 Crores which includes the loan from Sadbhav Engineering of around 535 Crores.

In HAM projects we have infused 431 Crores of equity up to March 31, 2019. So this is the summary in relation with the financial numbers.

Now coming to the operational performance, I think the operational performance has been a mixed bag in some of the SPVs we have seen an accessional growth. So in case of Bhilwara-Rajsamand there is a traffic growth of 35% on a Y-o-Y basis during Q4 FY2019 versus Q4 FY2018.

Srinathji-Udaipur traffic growth is 23%, Rohtak-Hissar traffic growth is 15%, Aurangabad-Jalna traffic growth is 5%, Hyderabad–Yadgiri traffic growth is 10%, Ahmedabad Ring Road stood at 1%, I saw degrowth in Maharashtra Border Check Post and Dhule–Palesner in fact it is a flattish growth which is there. In case of Bijapur–Hungund degrowth is 3% and in case of Rohtak–Panipat the traffic degrowth is almost around 20%.

I think with this probably we complete our opening remarks for both the companies and we are very much thankful you for everyone to listening to the opening remarks and now we may please start the Q&A session.

Moderator: Thank you very much Sir. Ladies and gentlemen we will now begin the question and answers session. The first question is from the line of Riddhesh Gandhi from Discovery Capital. Please go ahead.

Riddhesh Gandhi: I just had a particular question on the potential transaction you guys have not talking about what potentially exiting a few of your operational projects. We have been hearing about this now for quite a while just wanted an update on that?

Nitin Patel: See we have basically in these platform, I can tell that the, we are on a very advanced stage of the transaction because certain things as and we conclude, we will come, but what we can ensure that the as things will be completed, we will come with the complete detail in a full transparent manner to under to give the whole update about this entire transaction. The only thing is we can say that we are in a well in very advance stage as of now.

Riddhesh Gandhi: But just a question on that, we have been hearing this at advance stage for the last six months. Now are we close to closing this out?

Nitin Patel: See, we have never come and tell that the, we are at the, I think the, you might have get the details from the market that I cannot comment. But as of now what we have mentioned that is the status as I have updated.

Riddhesh Gandhi: With regards to the, to actually financial closures on effectively speaking like new projects given the balance sheet we have are there any concerns run closure of any of the projects or are we able to close these on reasonable terms?

Varun Mehta: Yes, Riddhesh basically we have closed the financial closure for all the existing HAM projects, so that has been done.

Riddhesh Gandhi: Yes, going ahead, do we achieve this of the any concern with regards to closures or any increase in the cost of capital of correct that?

Varun Mehta: No, I think see the financial closure obviously there has been a sudden change in the cost of capital definitely because the entire market has probably like shifted towards the lenders market we can say, but definitely because of that the certain amount of cost of capital has increased, but probably the financial closure is happening and I think on a future basis we need to see exactly what kind of bidding comes from NHAI also because as of now the new government has just been formed. So we do not have much clarity on the new project which will come in probably I think we can comment only once we see the new pipeline which will come in from the government.

Riddhesh Gandhi: Sure and on the higher rate, so how much of an impact on equity IRR would we be seeing in terms of because of the higher rates and if you could give us at least a broad range of equity IRR that we would expect given the slightly higher rates of interest?

Varun Mehta: Yes, see I think if you see the higher rate, which are right now been made applicable we are not envisaging that this rate would continue for the entire life of the construction period. These rates are applicable during the construction period during the construction period also we are envisaging that the rate should fall probably in the next couple of quarters also. So I think the impact on the equity IRR as of now it is very difficult to tell because obviously it is not a long-term impact which is there. We need to seek exactly what rates we get during the operational phase.

Riddhesh Gandhi: And the potentials at least our transaction would help us, would help in a lower our actually kind of cost as well of that?

Varun Mehta: Yes, I think any potential transaction in because if you see it is a very mega transaction which is happening so obviously it will definitely help the credit profile of both the companies and obviously we would definitely anticipate there will be an sort of good advantage in terms of the cost of capital post that.

Riddhesh Gandhi: Thank you. That is all from me, all the best.

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

Mayank Goel: Good afternoon Sir and thanks for the opportunity. Couple of questions, as you said that you will be taking the ADS of the four HAM projects once you get the 80% 3H land, So just wanted to know

what is the status of land in these four projects in terms of 3H and when can we expect to get the ADS for these projects?

Vasistha Patel: Regarding Kim Ankleshwar Expressway as on date 67% land is available and we are waiting for an 80% clear 3H land availability in Vizag port it is almost 57% land is available. So we are waiting for 80% 3H. In Tumkur-Shivamogga the land is almost 60% so we are waiting for 80% is 3H and in Bhimasar Bhuj it is near to 72%, but in last quarter because of the election process the land acquisition process is slightly slower. So we hope in next coming two, three months the land acquisition process will faster.

Mayank Goel: So we will be taking the ADS post monsoon only then.

Vasistha Patel: Mostly after monsoon because it is advisable we will take appointed date after the monsoon season.

Mayank Goel: Sir we have been hearing that this year there might be a spurt in bidding activity. So how much are we planning to bag in this year and will it be majority from roads or we are targeting some other segments as well.

Nitin Patel: See obviously the highway sector will be the top priority, but in addition to that what we can say that let whole the bidding timelines to come because now we are expecting that within a month's time we will have a basically lot of clarity in terms of the now the bidding pipeline for now almost this quarter we can see now it is a only one month left, but that in Q2 we will be having the more clarity. So once it is coming then after we will be able to figure out but have a sector will be the priority for us actually.

Mayank Goel: But there were news that there are instructions from the ministry that within 100 days they will be coming up with 1000 kilometers. So anything, any number which we have internally thought of getting orders for this year?

Nitin Patel: You see intimately obviously see if it is down but that kind of opportunity is coming definitely we will jump in, but what we can say that the on a ballpark basis normally we had a thought that we have between around 6000 to 8000 Crores of the business basically we should target in all sector put together, but depending up on that, which kind of business is coming. Btu again as I have mentioned that we have to basically just wait and watch for at least couple of months then it will decide the basically complete clarity for the future bidding.

- Mayank Goel:** Sir I understand that 80IA benefits are resulting in FY2019 tax rate of 27%, majority of which was adjusted in the last quarter only. So what can be the effective tax rate which we are expecting for the next two years for FY2020 and 2021?
- Nitin Patel:** See the tax rate for FY2020 and 2021 according to us will be between say 25% and 33% basically that is that will be the range.
- Mayank Goel:** Sir last question from my side. What has been the capex in Sadbhav engineering in FY2020 and how much are we expecting in FY2019 and how much are we expecting in the next year?
- Nitin Patel:** See FY2019 we did a capex of almost around a 70 Crores again in FY2020 we will see because depending upon the new businesses, but the range will be between 50 Crores and 80 Crores.
- Mayank Goel:** Thank you. That is it from my side.
- Moderator:** Thank you. The next question is from the line of Sriram Kumar from Spark Capital. Please go ahead.
- Sriram Kumar:** Thanks for the opportunity Sir. Sir what is the reason for degrowth in traffics for this quarter certain road assets?
- Varun Mehta:** Yes, if you see on a project-to-project basis Rohtak–Panipat obviously there is a degrowth of around 20% so in that there is a new alternate route which has been opened up which is the Kundli-Manesar–Palwal and so because of that the traffic has shifted to some extent to that particular road and I think if you see the trend it was also visible in Q3 probably for this we are falling up with NHAI also because there is a production which is available under the construction agreement and there is a compensation which is to be paid by NHAI in this scenario. So we are working and probably discussing with NHAI how we can protect ourselves because of this new road and I think if you see for Bijapur–Hungund in case of Bijapur–Hungund the stretch which is near to Bijapur–Hungund is Solapur–Bijapur and so there the construction has started from October 1, in the month of October where the construction is going on for the expansion from two-laning to four-laning and in case of Bijapur–Hungund almost 90% of the traffic which is there are the commercial vehicles and so because of that the traffic has impacted to some extent in this particular project. I think barring that if you see Bhilwara, Shreenathji-Udaipur, Rohtak–Hissar, Aurangabad-Hyderabad I think in all the projects we have seen a very good decent amount of traffic growth I think these two projects more so where there are the reasons specific to this projects so there we have seen degrowth.

- Sriram Kumar:** Does this lower traffic growth or the traffic divestment to alternate road does this have any impact on the ongoing asset sale value?
- Varun Mehta:** You see Rohtak–Panipat is actually not part of the stake sale process which is going on because if you see the projects which are part of the stake sale there we have seen a good amount of the traffic growth which is there.
- Sriram Kumar:** Secondly what is the reason for the rise in working capitals in Sadbhav Engineering, I mean I will speak about the core working capital in terms of inventory receivable payables?
- Nitin Patel:** No, actually if we see comparatively it has gone down actually. If you see the receivables position has also improved. Number two in terms of the inventory because of the certain activity as I have mentioned in my opening remarks that the number of HAM projects the higher level activity, higher level work that is what the DLC and PQC is going on. So that is the only reason and that is the marginal increase in the basically the inventory basis because hardly even it is a less than this just 2%, 3% only if you see that. So it is not so significant.
- Sriram Kumar:** Sir I am speaking about the working capital as a whole because see our debtor days has decreased by 6 days but your creditor days are also declined by another 17 days so overall the working capital has increased from 121 days to 134 days. So that is what I want to understand?
- Nitin Patel:** This is mainly because of the subcontractors has been escalated to some extent because if you everybody understand that the large number of highway projects are under execution across the country. So this will definitely help us actually to retain all the people and the labour, contractors and everything for a basically the coming period so that is why the, it has been adopted even you might have seen in September basically half-year results when we have declared so these trend has been started from then only actually so I think this will be the range what we will understand going forward.
- Sriram Kumar:** What will be the trade receivables that are due by SIPL to SEL apart from the loans and advances of 550 Crores what will be the trade receivables that are due from SIPL?
- Nitin Patel:** If I segregate in two parts for the HAM projects see other than I can tell this escalation and some GST component that will be I think to the tune of around 140 Crores to 150 Crores. Now the one of the this arbitration was proceed from this Rohtak–Panipat that is almost to the tune of around 55 Crores or 57 Crores and rest is a normal we can say the receivables for all the HAM projects as and when the payment receives it will be a back-to-back arrangement with the SEL. So that is broadly I can say.

Sriram Kumar: Sir I see that Mumbai-Nagpur we have received appointment date on January 1, if I am not wrong, but execution was around 59 Crores, because it has stated up the blocks in recently or is it because is there any other slowdown in the execution there?

Nitin Patel: See actually there are two things what has happened because of the election code of conduct which was supposed to come, the government has actually taken the our step to and ask all the contractors to basically take the appointed date, second there is a certain forest clearance issues and the because of the large number of structure work where we are have to start the structure work there forest issue was not resolved. So recently at least the part of the same has been resolved and the remaining is under process, we expect that the within months' time everything will be cleared out. So in this we have a full year basically the significant execution from this particular project.

Sriram Kumar: Thank you.

Moderator: Thank you. The next question is from the line of Koundinya N from JM Financial. Please go ahead.

Koundinya N: Thanks for taking my questions. Sir you mentioned about the HAM equity. I just missed the number what is the equity investor tell that in the HAM projects and what is the requirement if you can give any schedule or something FY2020 and 2021?

Varun Mehta: As of March 31, 2019 we have invested 431 Crores in the HAM assets and the equity investment actually will depend on probably when we get the appointed date, but if I see the equity requirement for the existing eight assets we have to put in say around 250 Crores more in these eight assets.

Koundinya N: And how will see this as FY2020 and 2021 can you just break it up?

Varun Mehta: Yes, so we have to put in almost around 200 Crores in FY2020 for this eight assets and the balance in FY2021.

Koundinya N: Sir and any revenue guidance on standalone business Sadbhav Engineering revenue and EBITDA guidance margins?

Nitin Patel: That is why we have mentioned that the projects which has not yet started that we have given into the media release but the projects which are under execution so we are very clear that the execution that the focus will be there to complete all these projects and to get the appointed date as early as possible for the projects where we already achieved the closure completed almost majority portion of the site mobilization. So that is the priority and depending upon the same as I have mentioned the new business how it is coming but with this I am of the view that we will be able to give a clear guidance

during the Q2 actually for this once we get the appointed date so this will help us to basically figure out the all the quarters number in a more clarity.

Koundinya N: Margins will be around 12% Sir?

Nitin Patel: Can you repeat the question please?

Koundinya N: Margins will they be around 12%?

Nitin Patel: The way the mix is going on and the other EPC projects so we do not see there will be any change so it will remain within the 12% to 12.25% what we are seeing during last two quarters also even on a full year basis almost we have reached the 12% number now.

Koundinya N: Thank you.

Moderator: Thank you. The next question is from the line of Sangeeta Purushottam from Cogito Advisors. Please go ahead.

Sangeeta Purushottam: Good afternoon. My question was that if we take your order book and we remove the 2700-odd Crores where you are waiting for the appointed date to be taken then based on the rest of the order book what kind of execution do you expect to do during the current year, number one. Second is that are there, what I the quantum of projects that you have beat for so far where the results are still to be announced?

Nitin Patel: Now let me be more specific, I think this will help to all your question is very specific. So if we take out the five projects basically the order book then it remains 8000 almost 250 Crores odd which are completely under execution as of now. But out of that we can comfortably say that we will be able to execute almost around 3400 Crores to 3500 Crores of the work that is very clear. So once that is why I have mentioned that once we will have the clarity on the same we will figure out the whole year basically execution and we will be able to come with a clear guidance.

Sangeeta Purushottam: While now with the new government being formed the new bid pipeline will come out in the coming months but there must be already projects that you would have bid for in the last few months where results are not announced are there any such projects?

Nitin Patel: See actually last three months almost we can say that because of the election code of conduct no such significant bidding has happened and that is why now since it has been opened up so coming couple

of months things will be more clarified and then I think the whole bidding process will become more active across the industry itself and at our end also.

Sangeeta Purushottam: So that means that if the whole, if the bidding really comes into play in the next say month or two which means wherein Q2 by the time we get in no or new orders it is likely to be the second half of the year or maybe towards the end of the financial year is when we will start seeing an accretion to the order book?

Nitin Patel: Obviously because once the new bid will also come even to start these projects if depending upon the whether it is EPC or HAM it will take its own time for the implementation even though we are winning the bid say by the end of Q2 then the definitely the execution will start either the end of Q3, or in the Q4 for the EPC project and the HAM it will take another six months. So it will go and fall into the FY2021.

Sangeeta Purushottam: Right, so therefore for our execution what can actually come into execution during the year are these four or five projects where we are waiting for the appointed date and as and when we get it a certain percentage of that can actually come in for execution right? That is all that can come in for execution during the current year because everything else either we have to still bid for it and win the orders?

Nitin Patel: Obviously because our first focus will be to start the five projects what we have listed out that will be the priority and once we will win then obviously it will come in that the secondary stage but with this order book what we can say that the once as sooner if we start all the projects before Q2 so definitely we will have the decent execution for all these five projects for the balance period of the year.

Sangeeta Purushottam: Right and typically let us say if we start them by say end of Q2 in the first six months what is the rough percentage of the projects that we are able to execute? Is it that in the first six months we usually have a rule of thumb able to do maybe 15% or 10% of the project value?

Nitin Patel: See that is why once the things will come on the hand because once the land and everything will got clarified so this only we will be figure out because on what period of time which projects will come that depends that is why we have made it very clear that we will be able to give the clear guidance by the during the Q2 itself so it should not come under any ambiguity from our side also and we will also be a very focused to start the projects which are on the hand.

Sangeeta Purushottam: Right, okay, alright thank you.

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

Vibhor Singhal: Good evening Sir. Thanks for taking my question. Sir my question was again just slightly prodding a bit more on the topline front. You mentioned that out of the 8000 Crores of order book, which is under execution right now we should be able to do around 3500 to 4000 Crores of topline?

Nitin Patel: See around 3500 comfortably we will be able to execute because the status all the projects are significantly executed as of now so almost all these give the consistent performance. So the all the issues pertaining to the land and everything has been sorted out and the three of the EPC projects as Vasistha Bhai has told particularly the Ahmedabad-Rajkot, Lucknow Ring Road and the Samruddhi Expressway so this also contribute decent revenue for entire year actually. So this is way how we can figure out.

Vibhor Singhal: Sir any update on the KSHIP project the Gadag-Honnali HAM Project what is the status on that financial closure appointed date land acquisition?

Nitin Patel: See the closure is under process so sooner we will be able to complete, achieve that. The land acquisition front it is at advanced stage and it is again a two-lane road so I think there will not be much challenge in terms of the land acquisition. So once we achieve the closure so we will be able to start faster this project.

Vibhor Singhal: So any number on how much is the land acquired right now under 3H or even 3D maybe?

Nitin Patel: Almost closer to 80% of the land is there in the possession so if you see the much challenge so I think the within a month's time government will be able to get it soon.

Vibhor Singhal: Lastly on the tax number, this quarter saw the very high tax rate I think this would be just basically on accounting entry just to get the full year tax number right that the full year tax rate was supposed to be around 28% to 30% and in the first three quarters we used only 8% to 10% tax rate. So it is a matching entry that basically came in the fourth quarter right.

Nitin Patel: See to some extent it is yes actually, but as the projects which were falling under 80IA the execution of the same has been completed between the Q2 and Q3. So that is why we could not get that in this particular quarter and it is why the difference is coming because of this entire accounting process.

Vibhor Singhal: Varun, just last one book keeping question from my side. You mentioned that the standalone debt at SIPL is 2100 Crores and the due from Sadbhav Engineering is 535 Crores right?

- Varun Mehta:** The standalone debt is 1427 Crores.
- Vibhor Singhal:** Sorry 1427 Crores.
- Varun Mehta:** Yes and the due from SEL are 535.
- Vibhor Singhal:** Thank you so much. Thank you sir, thanks for taking my questions and wish you all the best.
- Moderator:** Thank you. The next question is from the line of Saurav Sultania an Individual Investor. Please go ahead.
- Saurav Sultania:** First of all thank you for allowing me to ask the question. So there are two things, one is that I have been an IPO investor and invested for nearly three years now. So as you are aware that the stock prices have not done well and we have been waiting for the asset monetization for something now and I hope I can understand that you cannot give timelines to it, but I hope this kind of things get done well I am talking about on Sadbhav Infrastructure point of view, two questions I have. One is that wherein does the company cash profit I can understand but when do you really move into black because then would be chances of the stock moving out of ASM list also then start because it is in the losses then as per NSE regulations you might not even come out of the ASM criteria and the volumes will not happen. So that is one so do you see this in which quarter of this year and what is the growth in orders that you expect for this financial year and the last question is that what rate are you taking capital and who are you taking capital from? So because we have heard that you got capital from Piramal and all so is it at a high cost is the capital now coming to the company?
- Varun Mehta:** Yes, see I think in relation to your first question. I think definitely I think hit this transaction if you understand it is a very big transaction which is going on and obviously the type of business what SIPL is in probably SIPL is the only listed company which is there in the BOT space I think definitely it makes a lot of difference once we can see that there is an asset monetization which is happening so I think definitely it will add to a great value in terms of the value of the other assets also because there will be a visibility in terms of how this assets are valued and probably what is the actual value of these assets. So I think definitely once this transaction is through then I think definitely probably the rest of the other assets of the SIPL also will be like proven. In relation to your question for the cash profit and the actual profits so I think definitely probably once probably this entire transaction is through so I think definitely the SIPL will done into the actual profits also on the bookkeeping basis also. So I think definitely post that you will see that SIPL as a consolidated level will be in terms of the actual profit because I think if you see in terms of cash profit there is a very decent amount of cash profit which has been generated which is typically if you see that the 400 Crores of cash profit it is a

very healthy cash profit which is there. In relation to your second question for the capital raising obviously we do have a tie-up basically with Piramal Finance and there the cost of finance is somewhere around 11.5% is the cost of finance but I think if you see this is actually substitute for the equity money because if you see the HAM projects the HAM projects definitely they would make sense once we construct this then probably we can sell of those projects so I think definitely because of that it is a very straight substitute for the equity and so because of that only the cost of capital in that particular facility is 11.5%.

Saurav Sultania: Thanks so we are waiting the investor and is not and is waiting for the asset monetization to happen.

Moderator: Thank you. The next question is from the line of Jiten Rushi from Bank of Baroda Capital Markets. Please go ahead.

Jiten Rushi: Thank you Sir. Just wanted to know on the debt side, I think our debt has gone up even quarter-on-quarter and our loans and advances to subsidiary that the SIPL has also gone up from 460 Crores last quarter to 535 Crores this quarter and the revenue also we have seen decline in HAM Q-on-Q so can you highlight the reason in how do we see it going forward Sir?

Varun Mehta: I think if you see on a quarter-to-quarter basis, the debt at the SEL level has increased by around 30 Crores and the loan which has increased to SIPL is actually a temporary arrangement because obviously the facility what we are having with the lenders so obviously because in that we have seen there are certain delays which are happening in terms of disbursements, because you all know the entire liquidity scenario which is there so I think because of that there are certain disbursements which are getting delayed and so there was a temporary support which was given by SEL to SIPL which will be returned back to SEL as and when the disbursement happen from the lenders also. So I think it is more so in relation to that and for the revenue which is there for Q4 I think if you see that in the last presentation also we had mentioned that the appointed date for three of the projects had just got somewhere in the month of January more so for the Samruddhi Expressway and the Lucknow Ring Road and the Jodhpur Ring Road we got in the month of December itself. So obviously in these three projects we were expecting a decent amount of revenue contribution in this three projects, but probably if you see the numbers also in the breakup the revenue contribution is not to the extent what we had projected so I think because of that only there is some amount of gap which is there, but still if you compare it with the Q3, the Q3 the turnover was 925 and which has increased basically in Q4 so I think this is because of this new incremental contribution...

- Jiten Rushi:** The point Varun is, I am asking for it the HAM project I am asking for it was 744 Crores and it is 616 Crores the similar HAM projects which are running last year Q4 2018 also was 740 Crores so what has changed in this quarter I am asking that?
- Varun Mehta:** See for the HAM project if you see there are certain projects which are like if you see the percentage completion so obviously we have mentioned that the percentage completion is more than 70% in certain of the projects and in couple of projects obviously there was de-scoping and de-linking approval which was awaited from NHAI so because of that the execution was a bit slow in that particular project so I think because of that only the revenues are a bit lower as compared to the last year.
- Jiten Rushi:** And what is the order inflow guidance for this year?
- Nitin Patel:** Actually Jiten Bhai what we have, as I have mentioned that the let the things to come up which kind of projects are coming on the list particularly in highways sector depending upon that we will figure out whether it is a HAM or EPC and also because obviously the HAM will be there then definitely it will be a some different bidding approach at all and in EPC also we have to see that what is the size and how much number of the projects are there. So I think let us wait for another two months, and then we will be able to come with a clear guidance.
- Jiten Rushi:** Sir what is the mobilization advance as on March 2019 standalone SEL?
- Nitin Patel:** See around 240 Crores odd actually.
- Jiten Rushi:** Sir this de-scoping work which we are talking about Rampur and Una so it has happened completely now and that has been out of our order backlog?
- Nitin Patel:** Yes, we have taken out from our order also and that is particularly in Rampur–Kathgodam basically the package two is almost to the tune of around 78 to 79 Crores and this Una-Kodinar it is also again to the tune of around 55 to 58 Crores.
- Jiten Rushi:** And what is your order backlog of SIPL standalone?
- Varun Mehta:** Yes, so the SIPL standalone we have mentioned in the opening remarks the order backlog is around 550 Crores for the 12 HAM assets.
- Jiten Rushi:** And the major maintenance breakup basically?

- Varun Mehta:** Major maintenance there are two orders that the major maintenance is going on one is Bijapur–Hungund and the other is Hyderabad–Yadgiri so both put together the number is somewhere around 120 Crores.
- Jiten Rushi:** So 550 plus 120 or it is included.
- Varun Mehta:** No, no, 550 plus 120.
- Jiten Rushi:** Thank you. Thanks a lot all the best.
- Moderator:** Thank you. The next question is from the line of Parvez Akhtar from Edelweiss. Please go ahead.
- Parvez Akhtar:** Good afternoon. Couple of questions from my side; first thing is apart from this eight HAM projects what will be the gross equity required for the other five HAM projects including the KSHIP project?
- Varun Mehta:** So the total equity requirement for the four assets which is the assets where the construction has not been started so there the equity requirement is somewhere around 560 Crores.
- Parvez Akhtar:** And what will be it for the KSHIP project?
- Varun Mehta:** Yes, KSHIP project the equity requirement is somewhere around 70 Crores.
- Parvez Akhtar:** What was the toll hike that we got in April this year?
- Varun Mehta:** So for the NHAI assets we have got a hike of around 4.4% because in case of Aurangabad-Jalna there has been an 18% hike.
- Parvez Akhtar:** Thanks that is it from my side and all the best for the future.
- Moderator:** Thank you. The next question is from the line of Sriram Kumar from Spark Capital. Please go ahead.
- Sriram Kumar:** Thanks for the opportunity again. Sir, can you please provide the ending order book position for the eight HAM projects?
- Nitin Patel:** Can you repeat the question please?
- Sriram Kumar:** Ending order book position for the eight HAM projects?

- Nitin Patel:** See the outstanding of the HAM is around almost 5980 Crores.
- Sriram Kumar:** Out of that how much will be the order book position of the eight HAM projects, individual projects, and eight projects that we are all executing?
- Nitin Patel:** See actually what I think in the media release we have mentioned that the order for there the projects we said not yet started so that only we have to take out just the resulting figure will be the basically the order for the current basically other executions HAM projects?
- Sriram Kumar:** But just can you please provide the split up of that individual projects.
- Nitin Patel:** I think it is not an upfront ready we have to just calculate and give this.
- Sriram Kumar:** On any can you give the HAM revenue booked in, in the individual projects we have for the three projects we have the data from the presentation but the other five projects is it possible to give it?
- Nitin Patel:** I think that we will work out and give it to you I think Varun Bhai will work out and give it to you across, right.
- Sriram Kumar:** Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Pretha Sharma from HDFC. Please go ahead.
- Pretha Sharma:** Sir just wanted to understand for SEL what is the total order book right now?
- Nitin Patel:** See in our opening remarks we have mentioned that the outstanding order book at SEL it is somewhere around 11981 Crores.
- Pretha Sharma:** Sir at SEL level what will be the standalone debt?
- Nitin Patel:** Standalone debt is 1,490 Crores as of March 31.
- Pretha Sharma:** Sir between Q4 of 2019 and Q4 of 2018 the execution has actually decreased is it because of the lower HAM execution or is there something on the EPC bit as well?
- Nitin Patel:** No, see actually because as Varun Bhai has also mentioned that the certain projects the de-scoping and the de-linking approval basically got basically sometime from NHAI and because of that there are the lot of other the pieces because of land in bids, and PCs lot of basically land was not made

available but the authority. So finally they have come out with the complete solution of the same reassembly and that is why it has impacted at least mainly in the couple of projects rest other things basically we do not see the issue.

Pretha Sharma: Alright sir that is all from my side thank you.

Moderator: Thank you. The next question is from the line of Nilesh Bhaiya from Motilal Oswal. Please go ahead.

Nilesh Bhaiya: Sir my questions with respect to your mining segment. If you see the mining segment order book, it is around 18% of the overall order book, but we use to do around 500 Crores of topline of execution in mining segment four years back now it is only around 150 to 160 odd Crores so wanted to understand if there are what is happening on the execution of these mining orders and if there are any stuck orders or why the execution rate is so low here.

Nitin Patel: See the two things basically the projects particularly in Dhanbad with the BCCL where we have one projects we have already basically return it back and we have I think in the somewhere in Q2 we have mentioned also that we have taken out from basically our order book. Second thing the another two projects where obviously there is a certain execution issues with the actually the mining operations because the particular land for the slow protection and everything what the land they were supposed to provide so DGMS particularly the Directory General of Mine Safety so they have instructed certain procedures to be followed by BCCL so that is why basically the work could not be executed actually as per the desired level and we have also issued the couple of notices to BCCL. Because this is a completely failure on their part and other basically the order what is there for the WCL and southern collieries basically that risk we have received somewhere in the Q2 and Q3 that is why the execution has been just been started but in this year we are expecting the execution from particularly this WCL and the southern colliery work and there will be a largely a very the slow base will continue in the Dhanbad work actually. So and once we will sort out with all the issues with the BCCL then we will be able to take forward at the original level.

Nilesh Bhaiya: So when you said that excluding the four HAM projects you can do 3400 odd Crores of revenue in FY2020 so how much is the expectation from mining segment here.

Nitin Patel: See with this we can say comfortably around 200 Crores to 250 Crores we will be able to execute for the basically for this year depending upon the if we get the more clarity in the two projects in Dhanbad then the execution will increase further.

- Nilesh Bhaiya:** Sir one last question and this was pertaining to mining segment so I think we use to guide that in mining segment we have an EBITDA margin of around 18%, 16% to 20% I think that range we use to give. So what current EBITDA margin or is there a change that we might be making losses here overheads of the higher overrates.
- Nitin Patel:** See in the new projects is we are not basically going to loose there because that there will be able to maintain because everything has been calculated and particularly the two projects that is in Dhanbad area which are already under execution and because of the slow ratio and the certain the dumping area and everything got changed because of the certain land and everything could not be provided by the BCCL so that can impact actually so that is why we have mentioned them that even the required notices as per the contractual arrangement to resolve these matter or otherwise basically we have to take the contractual shelter.
- Nilesh Bhaiya:** Okay sir thanks a lot.
- Moderator:** Thank you. The next question is from the line of Mangesh Bhadang from IDBI Capital. Please go ahead.
- Mangesh Bhadang:** Good afternoon sir and thanks for taking my question. Most of my questions have been answered just one thing sir for the deal is happened you have made an NOC from the lender so I just wanted to check how many lenders are there in the consortium for the projects that you plan to file.
- Varun Mehta:** Yes see obviously for this deal that the NOC will be required from the project finance lender. All put together there are almost around 12 to 13 lenders who are there in this nine SPVs. So obviously the approval from all these lenders would be required.
- Mangesh Bhadang:** And sir can you give some timeline for this when the deal will be close and when the final approval from NHAI and vendors will come.
- Varun Mehta:** Yes, so I think see basically we had mentioned in the last call also and probably in the earlier in this call also Nitin Bhai had mentioned that we are at the advance stage of probably closing this deal so I think as and when probably we are required to make the announcement as per the listing requirement we would come and make the announcement for that.
- Mangesh Bhadang:** Thank you.
- Moderator:** Thank you. The next question is from the line of Mayank Goel from SBI Capital. Please go ahead.

Mayank Goel: Just one question, for these four HAM projects also what will be the mobilization advance that we expect to receive?

Nitin Patel: See all put together I think almost around a closure to 600 Crores we are yet to receive.

Mayank Goel: Apart from these four I do not think there will be any other project from which we are expected to receive any mobilization advance?

Nitin Patel: Can you repeat this please?

Mayank Goel: Apart from these four projects from where we have to receive 600 Crores are there any other projects from where we expect to receive some?

Nitin Patel: Actually I have mentioned the number basically for all the projects put together because although the balance in Lucknow Ring Road and the Samruddhi everything has been included in this so if we have to bifurcate for the four projects basically it is almost around closer to 380 Crores to 390 Crores including the Gadag-Honnali project of the KSHIP.

Mayank Goel: That is it. Thank you.

Moderator: Thank you. The next question is from the line of Viral Shah from Emkay Global. Please go ahead.

Viral Shah: Good evening Sir two questions. Any update on irrigation segment, the bid pipeline or mining segment what were you looking at in terms of bid pipeline?

Nitin Patel: Particularly in irrigation we have the new projects recently which is a small one in Karnataka what we have received the construction has been started and he is going on smoothly so rest other things the current we would like to completely exhaust and to sort out all the issues of the irrigation first because this earlier all the projects we have taken under the joint venture so going forward obviously the bidding will be only in the sole name of Sadbhav Engineering so as and when the new projects will come I think the almost a countrywide, nationwide the election and everything code of conduct was there some state governments in some of the states already it is in form and now we have to see that the how the new bids are coming depending upon that we will figure out our bidding strategy. And particularly in mining we would like to go in a little muted basically pace, actually the focus will be to first come out of the Dhanbad projects first as and when we complete the contractual issues and the to mitigate all the equipment and everything for the new projects what we have taken and then after we will see that the what is to be the next strategy so far as mining is concerned. But other than that we

are basically continuously looking for this metro construction as well as the some of the railway projects and that is where how we are looking for the new bidding strategy apart from the highways.

Viral Shah: Secondly any update on arbitration claims basically?

Nitin Patel: Arbitration we are yet to receive the arbitration award from Dhule-Palesner so we are expecting any time soon with in a month's time this would come because all the hearing and everything is over. So that is one. Other than that the we have received the three arbitration awards out of these Nagpur-Seoni NHAI has settled the same without going into the litigation and we have received the money also and Mumbai-Nasik and this Rohtak-Panipat, Rohtak-Panipat NHAI has already moved to the High Court and so it has been challenged by them so it is under the legal process and the Mumbai-Nasik they have not yet gone to so we expect that within a weeks time or ten days we will be able to understand that what will be the final status of NHAI pertaining to that Mumbai-Nasik award.

Viral Shah: So Nagpur-Seoni what is the quantum we have received?

Nitin Patel: Around 79 Crores we have already received and the balance in form of the semiannual annuity over 19 semiannual annuity NHAI will pay almost to the tune of another around 50 to 51 Crores over and above 69 what we have received.

Viral Shah: And this will be realized semiannually right?

Nitin Patel: Yes semiannually.

Viral Shah: And about Mumbai-Nasik?

Nitin Patel: Mumbai-Nasik it is a onetime strategy award amount is around Rs.192 Crores obviously it is split between Sadbhav and Gammon Group actually as per the pre-understanding once the NHAI settles then the Sadbhav the entitlement of Sadbhav is around 72% of the same.

Viral Shah: We have not book anything in Mumbai-Nasik right?

Nitin Patel: No actually because it is with Gammon and the how the further proceedings because certain issues with the NHAI is yet to be sorted out and the SPV is also not in our control so once these we will sort of all the issues then we will be able to figure out the things between all of us because award is in the name of Mumbai-Nasik actually.

Viral Shah: And what is the claim for Dhule-Palesner?

- Nitin Patel:** The claim is around Rs.60 Crores plus interest.
- Viral Shah:** Barring this there is no other arbitration change pending from other states?
- Nitin Patel:** See it is at a various stages. It is at the correspondence level but the arbitration process has not been started other than this.
- Viral Shah:** Thank you so much and all the best.
- Moderator:** Thank you. The next question is from the line of Jiten Rushi from Bank of Baroda Capital Markets. Please go ahead.
- Jiten Rushi:** Thank you once again. Sir what is the revenue we can expect from the new mining projects this year Sir, WCL and south any ballpark number Sir?
- Nitin Patel:** It is around 175 to 190 Crores what we can expect.
- Jiten Rushi:** And that would be the run rate for next three years broadly?
- Nitin Patel:** No, it is as a period the duration is 5 year actually.
- Jiten Rushi:** So this year and plus three or south.
- Nitin Patel:** Yes, but it is a step up because last year we have to carry out certain activities and some mining operations and then from next year onwards the mining the requirement from the client is getting increased. So we have already mobilized certain equipment's there so now this year it will have a some step up and the next year it will be further step up.
- Jiten Rushi:** So how much will be in FY2021 than 250?
- Nitin Patel:** 2021 we should get almost around 270 to 280 Crores.
- Jiten Rushi:** Sir this old irrigation project other than the new one should get exhausted by this year right Sir?
- Nitin Patel:** Yes this year it will be over, almost more or less has been completed. It is a just far and work is going on in last leg of the pipeline, the small pipeline work is there actually because of the certain land has not been handed over that is why it is basically we are showing outstanding so once we get it we will be able to complete that.

Jiten Rushi: Sir can you just give us the breakup for mining old projects and the new projects won in Q3 is there the breakup up Sir?

Nitin Patel: See as of now it is upfront is not available with me but I can basically get it and submit to you.

Jiten Rushi: No problem Sir. Thanks a lot Sir and all the best. Thank you.

Moderator: Thank you. As there are no further questions I would now like to hand the conference over to Mr. Nitin Patel for closing comments.

Nitin Patel: On behalf of Sadbhav Engineering Limited & Sadbhav Infrastructure Project Limited, we are very much thankful to all the participants who have taken their valuable time to understand the current context of the company and the business, the numbers for the Q4 FY2019 and the whole year of the FY2019. As we have mentioned that the obviously the focus on the new business will start once the new process of bidding will be there, but considering the current environment and during the last six to eight months to at least we can say that the almost the last year basically we have seen the certain challenges in terms of the financial market because of the various issues and the certain, issues with the public sector banks and everything it has basically impacted overall process of the we can say that the liquidity position in the market that basically they have created and now proper support has been received from the banks and but however we are expecting now with this the clarity in the government everything sooner the things will be sorted out and as we have mentioned the transaction what we are going ahead so as and when we are through we will be able to give the complete update and sooner we will come on the platform to give the complete details of the same. Thank you very much to all.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Asian Market Securities that concludes this conference. Thank you for joining us and you may now disconnect your lines.