



“Sadbhav Engineering Limited Q3 FY19 Results Call”

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**MANAGEMENT: MR. NITIN R. PATEL - EXECUTIVE DIRECTOR AND
CFO, SADBHAV ENGINEERING LIMITED**

MODERATOR: MR. VIRAL SHAH - EMKAY GLOBAL

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY19 Results Call of Sadbhav Engineering Limited hosted by Emkay Global Financial Services. As a reminder, all participant lines will be in 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 this conference is being recorded. I now hand the conference over to Mr. Viral Shah of Emkay Global, thank you and over to you.

Viral Shah: Thank you ladies and gentlemen for attending the call. We have with us the management of Sadbhav Engineering Mr. Nitin R. Patel - Executive Director and CFO. We will start the call with the opening remarks by Nitin Bhai and then we will proceed with the Q&A. Over to you, sir, thank you so much.

Nitin R. Patel: Good afternoon, everyone. Now on behalf of Sadbhav Engineering Limited, I warmly welcome all the participants and thank you for taking your valuable time for the earnings call for the quarter ended 31st December, 2018. I am sure you must have seen the media release provided to the stock exchanges yesterday. Now, I will first start with the financial numbers then we will discuss the business outlook and bidding pipeline. Now, the income from operations for the quarter has grown by 10.27% to 925 crores as against Rs. 839 crores of the last year. EBITDA for the quarter has grown by 4.92% to Rs. 111 crores as against Rs. 106 crores of the last year. PBT for the quarter has grown by 17.59% to 70.30 crores as against Rs. 59.82 crores of the last year and profit after tax was lower in Q3 FY19 at Rs. 56.25 crores as against 61.82 crores in Q3 of FY19 due to the higher taxation provision. The tax percentage is increased a bit in this quarter because contribution from projects where ATIA benefit is available is reducing gradually.

Now the EBITDA margin for the quarter stood at 11.97% as against 12.58% in the same period of the previous year. And during the Q3 of FY19, 80% of the revenue is contributed by HAM projects while during the Q3 of FY18, only 27% of the total revenue was contributed by the HAM projects. Now the income from operations for year-to-date for FY19 stood at Rs. 2,528 crores as against Rs. 2,401 crores last year. These numbers are not comparable because Q1 FY18 included indirect taxes in the revenue. Now the EBITDA for year-to-date FY19 has grown by 3.44% to Rs. 301 crores as against 291 crores of the last year. Profit before tax for YTD FY19 has grown by 20.63 % to Rs. 176.67 crores as against 146.45 crores of the last year. And the profit after tax was impacted because of the higher taxation as I have discussed earlier. The profit after tax has grown by 4.75% to Rs. 157.96 crores as against Rs. 150.80 crores of the last year. The EBITDA margin stood at 11.91% in the YTD of FY19 as against 12.13% against the YTD of FY18.

So as discussed during our various earlier calls also in relation to the recovery of debtors, projects where the projects already completed before March 2018. We have seen the recovery, we have recovered almost around 664 crores still January end from the clients of these projects actually. This is a substantial portion of the debtors which have been recovered also. Also there is certain,

the mobilization advance what I would like to put it here that the balance outstanding advance which we are yet to receive is around 725 crores from 8 projects. So, we will discuss the list of the projects later on. Also the outstanding 31st of December, 2018 stood at Rs. 1,460 crores as compared to 1,510 crores as of 30th September, 2018. In relation to the new orders in first 9 months we have added 4 orders worth Rs. 3,093 crores which includes one order of 317 crores in mining sector, one order of 161 crores in irrigation sector and balance 2 orders are in the road project.

Now on the execution front the top 5 projects by execution during Q3 of FY19 have been disclose in the media release. The order book as on 31st December, 2018 stands at Rs. 12,872 crores which translates to an order book to sales ratio of 3.67 times FY18 revenue. As mentioned in the press release construction has already started in 4 projects were 3,737 crores between December and January. The contribution in Q3 of FY19 revenue of these 4 projects is very minimal. Now, the construction of Kim Ankleshwar which is one of the largest projects under the HAM is expected to start before end of March this year. And as mentioned in the press release also that the 4 projects were 3,050 crores are expected to start execution in Q1 of FY20. So, with this actually it clearly shows that around 61% of the order book has not contributed to our execution in Q3 of FY19. Also I had mentioned in our last conference call basically related to the total whole years performance, so we maintain our guideline for FY19 at around 3,800 crores to 3,850 crores which is above 10% of this previous years basically topline. We also maintain our EBITDA guidance and expect EBITDA to be around 12% for the full year of FY19.

Now on the bidding activity, bidding has not kicked off to the extent it was predicted. However, till date basically approximate around 28,000 crores of the bid has been called by NHAI where in the contribution of EPC is almost around 65% to 70% and about the future pipeline, the projects basically which has been identified and the NHAI has put for bid. There are another 55 projects what NHAI is seeking to get the bids before almost around 10th of the March what we are expecting and the total value of these 55 projects is around 41,000 crores having the length of 1,947 kilometers. So, obviously the large portion of this are under the EPC segment. So, that is what we are basically we may go for the bidding of some of the projects in the same for the coming, we at least around balance 20 days here. And just I would like to put here that the apart from this business and everything the company has basically won the arbitration award pertaining to Mumbai-Nasik Expressway Limited amounting to 192.2 crores of which the 72% shall belongs to Sadbhav Engineering Limited. So, basically once it will be settle that may come to the company. So, this is what I would like to put before the largely in terms of what has been done in the quarter and what in the 9 months.

So with these, I will conclude my opening remarks and I am thankful again to all the participants' for listening this opening remarks. Now, we may please start the question and answer session for the members, please.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin the question and answer session. We have a first question from the line of Vibhor Singhal from PhillipCapital India. Please go ahead.

Vibhor Singhal: Sir, basically I wanted to ask on the guidance front. You mentioned that we believe we will be able to do the earlier guided number of 3,800 crores to 3,850 crores that means in the last quarter we will have to do something around 1,300 crores of revenue. Now, given sir on the SIPL call you had also mentioned that basically most of these projects the 4 HAM projects will only start execution in the first quarter of FY20 only. Do you believe that 1,300 crores of revenues doable in one quarter in Q4?

Nitin R. Patel: See, exactly see if you see another 4 projects which are going to contribute the revenue in this quarter we have mentioned in the media release also. So, if you see the projects basically what we have stipulated that is one is the Mumbai - Nagpur Samruddhi Expressway the project size is 1,620 crores. So, all the mobilization we have got the appointed date for the project and work has been started. Even Kim, basically the Chitradurga Branch - Canal that is a small one that is also been started. We have received the appointed date for as 30th January actually. And the Jodhpur Ring Road which is also around 975 crores EPC value for the company. The execution has been started. We have received the appointed date on 14th of December actually. So, this quarter we will have a basically full quarter's business and also the Lucknow Ring Road that is also the 981 crores EPC projects where we have taken the appointed date on 9th of December actually. So, this full quarter this is in addition to what we did actually in the last quarter. So, around 3,737 crores of the new projects has already been started for execution. And that is by if you see even last year's fourth quarter normally it has having a ramp up normally because all the 3 months there are the full-fledged activity and here also we are saying that it will have an almost we will be able to maintain what we have mentioned there.

Vibhor Singhal: Sir, basically taking that number also into account, if I look at the number then I think this year will probably ended somewhere in 9% to 10% kind of a growth in topline over last year. So, if I, look at the last 4 years I think in 2015 we had revenue around 3,000 crores and 4 years down the line we have basically manage to come to around 3,800 crores. So, for the last 3 to 4 years we have been in that 5% to 6%, 7% kind of a range. This time we had a very strong order book also, so now with the order book that we have right now do you believe next year we can probably do a 15% to 20% kind of a topline growth or would that also be contingent to when we get the appointed date and next year also we might not be able to get into the double digit kind of a number?

Nitin R. Patel: See if you see the last 3 to 4 years basically the overall numbers even in terms of the order book also that was not so basically strong. If you see the current order book which is all time high, our number of business has been taken by the company during the, say we can say this year and as well as the end of the last year because Q4 of the FY18 and this are now going to translate into the real business. So, by Q1 the 4 projects what we are basically mention that this is also

getting started so with the current execution as well as the new business which is there so we are quite confident that we will be able to basically achieve at least 20% growth basically for the current year's number actually, for the FY20.

Vibhor Singhal:

Sir, just last question from my side. In terms of the equity requirement for SIPL given that we are facing consistent delays on terms of monetizing our BoT projects that we were earlier thinking of happening in December and then January and it is still under progress. If the deal gets delayed more do we have enough capital in SIPL to be able to infuse the equity owner our own or at some point of time we might have to infuse more capital into SIPL from Sadbhav Engineering to fund the equity requirements for the HAM projects?

Nitin R. Patel:

See actually even though whatever infusion has been done so far so nothing has been contributed by Sadbhav rather basically what Sadbhav has given debtors basically as we have been paid back by SIPL extent of almost around 75 crores to 80 crores on the net basis and also for the going forward whatever the projects are there for execution if you see the basically the standalone operation and maintenance were basically revenue of SIPL plus what we are having the line of credit available in Maharashtra border check post and also basically if the condition to and over and above that we had already having the credit facility available in SIPL so which has not been drawn actually. So that as and when if required it will be done but what we can say is that the, if what you have mentioned the first part if asset transaction is getting further delayed actually. So, which according to us now we are not seeing the much delay basically in the same we are also basically on a track and we are expecting that sooner we will be able to complete this.

Vibhor Singhal:

But in this case you will not invest more money from Sadbhav Engineering into SIPL to fund the equity requirement?

Nitin R. Patel:

No, not at all.

Moderator:

Thank you, sir. We have next question from the line of Rohan Dutte from Crisil Research. Please go ahead.

Rohan Dutte:

My question is largely on the side of bidding. So, you had said in the last con call if I am right around 4,000 kilometers of bids were to be submitted by 31st December, right. But the awarding has not yet happen for those kilometers. So, basically wanted to understand is these 55 projects that you mention new are these new projects you are saying that have come up recently or is it of those old projects only you are talking about?

Nitin R. Patel:

See these are the old carried forward projects actually because the bid is got extended and due to the various reasons of the ground situation so that has been piled up. We have seen the same kind of situation in the last year also. But the current year even the basically everybody is physically figuring out that what is the exact ground position and then everybody will take a call pertaining to the new bids.

Rohan Dutte: So, basically this what yours guidance you said was the next 15 days you expect around 2,000 kilometers for awarding is expecting.

Nitin R. Patel: No, see ultimately in coming one, maximum one month we can see that the bidding bill go for maximum around 2,000 kilometers worth of the bidding. What NHAI is saying it may be possible that some of the projects may slip over actually. So exactly, we have to see that the how much bidders are coming forward that they will also ensure and depending upon the same NHAI will work out there basically they are closing the bid strategy.

Rohan Dutte: And I have another question on those 2 projects that we have which are facing some delays on account of land, Sadbhav Una and Sadbhav Rudrapur. So, are we going ahead with some kind of delinking or descopeing in these projects?

Nitin R. Patel: See, in already one of the project in Rudrapur that we have received the NHAI approval of descopeing and now the revised scope has been finalized based on that we will be able to complete the project well within the timeframe. And in Pune we have already moved to NHAI for descopeing of around 3.6 kilometer only now. So, that is also what has been the last week's development that the at NHAI Project Director and RO level they have already cleared it. So, we are expecting that once it will go to the executive committee we will get the approval from that. So, that is also well within the frame. So, this contractual issue is definitely we have to deal as per the terms of contract. But our main endeavor and we will be, the confidence is that we will complete all the projects within the contractual time frame.

Moderator: Thank you, sir. We have next question from the line of Jiten Rushi from BOB Capital Markets Limited. Pleases go ahead.

Jiten Rushi: Sir, just wanted to check on the debtor's recovery which you said on 664 crores. Sir, as on March 2018 call you had said we have debt stuck of 433 crores and some GST related issue of 100 crores. So, it comes to 533 crores and last quarter we had said that we had recovered 190 crores. So, as the debtors gone up or like I am just confused. So, can you just please clear it?

Nitin R. Patel: No, see rather basically we have successfully got the recovery, large amount has got we recovered from the already completed projects before March 2018. And also the GST per say also we have received the basically money from NHAI and all these EPC related to the extent of almost around 65% to 70% of the money has been paid by NHAI to us. So, only the remaining portion which is ongoing that we will continue to get but we are confident because the procedure has been set and established, so we will continue to get it. So, there is no any increase in the debtors rather we are going to see some reduction in the debtors actually going forward.

Jiten Rushi: So, you mean to say these 664 crores is fully recovered you mean to say that, right?

Nitin R. Patel: Yes, we have recovered but obviously the new projects when it will go on, so we will continue to keep on committing the capital there. But we have seen even the number of days, debtors days

which has also come down because of the HAM, incremental the HAM execution more and more actually.

Jiten Rushi: Sir and what is the debtor number now, sir?

Nitin R. Patel: See, the current outstanding is almost around 50, basically the December 2018 what I can say is that it is around Rs. 1,520 crores.

Jiten Rushi: And we see this coming down. And sir mobilization advance till last quarter of our 8 projects was 775 crores. So, now we have seen appointment dates coming for 4 projects. So, now what is the status and sir what is the pending amount, sir?

Nitin R. Patel: See, the outstanding amount is Rs. 725 crores say out of the total basically the last we have received only the one for the Jodhpur Ring Road, one first installment, second we have already submitted the guarantees and we are expecting another 180 crores of the basically cash advance to receive before 31st of March from this outstanding amount.

Jiten Rushi: So, balance will go to next year?

Nitin R. Patel: Yes, in the Q1 of the FY20.

Jiten Rushi: And sir, any guidance on the debt part, so what do we see, how do we see debt by March end, sir?

Nitin R. Patel: See, as I have mentioned in my call the debt outstanding on 31st December was 1,460 crores. So, we are eyeing basically the debt should be within the range of 1,350 crores to 1,400 crores.

Jiten Rushi: So, we are not expecting any recovery from SIPL, right sir?

Nitin R. Patel: See this is other than that if it happens then the things will completely different, it is altogether different, yes.

Moderator: Thank you, sir. We have next question from the line of Viral Shah from Emkay Global Financial Services. Pleases go ahead.

Viral Shah: Just a question, basically our debt stands at 1,460 crores, right?

Nitin R. Patel: Debt, yes on 31st of December, please.

Viral Shah: As of 31st of December?

Nitin R. Patel: Yes.

- Viral Shah:** So, basically when we started the year in the month of April we had a plan to reduce our debt by around 400 crores for the financial year FY19, right?
- Nitin R. Patel:** It was around 200 crores we have mentioned, debt around we will be able to reduce it by 200 crores, correct.
- Viral Shah:** And I suppose we have not been able to do that right? Instead the debt has increased by 100 crores?
- Nitin R. Patel:** See, obviously that the new project which has been started but the good part is that the even in all the parameters even we have infuse the equity in SIPL even basically the new projects has been started but the company is basically the debt position is remain well within the range actually. And all the basically obligations so far as whatever short term and what are the long term are there it has been completely lined up actually. So, that is what the focus area and obviously because the new projects we have took the capital and in the current scenario. So, our view is that we should have a basically adequate working capital in the hand. So, far as the execution of the other basically ongoing project and the new projects cannot be suffered actually. That is what the strategy we have adopted.
- Viral Shah:** Sir, what is your CAPEX that is for FY20? And how much we have done for first 9 months and for FY19?
- Nitin R. Patel:** See, around 60 crores to 70 crores is there. So, far we have already done around 50 crores odd actually for the year FY19. And next year also we are targeting to have around 60 crores to 70 crores of the fresh CAPEX.
- Viral Shah:** Sir, we had received appointed dates for core projects in 3Q, right?
- Nitin R. Patel:** See yes and 2 basically in the month of December, mid of the December somewhere else and 2 we have received in one in, again 2 in January.
- Viral Shah:** Sir, what will be in the month of December be that 2 projects put together?
- Nitin R. Patel:** See that December one is Lucknow Ring Road the EPC value is 981 crores and that we received on 9th of December, 2018 and Jodhpur Ring Road is 975 crores. It is 14th of December, 2018.
- Viral Shah:** So, basically 4th quarter is the where you will see this full quarter of execution is coming from these 2 projects?
- Nitin R. Patel:** Sir, this is an incremental over and above what we are basically the projects which are under execution basically.

Moderator: Thank you, sir. We have next question from the line of Koundinya Nimmagadda from JM Financial Services. Pleases go ahead.

Koundinya Nimmagadda: Sir, my first question is on the tax rate. I understand that you mentioned about the ATIA benefits getting expired. But if I remember correctly in the second quarter it was guided that there will not be any tax out go in the FY19 and it will be minimal in FY20. So, where do we stand now? What would be the revised guidance be like?

Nitin R. Patel: See, actually still we have unclaimed basically the ATIA benefit is around 185 crores is balance but that we will be able to get credit once we come into the full tax regime actually, right. So, currently we are basically coming falling under the MAT basically regime. So, now onwards this quarter and coming quarters basically we will continue to pay the MAT which is almost at the range of 20%. But as and when we exhaust this entire basically the projects which are under the MAT we will also, we will able to get the credit of the balance unclaimed credit. Second thing, if I have also mentioned in the last conference call that is the 35-AD benefit actually. So, if any new CAPEX is being done, so that we straight away we will be able to get the reduction in the tax. So, in this particular quarter no basically the significant CAPEX was there. So, that is why it was not basically we are not able to get it credit of the same. So, if any new CAPEX happen in the highway sector that we will be able to get again set off of the tax rebate but it depends upon in which quarter it is happening. So, on an average we can say 20% is the liability for at least coming 3 to 4 quarters less whatever new CAPEX in highway sector will happen, to that extent my tax liability will go down.

Koundinya Nimmagadda: Sir, so what will be the effective tax rate be like, FY20?

Nitin R. Patel: See, the range we can say it can be within the range of around say, around 15% to 20% odd basically.

Koundinya Nimmagadda: And FY20, the full tax rate?

Nitin R. Patel: In full tax when we are coming then we will have a basically benefit of getting set off of that unclaimed the ATIA which is 185 crores. So, then also we will continue to pay the 20% MAT actually. That is what the, we are seeing that at least FY20 there will not be any additional. So, the tax rate will not be to the full rate of they are around 33%. It will be maximum 20%.

Koundinya Nimmagadda: So, it will be 20% in FY20 and in 2021 we will be have a set off even though we reach the full tax rate ...

Nitin R. Patel: Exactly.

Koundinya Nimmagadda: Sir and my second question is that for FY20 you gave a revenue guidance of 20% growth. So, what is the extent of HAM project execution which we have factored in, I think we have got 4

projects where either FC is pending or appointed dates are pending. So, what is the contribution by this project that you have factored in?

Nitin R. Patel: Then you see that is the, what minimum 20% what I have indicated that minimum 20% will be able to achieve. So, definitely all these projects if we are get starting right from the beginning of the first quarter itself, so we can basically go further and if any new business is coming. So, that is also the incremental can basically add the basically overall topline for the company. But this is what we can say that the FY20, we will be able to achieve this based on the current business what we are having.

Koundinya Nimmagadda: Sir lastly, what will be the order inflow guidance would you like if we have, I do not if you have guided before I might have mistaken? What is the order inflow?

Nitin R. Patel: See, we have prepared some of the bids we are already ready to submit and we expect obviously depending upon the how the competitive intensities coming. But we are eyeing almost around 2,000 crores to 2,500 crores of the new business to be taken for the current session of the bids actually.

Koundinya Nimmagadda: And what would it be in FY20, sir?

Nitin R. Patel: See, that depends upon the way how basically the new projects are coming, what are the basically competitive. But highway sector we will always continue to basically focus and remaining the same. So, definitely once that is this all the process is over, election is already on the head. There will be some lockout period, once it is through then we have to see that what kind of bids are coming basically from the government end depending upon that we will decide accordingly.

Koundinya Nimmagadda: Sir, one last question. What is the debt, current outstanding debts from SIPL now?

Nitin R. Patel: See that is around 460 crores, I think we have mentioned in during the SIPL conference call. 460 crores are the outstanding between SEL and SIPL.

Moderator: Thank you, sir. We have next question from the line of Jiten Rushi from BOB Capital Markets Limited. Pleases go ahead.

Jiten Rushi: Sir, just wanted to know the outstanding bid pipeline in the mining and aviation segment. Sir, usually you give in the opening remarks, so any outstanding bid as on date, sir?

Nitin R. Patel: No, see actually as of now no any outstanding bids in the both the sectors actually. And depend because now we are of the view that this the block out definitely will start after 15-20 days. So, we have to wait for another 3 to 4 months.

Jiten Rushi: But sir, at the state level also this block out will remain?

- Nitin R. Patel:** Yes, it is, because normally in mining we see it is a central government agencies are there only. State government they are coming definitely they have to take the permission from the election commission and then only they can come for the bids. If so urgent is there then they will allow otherwise it may post some different way.
- Jiten Rushi:** So, basically in Q4 or probably Q1 we do not see any much of the order inflow?
- Nitin R. Patel:** Yes, generally it is a cyclically almost during the, all the election phases we have seen these kind of trend.
- Moderator:** Thank you, sir. We have next question from the line of Parkishit Kandpal from HDFC Securities. Please go ahead.
- Parkishit Kandpal:** I just had one question. So, this stake sale which is happening this will cover or is there an auction for our HAM project also in future, coming the HAM project as well?
- Nitin R. Patel:** Yes, see the way it is being working out we are of the view that we should also be planning way that it should be a long term kind of arrangement.
- Parkishit Kandpal:** So basically we will have multiple benefits at standalone level our debt will get repaid and will have visibility, I mean going beyond next couple of years on getting new HAM projects?
- Nitin R. Patel:** Yes, the intention was very clear that now whatever we will do this will be basically a completely one off kind of event actually. So, that is where how we are going to plan.
- Parkishit Kandpal:** And even, I mean from the strategic perspective post this deal, so the way we are bidding the way we are seeing the growth currently. So, that will totally change, I mean this see a big change?
- Nitin R. Patel:** Definitely the things will have different because the outlook itself for going for the business strategy will completely change. The larger basically focus will come on the EPC because the investment cycle will go down substantially and even the investment amount will also go down substantially.
- Moderator:** Thank you, sir. We have next question from the line of Pritha Sharma from HDFC. Please go ahead.
- Pritha Sharma:** Sir, just wanted to understand, of course you have explained that earlier as well but you say that the equity requirements met by the SIPL over the next 2 years which is close to around 900 crores. So, what kind of cash flows are we looking when you say that SEL no support will be required from SEL?
- Nitin R. Patel:** See, total if you see the operational portfolio itself of the current operational portfolio, so between FY19-2020 and 2021 put together we are going to see free cash flow of almost around

1,200 crores from the operationally itself. So, that is clearly available. This is what we are saying after making the repayment as per the schedule basically arrangement in all of the SPVs. Because if you see all in quarter-on-quarter basis the cash generation in the operational portfolio is increasing even the whatever equity, so far invested by SIPL into the hybrid annuity projects not basically single money has been infused by SEL. No incremental money has been raised that SIPL also but obviously we had an underlying sanction from the Maharashtra border check post where we are undrawn portion of around 350 crores is there. Over and above the third one, basically is that we are the operational and maintenance revenue from the hybrid annuity projects which are yet to receive in SIPL it is to the tune of almost around Rs. 680 crores for the all the current ongoing HAM. So, this is the third one. Fourth one, basically the receipt of arbitration proceeds because as we have mentioned that the Nagpur - Seoni whatever award has been declared NHAI has just in the last week of January they have made the entire payment up front without any litigation and any bank guarantees. So, another couple of projects where we have already received the award and which we are about to receive, so this may also be available for going forward. And over and above the credit facility to the tune of 550 crores is undrawn from the Piramal basically. It has been paid at the decent terms. The availability period is 3 years. So, all put together we are quite confident that nothing is remain basically we need nothing to depend on SEL at all.

- Pritha Sharma:** Sir, Nagpur - Seoni the money has already been paid, right? What is the quantum?
- Nitin R. Patel:** 69.81 crores have been received and the balance 19 annuities we will get additional 2.6 crores semi-annually. So, that has also been now established.
- Moderator:** Thank you. We have next question from the line of Sriram Kumar from Spark Capital. Please go ahead.
- Sriram Kumar:** Sir, 3Q FY18 numbers have been restated on the topline and the cost. So, what is the reason behind it, sir?
- Nitin R. Patel:** So, that is because of the GST adjustment actually. Because Q3 of FY18 when we have declared the numbers earlier originally it was basically including the GST. So, the declared number was 935.06 crores as out of if we take out the GST component the net number is 839.36 crores. So, if you see the basically the Q4 result when we have declared, so the Q3 numbers has been revised into all the basically the stock exchanges and that the 839.36 crores which is net of GST. So, it can be made comparable between for Q3 this FY19 and Q3 FY18.
- Sriram Kumar:** Cash and cash requirements?
- Nitin R. Patel:** See, as of now available cash in Sadbhav Engineering is to the tune of around Rs. 68 crores to Rs. 70 crores.

Sriram Kumar: Sir, my last question would be like, sir we have around 4,300 crores of executable road project if I am not wrong at the end of Q3 FY19 that is end of September 2018. If one were to give 2 years of execution and similar for 4th quarters, so execution run rate per roads could be around 540 crores. So but how were this quarter we have done revenue of 460 crores per roads. So, is there any issues in any of the projects we are executing correctly?

Nitin R. Patel: No, see, if you see in the media release the current quarter the transportation sector revenue is 883.62 crores. And out of that the BoT and HAM contribution is 744.15 crores and the EPC is 139.47 crores.

Moderator: Thank you, sir. We have next question from the line of Giriraj Daga from KM Visaria Family Trust. Please go ahead.

Giriraj Daga: First question on, in terms of our next year order CAPEX. So, we have to be looking at about like incrementally somewhere about 800 to 900 kind of a revenue and we are giving a guidance of 60 crores-70 crores CAPEX. So, post that what should be there like, we would be fully utilized on our equipment by FY20 end? And if the next year we have to do incremental revenue we will have to do a CAPEX in the ratio of 1:5 asset turnover, is that the right assumption?

Nitin R. Patel: See, normally the strategy what we have adopted is the all key equipment's will be won by us actually. So, we need not have to depend on the rental or the leasing of these kinds of equipment's. The large number of the commodity kind of things like excavators, tippers and even for the transportation vehicles to some extent basically vibratory roller. So, some of the equipment's what we have listed out that we will not own directly with us and better we should basically give the work. So, we can control basically our equipment bank as well as the requirement of the man power going forward. So, that is what we are adopting actually. But it depends because the churning up is also is happening. So, what is going to happen in FY20, when will start another 4 projects, so to a large extent some of the equipment's like concrete batching plants, pavers and this even these, what we can say the other related key equipment's, crushers and everything got release from the earlier projects and that we can utilize churn these basically equipment and their lifecycle of all these key equipment we have seen it works almost around 9 to 10 years basically.

Giriraj Daga: So, what kind of a peak EPC revenue we can do with the existing set of let us say FY20 CAPEX whatever we have planned. What it can be the number?

Nitin R. Patel: See, as we have mentioned that to achieve minimum 20% growth for next year and the way the order book is there we need to do another 70 crores to 80 crores of the new CAPEX.

Giriraj Daga: I understood that, I am what kind of the peak revenue we can do. So, next year we will do let us say about 4,600 crores – 4,700 crores. But with the existing set of equipment can we do number let us say 5,500 - 6,000 or 6,500?

- Nitin R. Patel:** 5,000 crores – 5,500 crores we can do as and when if we add the new business definitely we will basically change our basically CAPEX requirement. But it depends upon how the new business and what time it is coming actually.
- Giriraj Daga:** My second question is on the margins. So, this year we have guided about 12%. But what should be the guidance built in for the next year?
- Nitin R. Patel:** See we will continue to maintain 12% even for next year also, our guidance will be for 12% basically.
- Giriraj Daga:** If you can give me like this December end what should be our receivables more than 6 month due?
- Nitin R. Patel:** See, hardly around 170 crores or 175 crores maybe there actually, all put together, correct.
- Giriraj Daga:** 6 months dues?
- Nitin R. Patel:** Yes.
- Moderator:** Thank you, sir. We have next question from the line of Rohit Natarajan from Antique Stock Broking Limited. Please go ahead.
- Rohit Natarajan:** Sir, this Mumbai - Nasik Expressway we have been maintaining that our claim amount were quite higher and the awarded amount it looks actually lower. Could you throw some light on this?
- Nitin R. Patel:** Obviously couple of claims largely the one of the claim which was larger or almost more than Rs. 80 crores that is loss of profit claim actually because of the NHAI could not give the land and we could not utilize the resources for other projects. So, we have claim the loss of profit in the same. So, that has not been considered by the arbitrators. Apart from that the IDC component of around Rs. 58 crores interest during construction. So, that will go into the one different claim is being launch by Gammon Group actually where they have asked for extension of the concession period by more than 2 years actually. So that arbitration proceedings is already going on. So they have, arbitrators have decided that will be dealt into that particular arbitration, so that is why it has been taken out. Rest of the claims we are of the view that we have received almost 70% of the basically our claim amount.
- Rohit Natarajan:** I think then all put together it continues to that there is the total claim amount ideally should exceed close to 400 plus crores, right on this particular project?
- Nitin R. Patel:** See obviously around the 308 crores we have already basically reported numbers or so and future annuity we are not considering for Nagpur – Seoni because it will be future amount. But the

arbitration proceeding they have already allowed to pay the higher amount, so this is one thing. If we add that it will another go up by Rs. 50 crores more actually.

Moderator: Thank you, sir. We have next question from the line of Jiten Rushi from BOB Capital Markets Limited. Please go ahead.

Jiten Rushi: Sir, my question was related to the order backlog of mining. So, we have not seen any movement in the order backlog even though we have booked a revenue of some 28 crores. So, the order backlog seems to be same. So, any reason why there is not much movement in the order backlog and your execution, sir?

Nitin R. Patel: See, 5 of the projects has been started post monsoon actually. So initial, basically the mobilization and everything has taken some more time actually. So, whatever new CAPEX we did actually this year largely in the mining sector only. So, that has now mobilized, so we will start seeing some basically incremental growth from this quarter onwards. So, every quarter-on-quarter we will see some incremental growth there actually.

Jiten Rushi: So, what kind of revenue we can expect in mining, sir going forward?

Nitin R. Patel: Yearly this basically FY20 I can say we will be able to reach almost around 280 crores to 300 crores.

Jiten Rushi: So, that is all put together like the older and the newer projects?

Nitin R. Patel: Yes.

Jiten Rushi: And sir, in the irrigation also your L1 for 190 crores. I think the EPC cost has come down, so we have negotiated with the awarding authorities, sir?

Nitin R. Patel: No, the same award has been, the same has been basically declared finally by the government of Karnataka actually and we have received the appointed date also. Now, the execution has been started.

Jiten Rushi: I think sir, your L1 for higher value that is what my question and appointed date shows the EPC cost of 160 crores. So, just wanted to check because if you moved from the order backlog your irrigation order backlog also is same as the last quarter sir, 352 crores. So, when the execution has not picked up, so in the last call you said that irrigation most of the execution will be done by end of this year for the older projects and but we do not see irrigation moving much faster than what we expected.

Nitin R. Patel: See, actually obviously the LOI has been received is 460.91 crores. So, that is we have mentioned that same exactly.

Jiten Rushi: Older projects also sir we have not seen any movements. So, what is stopping us from more revenue coming from the older projects because now it is going on there is no issue as such ...

Nitin R. Patel: See the large number of the older projects the outstanding is there. There is an issue pertaining to the non-availability of the land for completing the last mile of the pipeline laying actually. So, that process because of the election in Madhya Pradesh, so nothing was moved actually in this direction. So now, post this election the things have been started slowly and we will be able to complete the balance as early as possible. So, these are the old projects actually which we have taken up the responsibility from other joint venture partners. But now this is the main reason why it has not good anything in the quarter.

Jiten Rushi: So, next quarter we can expect some ...

Nitin R. Patel: Yes, this will basically have some execution.

Jiten Rushi: So sir, this 3 year 50 crores we can expect to get exhausted by Q1 2020?

Nitin R. Patel: See, entire Q1 it may not go because still the land acquisition how it base is being given by the client then according to that we will be able to complete the job. But our basically emphasis is very clear on the same that if you are not giving certain cutoff date better you basically take out this basically from our scope. But it is a clear requirement because and otherwise entire irrigation system will not work actually if we are not completing. That is what the client wants.

Modertator: Thank you. As there are no further questions, I now hand the conference over to Mr. Nitin Patel for closing comments. Sir, over to you!

Nitin R. Patel: On behalf of Sadbhav Engineering Limited, I am very much thankful to all the participants who have taken their valuable time to understand the quarterly business of the company. And as we have mentioned during the entire basically process we are basically quite focused to complete our current obligation and in terms and keeping the entire the balance sheet position in the view, so whatever decisions will come basically for the company, on behalf of the company this will be purely on the basis of the balance sheet strength of the company. That is what we can say as of now and thank you very much again for all to taking the time.

Moderator: Thank you very much, sir. Ladies and gentlemen, on behalf of Emkay Global Financial Services, that concludes this conference call. Thank you for joining with us, you may now disconnect your lines.