“Sadbhav Engineering Limited and Sadbhav Infrastructure Project Limited Conference Call”

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Ladies and gentlemen, good day and welcome to the Sadbhav Engineering Limited and Sadbhav Infrastructure Project Limited Conference Call hosted by Asian Market Securities Private 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 touch tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Suraj Sonulkar. Thank you and over to you, sir.

Suraj Sonulkar: Thank you, Aysha. Good evening, everyone. On behalf of Asian Market Securities, I welcome you all to Q3 FY’20 Earning Conference Call for Sadbhav Engineering Limited and Sadbhav Infrastructure Project Limited. We have with us today Mr. Nitin Patel -- Executive Director and CFO for Sadbhav Engineering Limited and Mr. Varun Mehta – CFO, Sadbhav Infrastructure Project Limited, representing the company.

I now request Mr. Patel to take us through the “Quarterly Result” and then the “Outlook for the Company” and then we shall begin with the “Q&A Session.” Over to you, Nitin sir.

Nitin Patel: Thank you very much. Good afternoon to everybody. On behalf of Sadbhav Engineering Limited and Sadbhav Infrastructure 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 2019.

I will first start with “Updates on SEL” and “Stake Sale”, then Varun Mehta will take you through the SIPL and “Further Details of the Stake Sale.”

Income from operations for the quarter stood at Rs.440 crores. EBITDA for the quarter stood at Rs.55 crores. PBT for the water stood at Rs.12.62 crores and profit after tax stood at Rs.11.66 crores.

The reason behind the decline in the revenue in this quarter is mainly because of the following points: First of all, obviously, there was an extended monsoon in the month of October and which has impacted physically the number of projects for the execution…but this is only in the month of October only. And second major point what we have basically envisaged and really faced basically issue is that the SIPL has already tied up the fund of Rs.550 crores to equity with a large lender. However, due to the sluggish market condition, that lender has not dispersed any funds during last 15-months. Obviously, the SEL has extended additional support of Rs.200-225 crores of loan to SIPL since April 2019, which has been primarily utilized by SIPL to infuse liquidity in assets and due to these the operational cash flow of SEL was not utilized for execution. At the same time, SEL standalone debt has reduced from Rs.1,587 grows as on 31st March 2019 to Rs.1,514 crores as on 31st December 2019 which is also reflected in the reduction in the finance cost for the nine months.
Also, due to the issues related to ROW in some of the HAM projects, and resultant slower execution in particular projects, the lenders at HAM SPV have reduced the frequency of disbursement and the amount of disbursement which led to the lower cash flow for execution. So, this is also one of the reasons in four of the projects what we have seen. All the above factors we could have been avoided and this could not be impacted in the execution of the projects. If the stake sale really was closed as per our earlier estimate of closing during October 2019, which obviously got legal delay due to the various reasons. However, now with the completion of this major stake sale deal, we will have ample availability of funds for execution of projects and accordingly from Q1 FY’21 execution is expected to reach the earlier level. EBITDA margin for the quarter stood at 12.46%. During Q3 of FY’20 62% of the total revenue is contributed by HAM projects in transport segment while EPC projects in transport segment contributed 29%. Gross debt as on 31st, December 2019 stood at Rs.1,514 crores and net debt as on 31st December 2019 stood at Rs.1,436 crores. Order book as on 31st December 2019 stands at Rs.8,726 crores. We expect to achieve the turnover of around Rs.550 crores to Rs.600 crores during Q4 from the current order book. We also further expect to achieve the turnover of Rs.3,200 crores during FY’21.

There are 35 EPC projects from NHAI worth Rs.24,259 crores and 52 HAM projects from NHAI worth Rs.47,859 crores, for which bids are to be submitted before 31st March 2020. So, we have recently submitted five bids for EPC projects of Rs.4,523 crores which are likely to be open in coming weeks. We shall bid for HAM projects upon assessment of ground reality of all such projects under which once the entire deal is completed.

On the execution front, top five projects for execution during Q3 FY’20 have been disclosed in the media release.

Now, coming to the status of the stake sale deal which was much awaited. We are extremely happy to announce that yesterday we have completed transformational deal for the Sadbhav Group which is landmark transaction not only for the company but entire highway sector in the country with IndInfravit Trust, promoted by L&T IDPL and with marquee investors such as CPPIB, ACP and OMERS. Also, now we became 10% stakeholders of the IndInfravit Trust. Mr. Varun Mehta will take you more details in this later on during the SIPL submission. Now post this deal, we would like to hive off MBCPNL and HAM projects also once operational and expected to fetch more than Rs.2,200 close. Strategy of the group is very clear to take the under-construction and then to sell the project once the assets have been stabilized. Here, I would like to say that we have already signed ROFO agreement with IndInfravit Trust for all the present and future assets over and above getting maintenance contract worth Rs.4,000 crores and 1% of operational revenue every year as project management fees. Sadbhav Group has won arbitration awards more than Rs.300 crores and is expected to receive the proceeds during the current calendar year as basically NHAI has started the conciliation process and that they also wants to dispose all the things basically as early as possible. So, this is largely so far
as Sadbhav is concerned and current numbers and a broader part of the company’s strategy is concerned.

Now with these, I will hand over to “Mr. Varun Mehta to Discuss Updates on SIPL and Stake Sale Detail.” Thank you very much everybody for listening to me. Thank you so much.

Varun Mehta:

Thank you, Nitin bhai for giving the useful updates on the stake sale and on the company. And good afternoon to all the participants and thank you for taking your valuable time to attend the earnings call for the Q3FY20.

Now, starting with the outstanding order book of SIPL, SIPL has the current outstanding order book of Rs.194 crores towards the maintenance of the nine HAM projects which is to be executed over a period of next 15-16 months. Consol debt in Maharashtra Border Check Post, Rohtak Panipat and Rohtak-Hissar as on 31st December 2019 stood at Rs.2,965 crores. The consol debt for the under-construction SPV is around Rs.1,942 crores. The gross standalone debt in SIPL standalone is around Rs.1,781 crores and this includes the debt from SEL of Rs.834 crores and net standalone debt at the SIPL level is around Rs.1,771 crores. In all the HAM projects, we have infused Rs.600 crores of equity up to 31st of December 2019.

Now coming to the stake sale transaction which Nitin bhai has already informed that we have completed the stake sale transaction. So yesterday only, we informed to the stock exchange that we have transferred the stake in six of the NHAI assets to IndInfravit and the total equity value of the six NHAI assets is Rs.1,891 crores, out of which we have been allotted the units of Rs.724 crores yesterday which is equivalent to 10% stake in the trust and the balance consideration of Rs.1,167 crores shall be received in cash in next week. So, probably in the next mid of the week we are expecting to get this money.

As far as the units are concerned there is no lock-in in the units which are allotted to us because SIPL is not the sponsor of the trust. SIPL will have one representative on the board of IndInfravit, so, we are getting one good lead also.

On the condition precedent as far as the state assets which is the Aurangabad-Jalna and Mysore Bellary project is concerned, so, we have completed the condition precedents, and we expect to receive the proceeds for these two assets before the end of the current month. The total equity value of Aurangabad-Jalna and Mysore-Bellary put together is Rs.474 crores and the entire money shall be received in cash. With the completion of above, the total equity value of eight assets comes to Rs.2,365 crores as it can be seen that we shall receive a cash of Rs.1,641 crores and units of Rs.724 crores from the stake sale of eight assets.

Now, going further into the utilization of this Rs.1,641 crores which has been planned by the company, so, we expect to utilize the money as follows: And there is one minority partner in Bijapur-Hungund, so, we have to pay Rs.70 crores to the minority partner for the stake buyout to that particular partner. There is a payment towards the taxes and the transaction cost for the
deal. So, the amount is around Rs.80 crores which we have to spend for the taxes and the transaction cost. The cash which has already been paid by the SPV to SIPL and SEL during the last couple of years and that amount is Rs.214 crores, so that is like a payment which has already been done by the trust to SEL and SIPL. SIPL will leeway the debt at the standalone level of Rs.1,030 crores. So, with this there would not be any external third-party debt which will be lying at the SIPL level. So, all the debt will be repaid at the SIPL level. Working capital requirement at the SIPL level, for that Rs.50 crores has been set aside. SIPL will repay debt of SEL to the extent of Rs.200 crores from the first eight assets and SEL in turn will repay the debt of Rs.50 crores and Rs.150 crores will be utilized for the working capital for the various under-construction projects. Now, with this the entire completion of the eight assets and the receipt of proceeds, the net debt of SEL and SIPL standalone as on 31st December which stands at Rs.2,372 crores which are used to only Rs.650 crores. So I think this is a very major reduction of the debt which has been planned by the group. And now with the completion of the transaction, we can see that it is a reality now and debt is reducing by a very large extent with the completion of this eight assets. The ninth one which is Ahmedabad Ring Road, so in that we are yet receive the approval from Ahmedabad Urban Development Authority. We are in the process of getting the approval and we expect to receive the approval before the end of March 2020. And accordingly the proceeds of Ahmedabad ring road which is Rs.267 crores is expected to receive in Q1FY21. The entire proceeds will be in the form of cash. And after paying the taxes and the transaction cost, we expect the proceeds to be around Rs.250 crores. So SEL basically will get Rs.250 crores from this particular stake sale and SEL will in turn reduce the debt of the third-party by around Rs.250 crores. With this, the net debt which is getting reduced to Rs.650 crores after the closing of the eight assets will stand at only Rs.400 crores after the stake sale of ARRIL and which is a reduction of more than 80% from the current level of debt what we have which is Rs.2,372 crores. So, I think this is a very major development and this deal was planned by the group since last couple of years and now we have completed this particular deal. So, I think with the completion of deal, there are many advantages which we are seeing. The first advantage is that the entire debt basically will be reduced of the nine SPV. So, the debt of the nine SPV is around Rs.4,064 crores and the entire debt will be shifted to the IndInfravit and accordingly the banking limits of Sadbhav Group will get freed up because of this. Also, basically the debt at the standalone level is getting reduced, which will provide us more resources to bid for the large number of projects.

Our bank guarantees worth Rs. 150 crores shall be freed up because we have given bank guarantees for the DSRA account, for the MMRA account, so that will also get freed up. And also we are repaying certain amount of the debt where we have given the shares of SEL and SIPL has pledged. And now with the repayment of those debt, the pledging of the SIPL shares shall reduce to only 23%. Of SIPL shares, it shall reduce to 52% post the completion of the eight assets and with the completion of Ahmedabad Ring Road, it will reduce to only 28%. And also we have further plans to reduce this particular pledge to the low levels. So, I think in a way if we see the advantage of this deal, it is basically a deal which is helping a lot in terms
of what we can plan for the future growth of the group. So, I think in a way, we have just completed this particular deal and we are happy to announce that.

Now with this we complete the opening remarks and thank you very much for listening to us and now we may please start the Q&A Session.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.

**Mohit Kumar:** Sir, the execution has been a bit disappointing in this quarter. Can you please clarify what was the reason and how do you expect Q4 to pan out and how is the revenue guidance pans out for FY’20 given the guidance, I think the execution has to be pretty high for Q4 to meet our guidance of 36 million?

**Nitin Patel:** First of all, as I have mentioned during my opening remarks, the various reasons basically why the turnover has fallen. So, mainly as I have mentioned the large amount, particularly which we were required to infuse into the hybrid annuity projects as equity, the company has already tied up well in advance actually with a very large lender. Because of the market conditions that he miserably could not basically fund any of the money within the last 15-months actually and to make the commitments, good company has to basically continue to infuse and give the priority to the hybrid annuity projects, #1. Second thing, given if you see that certain HAM projects basically because of the land acquisition, RoW was not given and which we have discussed during the last three to four calls regularly and give basically updates also. So because of that, the lenders of that particular HAM projects physically has reduced the frequency of the disbursement. So this is also second impact. Third as I mentioned, there is obviously the extended monsoon during October. So, obviously it has impacted to everybody, but here in our case also, because there are four number of Greenfield projects where we could not basically even touch up also. So, that is also one of the reasons, but this is hardly in the month of October only as I mentioned. And also I have stated that if we could have concluded this entire deal in the month of October, so, definitely the gap of debt, particularly funding which was required, so that we could have mitigated in October itself and that could have given further support, but because of these entire deal is shifted to actually now, now the deal is completely reality, and so thing is completely through. So from henceforth we are of the very clear view the availability of working capital will be very smooth, all the funding requirement of the further hybrid annuity projects completely will be there in the line-up. So that will give the further cut. Based on their current numbers and everything as I have mentioned that we will be able to achieve the top line of around Rs.550 crores to Rs.600 crores during Q4 and Q1FY21 onwards we will be in a regular mode. So, with the current order as I mentioned without adding any basically we will be able to get Rs.3,002 crores of the top line for the FY21. And also if you see even after making the funding to the equity, everything, then you can see evident in the numbers in SEL. The debt at SEL level has rather gotten a little bit reduced actually which is clearly evident even the total debt number as well as finance cost
also basically for the nine months. So, this is the main reason and I think the now we have left behind with the conclusion of this entire deal, the things will be required with obviously substantial basically reduction in the debt. So, even total finance cost at the company level on a net level basis, we are expecting that net finance cost should not go beyond even around Rs.50 to Rs.60 crores in FY’21 actually because this is completely now a reality So, that is what we are expecting.

Mohit Kumar: Is it possible to give some kind of color on the HAM project where we can see the execution picking of Q1 FY21? And how are the execution in Mumbai-Nagpur space -- has it picked up in Q3? It looks like they are now top-five major project contribution for the quarter.

Nitin Patel: In HAM projects actually the major contribution we are expecting from the Jodhpur Ring Road. Second thing, Kim-Ankleshwar and the Gadag-Honnali. The Gadag-Honnali we are going to take the appointed date on 27th of this month actually from KSHI, the EPC cost almost to the tune of around Rs.840 crores. And the Mumbai-Nagpur particularly basically we got execution in the Q3. Main reason is it is a completely Greenfield number. In October, we have nothing basically there, and from November and December onwards the large number of portion contain which is coming under the forest area. So, now we have got recently the clearance for this particular area and certain design and drawings are still under the approval, but we are expecting that from this particular quarter, we will have some additional top line from these Mumbai-Nagpur and in Q1 FY’20 we will have a full-fledged turnover in the Mumbai-Nagpur also.

Mohit Kumar: On the bidding pipeline, so we have not seen you participating. Is the funding was constraint which are not allowing us to participate and given this deal is now in place we are able to participate full-fledged in Q4?

Nitin Patel: As I have mentioned in my opening remark, again, that we have already participated for five bids under the EPC, around Rs.4,523 crores, so we are expecting their opening results during the coming two weeks. And also we are in a process of submission or series of EPC bids now and as I have mentioned once the deal is completed by the end of the month, then after we will start looking the hybrid annuity projects depending upon what is the ground situation of the land availability and everything because in the past also we have seen after taking the projects, but when the NHAI is not able to get even because of the certain reserve, if the land is not made available within the stipulated period of one year from signing the concession agreement, and also we have basically bank guarantee limits and other resources. So that we do not want the situation again. So that means how we are planning for the hybrid.

Moderator: Thank you. The next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal: InvIT number of units, has it gone up because earlier it was Rs.650 crores, now you said Rs.720 crores, is it the gain in the price because of the unit price?
Varun Mehta: The main reason for the value of the units going up is that from 1\textsuperscript{st} of April 2019 the dividend which has been distributed by the trust, the trust had distributed on Rs.388 crores of dividends, 10\% equivalent to that which is around Rs.38, Rs.39 crores has been attributable to us. So that is one of the reasons why the value of the unit has gone up. And the second reason is if you remember that we had this certain milestones link valuation benchmark, so, we have got the extension in the concession period for the Aurangabad-Jalna project. Because of that, we have got an increase in the valuation which has been contributed to the increase in the value of the units. So, primarily we can say that these two are the main reason why the value of the unit has gone.

Parikshit Kandpal: So it will not reduce the cash outgo to us, right, the cash is not reduced because of that?

Varun Mehta: No.

Parikshit Kandpal: Nitin bhai, earlier you highlighted that because the equity could not come from the third-party and you had pumped in some money to SIPL for funding the equity and then you did not have the cash flows for the working capital and ramp up the execution. So now when this money comes up, a large part of that is going towards reduction of debt. Then how will you again ramp up the working capital and the execution then because again you will require… this inflows has to be actually used for business for working capital requirements?

Nitin Patel: First of all, let me tell that we have also planned certain infusion basically for the immediate requirement of the working capital as of now. So that has been already been planned out of the stake sale deal which has already been announced. #1. #2, apart from the sale, there are the regular because all these projects, availability of the funds either from the NHAI and the lenders, he all the money is already there. So, once we will start, definitely the ramp up will provide basically adequate money. #1. #2, we did not have to now worry about any kind of large amount of the repayment either interest cost or either we can say that the repayment of the facility because more than Rs.1,200 crores of the facility is getting paid off now, and another Rs.250 crores will be paid off for the Ahmedabad Ring Road is there. So, significant repayment is happening which will give the additional comfort. Fourth thing basically if you see the units which are having the reasonable cash flow because every year we are expecting around 75 to 80 crores of the cash flow from the units of the trust, which will be obviously available, this is the fourth one. And apart from the same as I have mentioned the awards which are already in the hands of the company, the conciliation process at NHAI level has started. Almost three sitting has been completed. So, we are expecting the things will be finalized and we have already seen, NHAI is also moving forward to conclude this and close all of them where the awards are there. So, that is also one of the points what we are expecting to get during the current financial year. So, this will be sufficient to take care of the requirements and we do not see any other. Lot of other payments which are already there within the system and we are yet to receive from the various clients, that will also be contribute to the ramp up of the working capital requirements, that is all.
Parikshit Kandpal: So for the residual projects in SIPL, Varun bhai, you can tell us the Rohtak-Hissar, Rohtak-Panipat and MBCPNL. So, what kind of total nine months cash flow has been generated? And also what kind of further last funding will be required in Rohtak-Hissar, Rohtak-Panipat projects, if you can highlight that?

Varun Mehta: For the Rohtak-Panipat and Rohtak-Hissar both put together, we had to support the project to the extent of Rs.37 crores for the first nine months. That is the infusion which is SIPL has done in the SPV. And as far as Maharashtra Border Check Post is concerned, we have generated a cash profit of around Rs.50 crores in the first nine months and I think going forward as we discussed in the past for Rohtak-Panipat we are dealing with NHAI where the alternate route provision which is already there in the concession agreement, so, we are working with NHAI to sort of work out some feasible solution where the revenue can be protected to us also, because there is a lot of funding which we have spent in this particular project in the last six years, more than more than 300, 350 crores which we have infused over and above the equity which is there. So for Rohtak-Panipat, we are definitely dealing with NHAI on a regular basis. So I think we are hopeful for a solution in the next few months or so.

Parikshit Kandpal: And if you can break up the total equity invested in all these three residual projects, operational assets in the portfolio and also the HAM assets, last funding part also?

Varun Mehta: In Rohtak-Panipat we have invested a total equity of Rs.243 crores, last funding during the month of December it is around Rs.247 crores.

Parikshit Kandpal: So total Rs.243 plus Rs.247 crores, that is the investment gone, almost Rs.500 crores have gone into this Rohtak-Panipat?

Varun Mehta: Yes.

Parikshit Kandpal: Rohtak-Hissar?

Varun Mehta: We have invested equity of Rs.110 crores, last funding of Rs.186 crores.

Parikshit Kandpal: And MBCPNL?

Varun Mehta: Equity investment of Rs.493 crores, short term support of Rs.14 crores which was provided in the earlier years of the operations.

Parikshit Kandpal: And all the HAM projects together?

Varun Mehta: All put together, we have invested Rs.600 crores.

Parikshit Kandpal: And residual is how much?
Nitin Patel: Residual is Rs.375 crores.

Parikshit Kandpal: On the debt side if you can just help me with the current debt levels both in SIPL standalone and what will be the levels in both the entities after the entire money comes in, separately if you can give for both?

Varun Mehta: So, if you see at SIPL standalone level, the current debt is Rs.947 crores and the entire debt will be paid from the stake sale deal, and the SEL level the gross debt is Rs.1,514 crores and the net debt basically is around Rs.1,436 crores, and as I mentioned the record in the end use of the money so around Rs.300 crores will be utilized by SEL to pay off the debt.

Parikshit Kandpal: Debt will be around Rs.900, Rs.1,000 crores in SEL which will be matched?

Varun Mehta: Net debt level is Rs.1,436 crores minus Rs.300 crores, so that is Rs.1,136 crores. But as against that we would be having units of Rs.724 crores also. Because of that we have mentioned that the net debt at the SEL and the SIPL standalone level will reduce to Rs.400 crores only from the current level of Rs.2,372 crores.

Moderator: Thank you. The next question is from the line of Nirav Shah from GeeCee Holdings. Please go ahead.

Nirav Shah: Firstly, can you just share your expectations with regards to how much arbitration proceeds you will receive from hereon say in FY’21-22 I mean just broad number would be helpful. Based on your interaction, you started the reconciliation process. What is your expectation like for these two years?

Nitin Patel: As per the award, the arbitration amount we are about to get around Rs.410 crores as on date actually. So that includes the interest component also from both award of the date because every award has basically the interest loss till the date NHAI pays, they are supposed to make the payment also. In Nagpur-Seoni, one of the cases where the arbitrator has given the award with the interest of 12%, NHAI settle with 9%. But here, the amount which I have mentioned that little about 300 crores. So, that is excluding the interest from the date of arbitration award. So, I am not considering that. So, that is why the conciliation, the discount what was required to be done that I have already made. So, the expectation of getting the money from the conciliation process is almost to the tune of Rs.300 crores and we are expecting that it is to be closed during this current calendar year itself because as per the procedure laid down by NHAI, conciliation is to be concluded in the five sittings only, that is all. So, with the five sittings if the matter is concluded then it is okay, not concluded then definitely whatever if the recourse is there, either to go to the court and everything that will continue. So, that is why how it is being considered by both the parties.

Nirav Shah: And this Rs.300 crores exclude the Nagpur-Seoni, that is over and above that we are receiving right now already?
Nitin Patel: This is excluding Nagpur. Nagpur-Seoni, we already received the money and the annuity payment which we were supposed to get further, so that has already got valuation from the trust, asset has already been transferred to the trust now.

Nirav Shah: And are there any claims which we are yet to file say for Rohtak-Panipat, Rohtak-Hissar project?

Nitin Patel: Actually, there are two things. Mysore-Bellary project where we have already launched the claim of around from Rs.320 crores, for which the arbitration process is going on. According to us it will take yet another one year to get the arbitration award because recently the process has been started. #2, in Rohtak-Panipat because the we have already issued the pure period notice to NHAI to the tune of around Rs.1,153 crores including the interest actually. So, NHAI, the dialogue is already going on as Mr. Varun Mehta has mentioned. And we are of the clear view that there will be a decent amount, entire loss which has gone and apart from that all these required to be done by NHAI, they have to fulfill because there is a clear breach of concession agreement in Rohtak-Panipat. So that is why we are dealing as per the contract term with them. So these two are going on. There is no other any pending claims as of now with NHAI.

Nirav Shah: So, nothing on Rohtak-Hissar also?

Nitin Patel: No, there is no claim on Rohtak-Hissar.

Nirav Shah: Second question is in one of the notes to accounts, there is a mention of some demand order that we have received for the Insuli Check Post from the tahsildar. If you can just give a brief background about what the nature of that claim is? I know it will be challenged, but just helps us understand what the nature of the claim is from the tahsildar?

Nitin Patel: First of all, I would like to mention here that in a note itself it has been mentioned that this is pertaining to the year 2008-09, so almost 11-years back actually. The second thing I would like to state here is the entire value of Insuli Check Post. This is one of the check posts out of the 22-check posts of Maharashtra Border Check Post project. The total value of the Insuli Check Post itself is around Rs.45 crores to Rs.50 crores. Against that where the royalty matter is concerned which is earth work, so value of earth work is hardly Rs.10 to 12 crores and if we put the cost of the royalty in this particular check post is hardly little less than Rs.1 crore. So, against Rs.1 crore, first of all, there cannot be such a kind of demand number, one. Apart from that if you in 2017 itself, the district magistrate have given the no due certificate for this entire work. So, there is absolutely any kind of the merit that is happening. We are dealing obviously with this actually. So, this is completely the some of the things somebody has tried to misuse. We will conclude this within a short time actually. So all these documents are there in our place.
Nirav Shah: Another question is the utilization of Rs.1,641 crores you mentioned the third item of Rs.214 crores. I miss the exact comment on that. So, can you just please repeat if possible?

Varun Mehta: This Rs.214 crores is the money which has been generated by these nine SPV. And in the last couple of financial years this money has been given by the SPV to SIPL either as a loan to SIPL or as a repayment of loan to SIPL because the cash flows of the last two years actually belongs to the trust. Because of that, this money has been shown as a utilization.

Nirav Shah: Last question is in your opening comments you mentioned about demerger of Maharashtra Border Check Post and HAM. What is that comment on that demerger can you just briefly explain it again?

Nitin Patel: The intent of basically clarifying is that the Maharashtra Border Check Post project when we have started this deal to hive off these assets at least 1.5, 2-years back actually, and at that point of time, the number of investors have given the value to these also, and at that point of time, we have got the value almost around Rs.1,600 to Rs.1,700 crores, that was the range actually was quoted by the investors. Obviously, everything was subject to diligence and everything. Even the number of reports in the market has also indicated. So, this is a clear value. This is a significant project generating a decent revenue and it is evident from the numbers also, #1, #2, the hybrid annuity project has Rs.600 crores of the equity, has already been gone. Apart from that, there is accumulated price escalation of almost Rs.230 crores in all the projects based on the current execution which is already there. So, that money is absolutely here to reduce. So, that has to be added here. And if we consider at least one-time also of the same, so, put together the value is going to get what we are expecting is Rs.2,200 plus crores of the value is already there within the system even after basically going out of this and plus the units which are there actually. So, that is what I have indicated.

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

Vibhor Singhal: Nitin bhai, just wanted to confirm. You mentioned that in Q4, we are looking for revenue of around Rs.500 to 600 crores, right?

Nitin Patel: Around Rs.550 to Rs.600 crores.

Vibhor Singhal: So, basically for this year FY’20 we should probably be able to do around Rs.2,400 crores of revenue?

Nitin Patel: Yes, Rs.2,500 crores around that actually.

Vibhor Singhal: Next year, Rs.3,200 of revenue is what we are targeting?
Nitin Patel: It is on the current order book. So, obviously bidding process has been started. So, now, we will see the significant presence of the company basically in almost majority of the EPC bid and also as I said, once we complete basically the current deal by the end of the month, so, then again the process of basically bidding for the hybrid that we will start looking based on the projects merit actually.

Vibhor Singhal: Nitin bhai, you mentioned in the beginning of the call that the revenue in this quarter was low majorly because we were not able to infuse our equity into the HAM project. But sir, if I look at other parts of our order book, in this quarter we have done only Rs.127 crores of revenue on the EPC road projects, irrigation is hardly Rs.6 crores, mining order has been like stagnant at Rs.2,000 crores. So, are these projects also kind of facing some sort of execution trouble or issues that when the HAM are not there, even the EPC projects we were not able to execute anything major on that?

Nitin Patel: Actually, mining obviously as I have mentioned because of the extended monsoon, the mines basically which we have already operated, because that has been completely submerged with the water and entire even November month also we could not do anything more, and in particularly irrigation because there are the two projects where basically in the state of Madhya Pradesh, so a large number of even the land has not yet been acquired for putting up the pipeline and other things. So, that is why we could not basically do anything on the ground, and that is our clear emphasis, and now we are also in a process with the government that you basically release our bank guarantee and keep only to the extent of what is basically the balance work is there. So, as and when you provide the land, we will come and complete the work actually. So, that is how we are trying to close with them. So, this is the major reason. Other things obviously to some extent as I have mentioned, basically the little requirement of the working capital which has been utilized for the purpose of the hybrid project in SIPL, so that has not been available for the particular rotation. So that is also one of the reasons I have mentioned.

Vibhor Singhal: In this Rs.8,700 crores of order book that we have right now, can you quantify what is the amount of projects on which for some or the other reason there is no execution happening?

Nitin Patel: As of now, Gadag-Honnali, we are here to receive the appointed date, #1. And apart from that I expected almost around Rs.700 to 750 crores worth of the projects all put together where the pace is very slow actually and depends upon the various availability of the land and everything largely. Based other things we do not see much challenge now.

Vibhor Singhal: Gadag-Honnali is Rs.80 crores and apart from that around Rs.700-750 crores is where we are facing challenges?

Nitin Patel: Gadag-Honnali appointed date we are going to take on 27th of this month. So, the project itself will kick start from now actually. So definitely we will have the major turnover in FY21 from this project.
Vibhor Singhal: Tumkur-Shivamogga, the HAM project, is it still there in the order book?

Nitin Patel: No-no, it is not there in our order book now.

Moderator: Thank you. The next question is from the line of Ashish Shah from Centrum Broking. Please go ahead.

Ashish Shah: Sir, just had a question on the use of the deal proceeds. We did not mention about the payment for the Mysore-Bellari project which we have to give to SEL. So, is that part of the Rs.200 crores that we are expecting to pay SEL from the first eight assets?

Varun Mehta: Yes, it is part of the Rs.200 crores.

Ashish Shah: Secondly, we spoke about the units, that we do not have locking. So is there anything that we have started discussions already to sell the units that are going to be allocated or that is something that we will do it over a period of time?

Nitin Patel: There is no any thought process as of now clearly because what we are seeing that the hybrid annuity projects we will first concentrate, complete the projects. And as per the ROFO agreement, we will be happy to offer these physical projects to the IndInfravit Trust, #1, #2, there is also ample business opportunity we are seeing, partnering with the trust that the maintenance business as I mentioned the Rs.4,000 crores worth of the business of the current projects and we are going to see even significant further business from the trust actually for the various projects which they are currently having and also they would like to acquire because there is a big appetite to add series of projects into the trust. So, that is why how we would like to see this. And later on if we see that basically all the things are there, then with their consultation we will take the decision accordingly.

Ashish Shah: So, for the Maharashtra Border Check Post, we had an approved securitization proceeds of about Rs.500 crores, a part of which we had drawn. So, any plan on drawing in the remaining part which was approved?

Nitin Patel: Basically we are about to get the GR for four check posts from the Government of Maharashtra very soon. It was not yet issued because government is going to the election and the other things. Now, it has been clarified yesterday itself. There was a meeting with the concerned authority and they have assured us. So once we start the revenue, the undrawn portion of Rs.370 crores is there, it will get unlocked actually. So, that will be available. And obviously it will have a further uptick into the revenue also basically if you see that. So, this is available. So as and when this will be started then we will see how to basically utilize also depending upon the requirement.
Ashish Shah: We said that end of this month we are going to take the appointed date for the KSHI Gadag-Honnali project. So, what is the land status as of now there, how much has been acquired and possession has been taken off?

Nitin Patel: Now the land is available. Even the ADB has basically started infusing the funds to the KSHI also. So now, the ground position is almost clear, there is no major issue. So that is why we have decided the date. Even that itself we have delayed by almost more than a year actually. So, this could have been started…but what has happened once these projects when we take the land basically appointed date and start the work and then after if something happens in between, so, a lot of complications is getting created with the lenders group also that we would like to avoid actually. And we have seen in the past and even currently also we have suffered for the same. In future we will take the recourse by considering all these experiences.

Ashish Shah: So will it be around 80% when we take the appointed date or lower?

Nitin Patel: More than 80% now.

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

Viral Shah: Sir, in the opening remarks, you mentioned that some of the projects have RoW issues. Have those issues been resolved in Q4 or they still persist?

Nitin Patel: Particularly, yes, in Bhavnagar, Rudrapur-1 and Rudrapur-2, it has got resolved. In Pune, in some of the areas, almost around 4.5-5 Kms which has proposed for the descoping, NHAI is asking, but not yet clear. So that is one point. This Mumbai-Nagpur, there was almost around 9 Kms plus was the dense forest area. So we have recently got the approval for that. Another portion is going on, because almost Rs.550 crores of the work is there actually left in that particular portion so which we could not even touch up during this period actually.

Viral Shah: Secondly, what is the bid timeline for irrigation and mining projects, how do you see that space actually?

Nitin Patel: Mining, we are going to see that there will be little uptick now. Every quarter we will see the pace of execution will ramp up. So, some additional resources have been infused just during 1.5-months back by the company actually. So, that will take the required level, but in irrigation obviously we are dependent upon getting the land. So, once we get the land position clear, then after we will be able to complete and finish these projects because almost majority of the work has been completed. So, that is why we are not basically focusing much in this particular state where these kind of issues are coming up.

Viral Shah: I meant from a bidding point of view. Are we looking at actively bidding for irrigation projects or we will not be looking at it as of now?
Nitin Patel: Bidding definitely will happen. Also, there are many projects are also in the pipeline, a lot of things are happening, depending upon which kind of projects is there, so there we will put the bids actually.

Viral Shah: What is the CAPEX for nine months and guidance for FY’20 and ’21?

Nitin Patel: Around Rs.20, 22 crores have been done in this particular year. Nothing more has been there.

Moderator: Thank you. The next question is from the line of Ankita Shah from Elara Capital. Please go ahead.

Ankita Shah: Sir, wanted to check, so all the proceeds that are coming from monetization is going towards debt repayment. So what is the plan for funding Rs.375 crores of residual equity investment in HAM projects?

Varun Mehta: If you see the gross equity requirement is around Rs.375 crores but we still have an outstanding order book of around Rs.195 crores from the HAM assets. So, I think that will again contribute towards the equities. I think the net equity requirement will be somewhere around Rs.250 crores which we have to infused in the next couple of years. So, one of the source for the equity investment would be the dividend which we will get from the units because typically in the past we have distributed three dividends till now, dividend plus interest and the principal within the cash yield which we get, we are expecting roughly around 11% to 12% of the cash yield on the on the units of Rs.724 crores. So, that is broadly around Rs.80-odd crores of the surplus money which we will be getting and plus also we have signed this maintenance contract of Rs.4,000 crores for the nine assets. So, I think on an average that will contribute around Rs.300-odd crores towards the revenue with the margin of 20%, so, that will contribute roughly around Rs.60 crores. Majorly these two are the sources what we are looking to sort of fund the equity investments for the next couple of years.

Ankita Shah: Still remains the gap?

Nitin Patel: In addition to what Varun bhai has mentioned, if you see, we have clearly stated that we have entered the ROFO agreement with the trust and by the end of the March, we are going to get the provisional completion certificate of at least two projects and by June by another three projects. So, this will basically will start generating the revenue and again for these project, we will be able to be able to start getting the monetization process, because the table has already been set, a lot of other terms and conditions has been discussed within the table, so we will continue to getting the flow. So this can be utilized. And Varun bhai has mentioned, some balance commitment is to be completed over the period of two years actually.

Varun Mehta: If you see the yearly cash flow, what I have mentioned is Rs.80 crores from the cash yield of the units and the Rs.60 crores from the maintenance. That was Rs.140 crores per annum, for the two years it comes to Rs.280 crores as against the net equity requirement of Rs.250 crores.
Ankita Shah: Secondly, the debt on SEL level would still be at Rs.1,200 crores after your Rs.300 crores of prepayment, and out of that pending loans and advances of Rs.500 crores. What is the plan to recover that money from SIPL? And secondly, what is the net order cancellation in the first nine months in SEL order book?

Nitin Patel: First of all, let me give the answer to how the balance money will come. Post Ahmedabad Ring Road is over, then the availability as I mentioned that hybrid annuity projects as and when the projects will start getting monetized, this is one. So, the additional surplus which is there which is not required to be utilized, this will be used for the repayment to SEL. Second thing, basically certain amounts which SIPL is going to get as arbitration proceeds. So, this will be utilized to pay to the SEL. #2. Third thing, the Maharashtra Border Check Post. So, as and when we have under portion of the Rs.370 crores in the SPV itself, that is on the strength of the SPV it is available. So, as and when we will start generating that, we will get the GR and generating the revenue. So, definitely this will also somehow it can be available if required. But in SEL itself post this, we do not see any other gap actually because things has been completely lined up, majority payment and payout has been done and structured in such a way that in future we do not have to basically worry about the large number of the debt which is getting paid out of the current deal actually.

Varun Mehta: And also, Ankita, we have plan to do the merger of SEL and SIPL. I think post-merger anyway this debt would not lie. So I think that is also one of the ways how the debt will be knocked off.

Ankita Shah: What is the net order cancellation in the first nine months in SEL books?

Varun Mehta: Three orders have been cancelled which is the Bhimasar-Bhuj, Vishakhapatnam and Tumkur-Shimoga and the value of these three orders is roughly around Rs.1,800 crores.

Ankita Shah: No change of scope or anything in the third quarter, because there seems to be a mismatch in the …?

Nitin Patel: There is some change of scope amount is there already. I do not know exactly but it should be around Rs.180 to Rs.190 crores worth of the same, but I have to check and see this actually.

Ankita Shah: Can you tell me what is the net order cancelation or reduction and scope of work in first nine months?

Nitin Patel: Net cancellation as Varun bhai as mentioned, this is around Rs.1800 crores worth of the projects which has got canceled, that is the only thing. There is no other reduction actually of the scope which has already been reducing in the last year before March.

Moderator: Thank you. The next question is from the line of Prem Khurana from Anand Rathi. Please go ahead.
Prem Khurana: So, first question was on SIPL. Varun bhai, you gave us the glide path for the debt that you intend to take down from 2,372-odd crores to Rs.650 crores? I missed those numbers. Would you be able to help me understand how would it go down to 650-odd crores?

Varun Mehta: We have planned to repay debt of almost around Rs.1,030 crores at the SIPL level. That is one of the ways how the debt will reduce. The second thing is that the money which SEL is getting from the first eight asset is Rs.200 crores and of that Rs.50 crores will be utilized for the debt reduction, and Rs.150 crores will be utilized for the working capital. So, that is the Rs.50 crores of reduction which will happen plus we will be having listed units of Rs.724 crores. So by that manner if you see from the net debt as of now around Rs.2372 crores, if you reduce all this debt reduction and the listed units basically which are there, so then you come to a figure of Rs.650 crores.

Prem Khurana: But there are no plans to sell these units, right, I mean, ideally we should not be taking it as these are current investments? So if I adjust for this, your debt would still remain around Rs.1,300 crores, am I right in my calculation?

Varun Mehta: That is probably Nitin bhai also mentioned that there are various business reasons why we would want to be… I think that is obviously there. But as far as the liquidity and as far as the instrument is concerned, so definitely it is a listed instrument, so we can sell, there is no lock-in the instrument commercially. So because of that, we can say that, there is a good amount of cash yield also which is coming up from the units. Because of that, it is part of the investments what we have.

Prem Khurana: If you were to sell these units does not change your right in terms of I mean, Rs.4000-odd crores that you have or the right of first offer?

Varun Mehta: No, no, so basically, we have signed separate agreements for the routine maintenance, major maintenance project management ROFO agreement. So those are our four separate agreements which we have signed with the trust with no dependency on the number of units what we have.

Prem Khurana: Only the board seat goes?

Varun Mehta: Yes.

Prem Khurana: In terms of order backlog that you have Rs.8,700 odd crores, just to understand a little better, how much of these orders kind of run a risk wherein there could be some descoping or delinking because as I understand in case of Rampur-Kathgodam I saw COD at 73% land itself. So are there any other projects wherein you have that kind of situation wherein you would be required to see COD at a lower number in terms of length and there could be a chance wherein you would have to descope or delink, once the land is made available and then only you will be able to go ahead with the project?
See, descoping has already been done particularly in a Rampur-Kathgodam package too, and also the Pune-Bhavnagar. The other thing there is no descoping, particularly in delinking. Obviously, NHAI has considered to give further extension of time on this project depending upon the land available. So now the things has been available and they have almost finalized the suitable extension for completing these projects. So, now there is no any other basically order book which is going to further descope which we are already reducing the last year itself.

Prem Khurana: Nitin bhai, Rampur-Kathgodam COD has been pending for a while. What is the situation there?

Nitin Patel: NHAI Chairman has called the meeting for the same itself and we are expecting it is going to be proposed. So, within I think 10 to 15-days from there we should get PCOD for that particular project.

Prem Khurana: It is still for 73% length, right?

Nitin Patel: Yes, work has already been executed beyond that. So, as and when we will finalize, we will take into account of the work which has been completed beyond that also. But now the process is being going to take up because in earlier also NHAI has given in writing executive committee, EC approval is already there to issue the PCOD upon completion of this particular kilometers which has already been completed in the month of September end actually. So, it has been proposed for the issuance of the PCOD now.

Prem Khurana: This arbitration claim, you gave us some sense, but I think there was one more arbitration which was fairly large project that were sold to Gammon earlier in the year. So what is the status on that project that we sold to Gammon and we used to own 20% stake if I am not mistaken, if I remember correctly?

Nitin Patel: Our stake we have sold along with Gammon to the Brookfield when they have entered the agreement with Brookfield. As per the terms of the agreement, all these arbitration claim as well as the proceeds has been carved out. Proceeds will come. So 72% of the claim amount including interest which is there belongs to Sadbhav Engineering and 28% belongs to Gammon group actually. So this is a clear written legal document between the company and it has been recognized and also considered by Brookfield during entire this transaction.

Prem Khurana: How much is the amount there, gross as well as your share?

Nitin Patel: Award amount is Rs.192 crore plus 14% interest till the date actual payment. So, this will continue, the clock is ticking basically. So this is the total award amount. And the gross I think currently it should be around to the tune of 215-odd crores including interest.
Prem Khurana: I think it used to be more than Rs.500-odd crores at some point in time. Has the number come down or there are multiple claims that you have filed and the applications will be taken separately and you are giving us claim for one application, how does that work?

Nitin Patel: Claim amount itself earlier it was Rs.408 crores. Out of the sale certain claim which was pertaining to the post completion period, that is tolling and operational period, so that has been did by Gammon separately. So we have no way connection to that. But as of now award is there as per understanding, and this belongs to the entire EPC work actually of the EPC period. So this is the status of the award.

Moderator: Thank you. The next question is from the line of Jitendra Rishi from Bank of America. Please go ahead.

Jitendra Rishi: Just my question is on bank limits. So what is the current fund-based and non-fund based limit and the utilization level and how it will change post the deal?

Nitin Patel: The fund-based limits what we are having is to the tune of around Rs.650 crores in SEL and around Rs.2,000 crores worth of the non-fund based limit. So currently we had a gap of almost around Rs.60 to 70 crores not utilized under the fund-based. So, rest of the things has been utilized. And in bank guarantee limit still unutilized is almost around Rs.130 crores which will further go up by Rs.150 crores once we get all the guarantees back from all these SPV because once we close, all these guarantee will come back. So, we will have the availability of almost Rs.300 crores plus of the bank guarantees for the regular routine work actually.

Jitendra Rishi: So, then what kind of order inflow you are expecting based on this bank guarantees next year in terms of value?

Nitin Patel: As of now, we do not have to utilize these guarantees so far as NHAI is concerned because EPC and all these projects now they have removed the clause of submission, the bank guarantee for the bid projects. Only after winning the bid we have to submit the performance guarantee at the time of signing the contract. So that requirement is gone now. So we do not see further requirement for these.

Jitendra Rishi: But just a number on order inflow you are targeting next year if at all?

Nitin Patel: As of now, EPC, we are going to submit the bid for the large number of projects and hybrid as I have mentioned we will start looking from the first week of the March depending upon what the ground level execution is there.

Jitendra Rishi: Can you just give me the closing debtors, creditors and mobilization advances for SEL as on December?
Nitin Patel: Mobilization advance amount basically came down now to the tune of around Rs.180-odd crores actually which is outstanding. And in case of particularly the outstanding debtors, it stand to the tune of around Rs.1,820 crores as against Rs.1,885 crores of September number. So, that is the status as of now. And in payable basically stands at Rs.590 crores as against Rs.664 crores in the month of September.

Jitendra Rishi: Now, sir this mobilization we have fully drawn for all the projects except for Gadag if I may ask you?

Nitin Patel: We are yet to receive the mobilization advance for Kim-Ankleshwar which is to the tune of Rs.140 crores plus Gadag we will get Rs.100 crores. So, Rs.240 crores worth of the advance we will receive before end of the March which has been lined up, for which we had sufficient guarantee and everything is available.

Jitendra Rishi: What is arbitration claim? As you said, you may get Rs.300 crores. So, that is against the 75% bank guarantees you will have to arrange. So, that is also we can do, right?

Nitin Patel: That we can do but normally we have seen in the current environment generally lenders are not coming forward to give and they are giving only on the condition that if you use that money for keeping a fixed deposit with their only. So, we do not see any utilization of that rather we will continue to pay the guarantee commission for getting. It is better to finalize with reconciliation consideration process what we have now taken the sanction.

Jitendra Rishi: So you mean to say we will be able to manage with this fund-based and non-fund-based limit to get the arbitration, other proceeds, right?

Nitin Patel: Yes.

Jitendra Rishi: Employee cost went down for this quarter. So, what was the reason like from Rs.42 crores, Rs.43 crores to Rs.30, 31 crores?

Nitin Patel: Actually some of the work has been given on a subcontract basis and obviously some of these basically shifted at the subcontractor level also. So this is the only reason. The other thing basically is completely okay.

Jitendra Rishi: Employee cost include subcontracting cost.

Nitin Patel: Yes, That has gone in to the construction expense cost.

Jitendra Rishi: Can you highlight on the tax rate because tax rate has been falling like 7-7.5%. What could be for this year and next year, and when will we see the impact of the new tax regime on the numbers?
Varun Mehta: Right now for the current year, we are just following the earlier regime only because we do have the MAT rate available with us. Because of that, we have even shifted to the new regime. But going forward, obviously, we will have to evaluate exactly what is the tax impact on the basis of the new scheme which has come and then accordingly we will be able to decide.

Nitin Patel: It is reduced because of the 35AD some of the claim was there and obviously some 80IA claim which was available under the EPC work, so that has been even netted off. So this is the only reason. Based other things, we are in the full tax regime as of now.

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

Mayank Goel: Sir, you already told us that SEL loan to SIPL is roughly Rs.838 crores. But I wanted to know what is the receivable at SEL level from SIPL or the SPV where we are doing the work?

Nitin Patel: SPV obviously it is there, some of the SPV lender, certain non-certificate and non-certified work and all put, but exactly off the record, figure is not available with me, but If I consider price escalation, GST amount plus change in scope, all put together I think it should be around Rs.750, Rs 800 crores plus I think some of the uncertified work of the utility shifting kind of basically scenario, so that is also to the tune of around Rs.90 to 100 crores actually. So this is the mix of all put together.

Mayank Goel: So because last quarter also we had set some GST payment, price escalation and Rs.200 crores of change of scope, so no major movement on that, right?

Nitin Patel: Some of the GST payments has been released but obviously as and when further work is getting executed and certified, so this is also basically getting plus and minus actually. So this is how it basically was actually.

Mayank Goel: You mentioned that subcontracting cost is being included in the conception expense. So in relation to employee cost what is the number of employees in our books right now and how has it moved from the previous September quarter?

Nitin Patel: Actually, last time also around 3,800 direct employees were there in the role of Sadbhav Engineering, and currently I think it is within the same rate, hardly around 30 or 40 people basically might have got here and there changed actually. Other things I do not see there is much change actually.

Moderator: Thank you. The next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal: These loans and advances number from SEL to SIPL is how much you said Rs.836 crores?
Nitin Patel: Rs.834 crores.

Parikshit Kandpal: And how do we plan to settle, I mean, this will stay with SEL till merger and after the next lot of HAMs and other, do you see it will get monetized, then it will get repaid, how will it happen?

Varun Mehta: From this deal if you see that total from the first eight assets we are repaying almost around Rs.100 crores and once it is completed, we are repaying Rs.250 crores, so broadly Rs.350 crores of the money has been repaid to SEL by way of repayment of loan, other than Rs.100 crores of the Mysore-Bellary stake sale proceeds. Post that there will be still Rs.500 crores of the money which will be outstanding. One of the options is Nitin bhai has also mentioned in the call is that the arbitration money which will be received by SIPL, so that is one of the options which can be utilized to pay off this loan. The second option which we discussed also is the merger of SEL and SIPL. So in that case the entire money will be knocked off. And the third option is obviously we have the units also, which is lying at the SIPL level. As and when we decide to sell the units in future if at all, so that can also be utilized to pay off this particular loan.

Parikshit Kandpal: Just lastly on this cash of Rs.1,640-odd crores which we will receive from IndInfravit, this entire money is expected to be received by this Feb end right?

Varun Mehta: Yes, yes.

Parikshit Kandpal: Though the deal has been yesterday concluded but as of now nothing has come, by within next 10 to 15-days entire thing will come to us?

Varun Mehta: As of now we have received the units of Rs.724 crores. So yesterday the allotment of 724 crores of units and the money will start flowing from the next Tuesday or Wednesday.

Moderator: Thank you. The next question is from the line of Ritwik Sheth from Deep Finance. Please go ahead.

Ritwik Sheth: Just a couple of questions: Firstly, what is the reason for the SIPL debt at Rs.2,400 crores? Understanding was it was around Rs.1,800-odd crores couple of quarters back?

Varun Mehta: The debt of Rs.2,400 crores is of SEL standalone and SIPL standalone put together.

Ritwik Sheth: So SIPL standalone debt would continue to remind around Rs.1,600 to Rs.1,700 crores?

Nitin Patel: If you see the SIPL’s net debt is around Rs.937 crores and SEL standalone net debt is around Rs.1,436 crores, so both put together the number is Rs.2,372 crores.

Ritwik Sheth: The Rs.4,000 crores O&M order book, asset is over how many years is that number?
Varun Mehta: That is broadly over 14 to 15-years.

Ritwik Sheth: Now in SIPL, going forward there will be three BOT projects and 7 HAM projects and plus under-construction HAM projects. So what is the strategy till we get completed out of the way I believe that will take another three, four quarters?

Varun Mehta: I think Nitin bhai has mentioned in the opening remarks that we would start the process of hiving off Maharashtra Border Check Post and also the HAM assets once the asset are getting operationalized. I think that is the strategy going forward. We have also signed the ROFO agreement with the trust. So that is one of the options what we have that we can sell the stake in Maharashtra Border Check Post and basically the HAM assets to them. As far as Rohtak-Panipat is concerned, as we discussed, that we are basically in discussion with NHAI and also there have been various communications between both the parties and right now way position is we are confident that it will be some amount of compensation which would receive from NHAI and post that the asset would be in a sustainable mode to service the debt and to provide the returns on equity also. And Rohtak-Hissar is concerned, there is some gap as far as the cash shortfall is concerned. So in that the strategy is to reduce the debt to some extent so as to made it sustainable and post that we can also look to hive it off. So the plan is entirely to take the under-construction, construct the project and then probably make the asset operationalized, stabilize it and then post that we can sell off the asset because with the completion of these nine assets and with having a partnership with investors, and we do have the capability of the construction, so I think that is the entire plan of the group.

Ritwik Sheth: Rohtak-Panipat and Rohtak-Hissar, what is the cash flow per quarter?

Varun Mehta: For the first nine months we have infused around Rs.35 crores to Rs.37 crores of money from SIPL in both these projects together.

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

Nitin Patel: On behalf of Sadbhav Engineering and Sadbhav Infrastructure, we are very much thankful to all the participants for making their valuable time during this weekend holiday actually. There is a deduction in the top line which the point what we have seen and we frankly speaking, the reasons which we have mentioned, that has also impacted the working basically consistently during last four to five months actually. But as we have mentioned that the deal particular itself is now in reality. So we are going to see the complete kick start basically from next week itself actually. So as and when basically the things will complete and getting up, we are of the view that it has been started to work, coming again back to the track actually. So that is what we would like to assure here and a good part is that it is a clear strong partnership with the very marquee investors, very long-term visibility is there. So going forward basically whatever business opportunity and whatever basically company is going to take up and the current exposure which is there, so definitely this is going to help completing these projects and
closing the transaction at a very short period actually because we have seen the last particular transaction has taken close to two years actually. So this now we have surpassed. Now going forward we do not see these kind of basically the major delay because there are a lot of other things has already been lined up. So that is what we would like to mention. Thank you to Amsec for organizing the call. Thank you so much to all.

Moderator: Thank you. On behalf of Sadbhav Engineering Limited and Sadbhav Infrastructure Projects Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.