



“Sadbhav Infrastructure Projects Ltd 1QFY18 Results
Conference Call”

August 11, 2017



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Moderator: Ladies and gentlemen, good day and welcome to the Sadbhav Infrastructure Projects Limited Q1 FY2018 Results Conference Call hosted by Equirus Securities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Devam Modi of Equirus Securities. Thank you and over to you Mr. Modi!

Devam Modi: I would like to welcome all the participants for discussing the Q1 results of Sadbhav Infra. We have with us Nitin Bhai and Varun from Sadbhav side. I would like to hand over to them for taking up the results. Thanks.

Nitin Patel: Thank you Devam Bhai and good evening to everybody. On behalf of Sadbhav Infrastructure Project Limited I warmly welcome all the participants to the earnings call for the quarter ended June 30, 2017. I would take you through the broader update initially and then for all the financial numbers and operational performance Mr. Varun Mehta will take you through the same. In the last couple of earnings calls if you remember we had discussed the impact of demonetization and in this quarter I would like to say that there has been also in the initial period impact of the GST basically implementation in the country and that has also reflected in the traffic volumes. If you see the business activities across the country seemed to have slowed down for certain period before the GST and immediately after the GST period actually; however, having said that we expect traffic growth to pickup obviously in the second half. Now we have seen that the haze out has already been made and during the last 15 days we are seeing the traffic is coming to even above the normal. On a month-on-month, August-to-August comparison we are seeing that there seems to be a decent growth actually. We understand that the obviously this quarter as well as the second half there will be a strong growth because of various reasons. What we understand that the first is a lower base of the last year because of the demonetization in the second half and consistently it prevails for the at least two quarters we have seen that it has impacted. The second reason what we understand that the above normal monsoon and the festive season which is coming forward and that will translate to higher movement of goods and obviously the third what we understand as I have mentioned that the initial teething issues of GST implementation should get settled. So the second half will have a very strong numbers is what we understand. On the finance cost front, it is visible that the finance costs have reduced substantially and it will go down further. I am very much optimistic on the cash flow generation for the entire financial year.

During this quarter, profit from tolling business activities stood at Rs. 26.53 Crores and from standalone business it stood at 21.30 Crores. So talking about the awarding activity, we say that it has been very slow in FY2018 of the Q1 and NHAI has awarded only two HAM projects of land 166

kilometers worth 2420 Crores and post Q1 till now NHAI has awarded another two HAM project of land 59 kilometers worth 1802 Crores and one toll project of 109 kilometers worth 1577 Crores and one HAM project of land 145 kilometers worth 1430 Crores for which we have already submitted the financial bid and same is yet to be opened up. In the pipeline for the HAM bidding there are the 11 more projects which NHAI has identified for bidding before 30th of September. The length of these 11 projects is 808 kilometers and the total cost is 14672 Crores. It seems like the ticket size of the project is increasing slowly basically and almost we have seen the majority of the projects are above the 1200 Crores size.

Awarding obviously as I have mentioned was slow in Q1 due to some factors because of the GST it was very much clear and it is to be awarded, so government might have thought that the after award basically to avoid any change in law kind of situation for the fresh projects, so they might have shifted to the next quarter, number one. Obviously the second factor what we understand is that the Chairman of NHAI got changed and so because of that there was some transition period for the authority because the top authority in the organization when it changed it has some of the transitional issues basically, now it has been sorted out. Third, now they are very much clear and evident, in the past also we have seen that unless and until 80% of the land is not acquired NHAI is not coming for bidding the project actually so this is also very important factor what we have observed. So now all these three, what we understand is that whatever they have listed basically for bidding projects, for all of them they have more than 80% of the land in the hand so probably the bidding activity will go up in the Q2 and going forward for the entire year actually.

So this is what I would like to give an update as far as the general business phenomenon is concerned. Before we discuss any other specific issue I would like to hand over the call to Mr. Varun Mehta who is CFO of SIPL and to discuss the financial numbers and operational performance of the various SPVs of the SIPL. Thank you so much.

Varun Mehta:

Thank you very much Nitin Bhai for giving the useful insights on the industry parameters and good evening to all the participants and thank you for taking your valuable time to attending the earnings call for Q1 FY2018. I am sure you must have seen the media release for the financial results which were shared yesterday and also the SPV wise toll revenue data which was shared on 13th of July.

Now let me start with the financial numbers first and then we can go to the operational performance. The breakup between the operational SPVs, under construction SPVs and SIPL standalone has already been provided in the media release. The total cash income for all the operational SPVs has increased by 10.46% from 237.14 Crores in Q1 FY2017 to 261.94 Crores in Q1 FY2018. The Q1 FY2018 numbers are adjusted for the NHAI annuity receipt of 5.01 Crores.

During the same period cash EBITDA from operational SPV has increased by 10.21% from 201.37 Crores to 221.93 Crores. EBITDA margin in Q1 FY2018 stood at 84.73% versus 84.91% in Q1 FY2017. The cash profits on the operational SPV stood at 26.53 Crores in Q1 FY2018. For the overall financial year FY2018 the revenue guidance basically for the operational SPV is somewhere around 1075 Crores to 1100 Crores and this is on the assumption of the current run rate and also we expect that in the second half the traffic growth should be better. This is excluding the Mysore-Bellary annuity income which is there. We expect the cash EBITDA margin from the operational SPV shall remain at around 85% which is where we are sort of currently working also and in the past also we have been working at around 85% cash EBITDA. The total income from SIPL standalone business has reduced by 11.67% from 103.75 Crores in Q1 FY2017 to Rs.91.64 Crores in Q1 FY2018. EBITDA is reduced by around 12.47% from 44.95 Crores to 50.55 Crores in Q1 FY2018. The overall cash profits on SIPL standalone business stood at 21.30 Crores in Q1 FY2018 and the revenue guidance for SIPL for the financial year FY2018 is somewhere around 250 Crores and the majority of the income shall be coming up from the maintenance of the HAM projects, I can say the seven HAM projects which are there from that.

SIPL has a current order book of 215 Crores towards the routine maintenance of five HAM projects which is to be executed over a period of next 24 months. Also L1 orders of Waranga-Mahagaon and Udaipur bypass are not included in this, the net amount shall be somewhere around 200 Crores. MMR of DPTL is currently in progress and the balance order book from the DPTL MMR is somewhere around 50 odd Crores. MMR in Bijapur-Hungund, and Hyderabad Yadgiri is expected in probably Q4 of FY2018 or in Q1 of FY2019 and that should also be added to the SIPL standalone income.

The consolidated debt of operational SPVs as on June 30, 2017 is 7080 Crores. The consolidated debt for the under construction SPV that is the HAM project is somewhere around 78 Crores and the standalone debt is around 1261 Crores which includes the debt from SEL of 441 Crores. Our average cost of debt in the operational SPV excluding Rohtak-Panipat and Rohtak-Hissar, so it has been reduced from around 10.23% in Q4 FY2017 and around 10.26% in Q1 FY2017 to around 10.08% in Q1 FY2018. I think that is a primary reason why we can see there is a reduction in the finance cost Y-o-Y and sequentially also on a Q-o-Q basis. The average cost of debt in SIPL standalone also remains at the same level as last quarter and also on a Y-o-Y basis at around 11%.

This was the financial update. Now coming to the operational performance during the quarter, first I will start with the seven HAM projects the under construction projects which are there, which have been won by SIPL. Of that, the appointed date has been received for three projects so that is Rampur-Kathgodam package one, in that the construction is going on and we have already achieved progress up to 19% in this particular package and we have received the mobilization advance amounting to Rs. 74 Crores in this particular project. For package two, that is Rampur-Kathgodam package two, almost

around 85% of land is available but there is certain tree-cutting issue which is going on, so right now the process of tree cutting is going on and we expect the appointed date in the particular project will be received in Q3 of FY2018. The two Gujarat packages that is Bhavnagar-Talaja and Una-Kodinar, construction in both these projects is going on and the progress in Bhavnagar-Talaja is somewhere around 16% and in Una-Kodinar the progress is somewhere around 13%, and we have received the mobilization advance amounting to Rs. 144 Crores during Q1 of FY2018 and the same has been passed on to the respective EPC contractors also.

The fifth project which is the BRT Tiger Reserve to Bengaluru section, here we have achieved the financial closure and the land is available to the extent of 92% and we expect the appointed date in this particular project probably this month or next month because all the conditions are now fulfilled in this particular project.

This sixth project which is Waranga to Mahagaon, so here the construction agreement was signed on June 7, 2017 the financial closure for this project is currently under process. Approximately 82% of the land is available in this particular project and we expect the appointed date to be received in Q3 of FY2018 and the financial closure should happen on the similar term where we have achieved for the last five projects. The Udaipur bypass is the last one, the construction agreement was signed on June 6, 2017 and the financial closure for this project is also in progress right now. The best part in this project is that the entire 100% of the land is available because it is a Greenfield six-laning bypass project, so the entire 100% land is available and we expect to receive the appointed date in Q3 FY2018. So probably in Q3 FY2018 the entire portfolio of seven projects should be operational and should be up and running. The total equity invested currently in the HAM project is somewhere around 118 Crores and the balance equity would be invested over the next two to three years depending on the progress.

Now coming to the operational updates on the various operational SPVs, in this particular quarter we have received our toll rate hike on 1st of April in seven NHAI projects of around 4% so this is in line with the construction agreement notification which is there and there has been no hike in AGITL and MBCPNL because it is a every three year hike so in MBCPNL the hike should have been from April 1, 2018 that is the next year which is there. The toll rate hike in ARIL that is Ahmedabad Ring Road has been in September, which will be somewhere around 3.7% to 3.8%.

Now talking about the traffic growth as we discussed in the initial remarks also that the traffic growth has been a bit subdued in Q1 of FY2018 and obviously we know that there are many reasons that has to it, but one of the primary reasons is also that the movement of FMCG product has reduced and more so in case of the road traffic instead of road industry almost 20% to 30% of the traffics plying on the road carries the FMCG product and we have seen that there has not been a good growth, probably I can say a flattish growth in the FMCG companies also so probably that has been reflected

in the traffic volumes for basically commercial traffic in our projects. The traffic growth stood as follows: For SVDPL, the traffic growth has been somewhere around 3%, HYDP traffic growth is somewhere around 12%, MBCPNL traffic growth is somewhere around 2%, EPATL has been a flat growth, Rohtak-Panipat has seen a traffic growth of around 15% and which is probably after seeing many quarters of degrowth this project in the last couple of quarters has been performing well. AGITL there was a degrowth of around 4%. In Bijapur-Hungund there was as degrowth of 4%, again in both these projects the majority of the traffic is commercial traffic so because of that the impact is larger as compared to other projects. ARIL there has been a degrowth of around 1%. On overall portfolio basis, we have seen a traffic growth of around 3% to 3.1% on the volumes basically plus the toll rate hike of around 4%. In case of Mysore-Bellary we have already applied for COD in the month of May and we expect to receive this COD certificate soon. With this particular COD our entire pass portfolio will be operation then only the seven HAM projects would be under construction. During the last quarter if I talk about the refining because refinancing has been a big activity for the company so till now we have committed five refinancing in the five SPVs. In the last quarter we have completed the refinancing of ECB debt in Hyderabad-Yadgiri with the Rupee term loan and with the entities that have blended interest rate of 9% and currently we are in the process of completing the refinancing of debt in four SPVs so I think three SPVs that is Bhilwara Rajsamand and Shreenathji-Udaipur, and Ahmedabad Ring Road, these should be completed before the end of the current quarter and the refinancing of debt in MBCPNL should be completed in Q4 of FY2018. So with this the entire portfolio of the earlier regime except Rohtak-Panipat and Rohtak-Hissar the entire portfolio debt would be refinanced and the overall cost would have been sort of reduced.

That is the update on the financial numbers and the operational performance in the industry now we can stop the opening remarks and thank you very much for listening the opening remarks. Thank you.

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. Anyone who wishes to ask a question may press "*" and "1" on your touchtone telephone. If you wish to remove yourself from the question queue you may press "*" and "2". Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles, thank you. First question is from the line of Anup Agarwal from Cogencis. Please go ahead.

Anup Agarwal: I just wanted to know of the 11 projects this NHAI has identified for bidding by September 30, for this 808 kilometers and 40622 Crores, how much is Sadbhav Infra going to bid for?

Nitin Patel: We are looking to bid at least 9 projects out of 11.

Anup Agarwal: And so what will be the total kilometer size and amount size Sir?

Nitin Patel: As I have mentioned there are different projects situated in different states, but in a broader way I can basically share the details, around 388 kilometers of projects, around 11974 Crores. If I list out that first is between the Mysore, Bangalore there are two packages, obviously both put together the cost is almost closer to around 3500 Crores. Again the second one is Ranastalam in Andhra Pradesh that is also around 1400 Crores project. The third is the Loha to Waranga which is basically connected to our Waranga to Mahagaon in Maharashtra so that project cost is also around 1200 Crores, 67 kilometers. These are in different states, but in nine projects we are sure that we are going to put the bid.

Anup Agarwal: So that is amounting to 11974 Crores.

Nitin Patel: Correct.

Moderator: Thank you. Next question is from the line of Anish Hariprasad from Antique Stock Broking. Please go ahead.

Anish Hariprasad: My question is more on the Rohtak Hissar stretch. We have seen quite an improvement in the Rohtak Panipat for last two quarters. Are we seeing any specially in July, August have we seen any improvement on Rohtak Hissar and if we have not then how much shortfall funding do we see going forward in this project?

Nitin Patel: During the current quarter, even I can share the details of the last one week also because every day the data is coming out, so in the Rohtak Hissar we have started seeing a reasonable growth but if I compare basically with respect to the earlier month, in the Rohtak Hissar we are of the view that at least 10% to 12% of the traffic growth is visible in the month of August actually, in the first 10 days actually. If I understand that the since now the festival season is coming and once the monsoon intensity will come down, definitely the traffic should go further up actually. Likewise, in Rohtak Panipat again we are seeing consistent traffic growth, even in this quarter we are seeing that decent growth as compared to the same quarter of the previous year, so that is why we are quite hopeful that we will start seeing very positive round in terms of absolute traffic. Major impact what we are seeing for the Rohtak Panipat is that the construction of the Mukarba Chowk to Panipat has already been started because of that the vehicles have already started taking the route here and second thing what we have adopted in both the projects is the digital payment method, so we are consistently encouraging the digital payment method, all the four banks who have been authorized by NHAI to basically implement this digital payment system we have signed agreements with them and consistently we are encouraging the vehicle owners to go for the digital payment and we have seen that majority of the growth, almost around 18% to 20% of the revenue now we have started collecting digitally particularly in Rohtak Panipat, so that has seen positive uptrend in the toll collection so I think this will continue.

- Anish Hariprasad:** So for FY2018 what is the ADTC that you see average ADTC till March in both the projects Panipat as well as Hissar?
- Nitin Patel:** In Y-o-Y comparison we are quite hopeful that the revenue should grow at least in a double digit between 10% and 15% in absolute traffic growth, has already been grown by 4% what Varun Bhai has told.
- Anish Hariprasad:** Sir second question is on the MBCPNL so when do we see the entire project getting operational because we have seen a lot of delay in the remaining whatever even the smaller kind of...
- Nitin Patel:** In MBCPNL 16 are operational and we have reported also, apart from that three we have already completed. Another two mainly the Kagal and Marwade we are in a process of getting completed in this month itself, so with this it will become 21, then only three is remaining and all three are small check posts, so out of 24 one we are yet to get the land, remaining two we are hopefully by December we will be able to complete the 23.
- Anish Hariprasad:** But the COD we have got for 16 right?
- Nitin Patel:** We have got COD for 19 check posts.
- Anish Hariprasad:** Okay we have got now 19 okay and just on the Waranga, Varun mentioned that now we have almost 80% land because last time when I spoke he said that the land is only 20%.
- Varun Mehta:** No, land is not 20%. In fact the pre-bit reply itself mentioned the land is around 72% it is like almost six months back so as of now the position is around 82% land is available.
- Moderator:** Thank you. Next question is from the line of Ashish Shah from IDFC Securities. Please go ahead.
- Ashish Shah:** Sir a couple of questions, what would be the total debt in the project debt in the assets?
- Varun Mehta:** The operational SPVs have a debt of 7080 Crores and the under construction SPVs have a debt of around 78 Crores.
- Ashish Shah:** And the standalone debt number I missed it was something like 1000 or 1100 right?
- Varun Mehta:** Yes, the standalone debt is 1261 Crores, it is including the SCL debt in the NPVs which are there.
- Ashish Shah:** So what was the amount for the operational SPVs what is the repayment due let us say in 2018 and 2019?

- Varun Mehta:** For the operational SPVs the overall repayment in FY2018 is around 72 Crores and in FY2019 it is somewhere around 95 Crores.
- Ashish Shah:** Except the SCL debt anything is due in the standalone for repayment in terms of any NCDs which need to be redeemed during the year or anything like that?
- Varun Mehta:** No, during the year very marginal amount is there. From FY2019 onwards some amount is due for repayment in the NCD.
- Ashish Shah:** You mentioned that you applied for the Mysore-Bellary COD, now the COD would come in the current date or it would come with as a past date? Is it that the COD was already overdue and will come from some previous date or it will be a forward future date?
- Nitin Patel:** The scheduled completion was in the month of June 2017 and the provisional completion certificate what independent consultant has basically are recommending that is from April 2017 because 100% of the project land was not made available, so the work which we have completed for basically the substantial portion in the month of April, so that they are considering from April and for rest of the area almost around 13 kilometer of the project land that they have considered the extension of time which we have to complete by October, so for that once we complete that they will issue the final completion certificate, but by this COD they will start allowing us to basically collect the annuity from Government of Karnataka.
- Ashish Shah:** Correct, so basically you are saying the PCOD is likely to come from April 2017.
- Nitin Patel:** Yes.
- Ashish Shah:** Also on the SIPL standalone numbers now so how would you project the number for SIPL standalone this year what was their estimate in terms of the total revenue that SIPL standalone will have and the breakup of this in terms of the O&M income the major maintenance?
- Varun Mehta:** As I just mentioned that the revenue guidance for SIPL standalone for FY2018 is around 250 Crores and of that around 85 Crores will come from the DPTL major maintenance around 25 Crores will come from MBCPNL EPC so that comes to around 110 Crores and the balance 140 Crores will come from the maintenance of the HAM projects which are there.
- Moderator:** Thank you. Next question is from the line of Ankit Fitkariwala from Jefferies. Please go ahead.
- Ankit Fitkariwala:** Varun Bhai one small question on the traffic growth numbers that you have given please correct me if I am wrong so like AGITL was Rs. 93 million versus Rs. 100 million on a Y-o-Y basis so that is a

decline of -7 with no toll hike the implied traffic growth should be -7 right, so why is there a difference means you said -4 I guess?

Varun Mehta: Yes, so the traffic growth basically which I was just mentioned so that is the part of the composition of the entire commercial traffic and it is in terms of PCU basically. The toll revenue which is there that is a pure volume into the toll rate, so when we compute the volume into the PCU which is like multiplying the pure volume numbers by the trip factors and by the PCU factors, so with that the traffic volume growth was around say -4% in AGITL. I think the reason for that is see there has been a good growth in the heavy commercial vehicles. I can say there has been decline basically in the LTV and the small trucks which are there.

Ankit Fitkariwala: The differences will be similar across different projects and the difference would be because of the same reason.

Nitin Patel: Yes, because the toll rate is like volume x rate and the growth is that in terms of the PCU numbers.

Ankit Fitkariwala: Okay got it, thanks Varun.

Moderator: Thank you. Next question is from the line of Rita Tahilramani from Edelweiss. Please go ahead.

Rita Tahilramani: I had a couple of questions. Firstly what is the MMR of the operational SPV in the consolidated revenue for Q1?

Varun Mehta: For Q1 the MMR was done in Dhule Palesner and the amount is around 36 Crores.

Rita Tahilramani: And what would be the corresponding expense for the same?

Varun Mehta: The expense is somewhere around 27 to 28 Crores.

Rita Tahilramani: And can we get the spread of the other income across the heads like operational SPV besides the standalone well that be possible?

Varun Mehta: I do not have it right now, maybe I can give it offline because I will have to take out from the financials.

Rita Tahilramani: And what is the gross block at SIPL consolidated level at FY2017 end?

Varun Mehta: I am just working out the numbers, maybe I can give it offline because I need to see at the consolidated numbers for FY2017.

- Rita Tahilramani:** Sure. And one more thing sir the SIPL other income seems to be quite high standalone numbers. What is the reason for that?
- Varun Mehta:** The majority of the income is coming from the short-term loan which the SIPL has given to the subsidiary, so the interest on the short-term loans which SIPL has given so that is the major component of the other income.
- Rita Tahilramani:** And what can we expect this number to be by FY2018 end will this run rate be continuing?
- Varun Mehta:** It all depends on see exactly what is the repayment happening from the SPVs, so I think the way the cash flows are working out, obviously this number will reduce a bit because there will be a repayment of the short-term loan from SPVs to SIPL.
- Nitin Patel:** Because of the demonetization the large part of amount has been basically supported by SIPL in various SPVs to make sure the lenders remained actually, so as and when we get the payment back from NHAI and the state authority it will be repaid, so to that extent the adjustment will be made.
- Rita Tahilramani:** And one last question, the tax rate at a standalone level is a little high in this particular quarter and what can we expect the tax rate for this by the year end?
- Varun Mehta:** The tax rate for SIPL standalone will remain at the full level because SIPL does not come under the ATI entity. The SIPL standalone will have a full tax rate of 33%.
- Rita Tahilramani:** Okay that is it from my end. Congratulations and good luck for future.
- Moderator:** Thank you. Next question is from the line of Ashish Shah from IDFC Securities. Please go ahead.
- Ashish Shah:** Would it be possible to give the toll numbers for the month of July and even August on a per day basis just to get a sense of how the numbers are panning out for this quarter especially in the post GST scenario?
- Nitin Patel:** One thing I definitely remember that immediately on the implementation of GST for 10 to 12 days it has reduced to 50% across the country actually, thereafter it has started growing but in the month of August I can say that basically it has overpass the earlier numbers also in almost all the SPVs, but definite number we have to see particularly. If required we can give for both the months actually once the August is over.
- Ashish Shah:** In your view in the month or let us say in the second quarter of this financial year you would see a year-on-year growth in traffic?

Nitin Patel: Absolutely there will be a growth because as I have mentioned in the month of August because this is a monsoon month and compared to the same period of the previous year we are seeing that the traffic growth is coming back on the track. Second thing it may be possible because the impact of the earlier 10 to 15 days which was a shortfall, all the vendors, traders as well as the business houses because of GST issues probably they have started moving the goods very fast. Obviously because of the elimination of this revenue department check posts across the country, again the traffic movement has become very smooth so the turnaround has also become fast. Obviously there will be economic impact but the turnaround is fast as of now what we see.

Ashish Shah: Sir lastly, have you got all the cash which was due to come from NHAI for the compensation for toll suspension last year?

Nitin Patel: No. Out of the 59 Crores of the cash which we were supposed to get from the NHAI and the state authorities except for Maharashtra border check post because it was around 20 Crores which state government has already told us to that they will compare that in terms of the time period with project IRR, but out of 59 we have received almost around some 17 or 18 Crores odd, but now the government of Maharashtra and even NHAI they both have made the provisions for making the payment because the PMO has very clearly intimated the government of India has already told them that they are not going to compensate this money to any of the authority, so now they have to make their own arrangement. Recently even there is a news item that the government of Maharashtra is made a 142 Crores of budgetary allocation for PWD and MSRDC put together, so this will come from them and NHAI has already intimated us they will review one-by-one and they will release from headquarter or itself to all of the projects.

Ashish Shah: Are we saying that the compensation is going to be entirely in cash and not by way of extension?

Nitin Patel: See it should be in the cash, but what we understand based on the circular what NHAI has issued they will first release the payment and the difference depending upon the which kind of litigation is coming on their head then after they will take the decision. First of all we should get the money based on their decision. So according to that, we have made a provision, auditors have worked out and made a provision of 59 Crores receivable total and out of that 17, 18 Crores we have received so far.

Ashish Shah: So and in Maharashtra also if I got you right you said that you are due to get 20 Crores, earlier the thought was to get give this by way of expansion now they have made a provision?

Nitin Patel: No. Maharashtra border check post we have not made a provision because it is a transport department ownership project, so transport department has confirmed us that they will give the extension in concession period only.

- Ashish Shah:** The 20 Crores we spoke about is not going to come in cash, it will come by way of equivalent increase.
- Nitin Patel:** Exactly and for that we have not made the provision so that 59 Crores provision does not include that 20 Crores.
- Ashish Shah:** Sure, thank you very much.
- Moderator:** Thank you. We have next question from the line of Prem Khurana from Anand Rathi. Please go ahead.
- Ashish Shah:** Sir just wanted to understand your comment on the competition. How do you see competition to pan out given the fact that now NHAI started giving mobilization advance even for hybrid annuity projects and if I remember that it even KSHIP is supposed to come out with some hybrid annuity projects wherein they are giving 75% as construction grant, which essentially means the concession arranged for only 25% of total requirement in that project, so do you see the competition to go up substantially given the fact that these have been relaxing financing needs?
- Nitin Patel:** If you see the total list of projects what NHAI has planned to award in this year because they have recently issued the complete list of state wise projects what they are planning to award, so almost we have seen that more than 6500 kilometers NHAI is going to award as well as the various state authorities put together and considering the job opportunities in metro as well as the other infrastructure what we are of the view is that there is enough headroom is available and we are quite sure that the in hybrid the competition will be reasonably less and there may not be more than four to five bidders on an average basis. In EPC, yes 10 to 15 bids will definitely come in almost all the EPC, even recently in state of Gujarat almost five projects under the EPC has been bid out, we have seen on an average ten bidders has submitted the bid in the EPC in almost all the five projects. So, considering the large volume and as well as the good headroom in hybrid annuity particularly where it is available we are of the view that there is no need to basically jump in and by way of compromising the margins in going aggressive because number of bidders and the players and actual executors seems to be reasonably less as compared to what was there earlier.
- Ashish Shah:** But do you yet to see NHAI giving out these many orders because even last year they gave out this kind of number, they gave out saying that we want to award 6300 odd kilometers but what they could do was only around 4400 or 4300 kilometers, so do you get to see them giving out these many orders or is it just that they have given out less and then they would be able to deliver the numbers they are talking about?

Nitin Patel: Basically what we understand is that the last year 2019 was a little bit far, now it is a little bit near, so I think it should come basically. Now the pressure is also there on authority. Obviously the list what they have prepared we are also in touch with the authority regularly, but the good thing is that 80% of the land will definitely be on the hand for the bidding so that will ease out a lot of challenging for all the stakeholders for the projects.

Ashish Shah: And Varun bhai between these two hybrid annuity projects appointed how much Capex has already been done in the under construction hybrid annuity projects, you gave out the numbers in terms of physical progress right 16% and 19% but in terms of...

Varun Mehta: Yes, for three projects we have received the appointed date, so there the debt is around 78 Crores and the equity is around 118, so put together roughly around 200 Crores of capacity has done in both the projects.

Ashish Shah: 200 Crores and we have not received any mobilization advance from NHAI.

Varun Mehta: Mobilization advance has been received but that has been paid to the EPC contractor. The money spent in the project is around 200 Crores.

Ashish Shah: Okay so the number was 144 odd Crores right mobilization advance?

Nitin Patel: Yes.

Moderator: Thank you. Next question is from the line of Ankit Fitkariwala from Jefferies. Please go ahead.

Ankit Fitkariwala: Nitin Bhai my question is on the GST side, now in fact there are talks that on the construction side you will have to pay 18% tax and then again that there were talks that at 18% have been reduced to 12% so first question whether that notification is out and it is now decided clearly it will be 12%, if so post taking the input credit what does it boil down to in terms of effective tax and secondly how does it impact the SIPL standalone operations who takes the hit of that tax if it is there?

Nitin Patel: First of all what we understand is that the anyway whoever is executing or whoever pays the tax ultimately it is a pass through event for either it may be 12% or 18%. So if somebody pays 18% and it is being charged to the company who is liable to pay 12% so definitely he will be able to get the compensation set up of that 18% in overall liability actually, so we do not see any additional impact but definitely we are still waiting for the final circular to come. GST council has already made it clear. There are the two different opinions are going on between the consultant to consultant, but one is that the agency who is giving a direct service to the government that is clear it will be 12% only, but if it is indirect like subcontract, so somebody is selling that it will be only 12% because it is a road

construction and somebody is telling 18%, so after getting the final circular we will be able to give the complete interpretation.

Ankit Fitkariwala: And say it is 12% then post taking the input credit does it boil down to effective tax rate of 5% which was the case earlier or no?

Nitin Patel: Exactly. It will be very less actually 4% to 5%, so large relief has been given, according to me 6% relief, straight away it is a clear relief to the entire industry.

Ankit Fitkariwala: Okay, got it and secondly if say SIPL standalone is doing some activity for the SPV, so there whatever the tax that is being paid extra is it like that the SPV can claim it from? How does it work? In this case the it is between the two entities right, so how will the higher tax rate if it is there be passed on to anybody else?

Varun Mehta: Yes, say for example for the maintenance work which has been done by SIPL for the SPV there will be a tax rate of 12% or 18% depending on the final rate, but there are two options available for the SPV. One is that the SPV can claim from NHAI under the change in law clause for that particular amount and the second option is that the toll services basically which is there this is under the nil rate under the GST. It is not an exempted services, it is under the nil rate, so whatever tax the SPV has paid on the expense part that particular amount can be claimed as refund by the SPV. I think depending on both these options there will be reimbursement either by NHAI or there will be a refund of the GST paid on the expense front.

Moderator: Thank you. Next question is from the line of Devam Modi from Equirus Securities. Please go ahead.

Devam Modi: Sir on Maharashtra border check post, when are we expecting **commencement of user fees for the** three check posts where CODs are really there.

Nitin Patel: They have already got the final confirmation from the concerned RTOs. Actually what has happened in this particular project, in all other kinds of BOT projects once the independent consultant gives the PCOD we would definitely get the certificate within maximum one month's time. Here, basically MSRTC is writing to transport commissioner and then transport commissioner is taking their individual report from the concerned RTO inspectors on the site and after getting that then he is recommending to the secretary at a government level for issuing the GR, so now the recommendation to secretary has already been made so hopefully we will be able to through within a say maximum one month's time from now, so by end of September we will be able to through actually in all these things.

Devam Modi: What kind of vis-à-vis addition will be expected from this three check posts?

- Nitin Patel:** This three put together and another two we are going to apply in this month only, so all five; Kagal, Marwade then the Insuli then the fourth one is this Chhindwara road, and the fifth one is Rajuran so these five put together we are expecting that the revenue will go up by at least around 16 to 18 lakhs per day minimum.
- Devam Modi:** With regards to the FY2018 revenue guidance of 250 Crores in SIPL standalone we understand the breakup which Varun gave, only thing is do we have any annual rupee maintenance that we get from all the projects that is also there is a standalone revenue guidance and what is the number?
- Varun Mehta:** Yes, the annual routine maintenance on the operational SPV is somewhere around 14 to 15 Crores only, but that also probably we are evaluating and see whether there is any big hit of the GST then it might happen that the maintenance will be done by the SPV itself, as of now we have not included that number into 250 Crores but typically that number is somewhere in the range of 14 to 15 Crores.
- Devam Modi:** And what will be the annuity amount linked to PCOD, will it be the full annuity or will it be a part number.
- Nitin Patel:** Yes, if the COD is received from the month of April which is almost like two months before schedule, so accordingly for that two months there will be a bonus amount which will be paid by the client and post that there will be the seminal annuity which is 71 Crores will be paid then probably from June then there were seminal annuity will be paid in the month of December.
- Devam Modi:** Because of PCOD there is no reduction in the overall annuity amount?
- Nitin Patel:** No, there are two things, they have not provided the land, the proposal what we have submitted and what independent consultant recommending is that the annuity should be paid in full and the undertaking to be obtained from concessioner that they will not charge any price escalation on the 13 kilometer portion, so if they are paying a proportionate annuity then definitely the concessioner will charge a price escalation on the 13-kilometer portion so this is how the things will work actually.
- Devam Modi:** And if you could share the position on mobilization advance across the HAM project, project wise what mobilization advances will received?
- Varun Mehta:** We have received the mobilization advance for the three projects where we have received the appointed date that is the two Gujarat one and Rampur-Kathgodam package one, so I think in this three projects only we are right now eligible to get the mobilization advance so as and when we receive the appointed date for the other projects we will apply for the mobilization advance.
- Devam Modi:** And between these three we have received 144 Crores right?

- Varun Mehta:** In the Gujarat package it is 144 Crores both put together and in Rampur-Kathgodam package one it is 74 Crores.
- Devam Modi:** And so if we look at all the seven we are expecting something like 580 Crores overall, so out of that we have received around 228 Crores as of now.
- Varun Mehta:** Yes, so out of this five three we have already received, two probably which is the VRD one and the Rampur-Kathgodam package two, so there the formula is after 60 days basically we have to apply for the mobilization advance and within 30 days of application the payment will be done but in case of Waranga Mahagaon, Udaipur bypass on the date of the appointed date we will receive the 5% mobilization advance.
- Devam Modi:** And of the entire grants related to Bhilwara Rajsamand and Rohtak-Hissar have been received right?
- Nitin Patel:** Yes, the entire amount has been received.
- Devam Modi:** Okay sure, thanks, that is it from my side.
- Moderator:** Thank you. As there are no further questions from the participants I would now like to hand over the floor over to Mr. Nitin Patel for his closing comments. Over to you Sir!
- Nitin Patel:** Thank you very much all the ladies and gentlemen from Sadbhav Group. It is our pleasure you all are taking your valuable time to understand the perspective of business on quarter-to-quarter and as we have mentioned here the two or three important events which we are going to be basically a very big trigger for the company, one is the obviously the closing of refinancing of four of the SPVs that Ahmedabad Ring Road, Bhilwara Rajsamand, Shreenathji-Udaipur, and Maharashtra Border Check Post which we are very much confident that the before the end of Q2 except for Maharashtra Border Check Post three will be completed and in Q3 border check post will also be through, so this will have a straight way bottom line impact which we are seeing almost closer to 50 Crores on an annualized basis, so this will be a good jump and apart from that the most important part is that the hybrid annuity project the things are moving well within the track and by the end of Q3 all the seven HAM will be under operation, at least under construction basically and according to us all the flow what has been planned and what has been basically bid out everything is going well within the track either from NHAI front, either from the equity front or from the lenders perspective, so we understand that this has been rolled out smoothly as this was a new model, and this will give a further confidence for us to go for further bidding. Considering this, I think this is what I can basically update now and again thank you very much to all of you for taking your valuable time.



Sadbhav Infrastructure Projects Limited
August 11, 2017

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