



“Sadbhav Infrastructure Project Limited Q4 FY2018 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to Sadbhav Infrastructure Project Limited Q4 FY2018 Earnings 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 phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nitin Patel, Director, Sadbhav Infra. Thank you and over to you Sir!

Nitin Patel: Good evening everyone. On behalf of Sadbhav Infrastructure Project Limited, I warmly welcome all the participants to the earnings call for quarter ended and full year ended March 31, 2018. I would like to take you through the basically bidding scenario initially along with the update on GST for Maharashtra Border Check Post as well as the proceeds of the arbitration matters basically, which are ongoing in the company and then the financial numbers and operational performance that will be taken through by Mr. Varun Mehta, who is the CFO of the company.

Let me start with the bidding parameters and status. In the last quarter of FY2018, we have won four hybrid annuity projects worth Rs.4113 Crores, so now we have 12 hybrid annuity projects worth Rs.11081 Crores. In totality in the hybrid bidding called by NHAI till now, we had submitted bid for 68 projects worth Rs.66478 Crores out of which we have won 12 projects worth Rs.9269 Crores. We were L2 in 24 projects worth Rs.25024 Crores and L3 in 12 projects worth Rs.12127 Crores. All these numbers are NHAI cost estimates, but now the average number of bidders was approximately 5.7 per bid for these 68 projects. 12 projects which we have won difference between L1 and L2 on the average is 4.08%. 12 projects where we have won lead project cost even after reducing the upfront O&M cost, it is 16.92% higher than the NHAI estimated cost.

Now I have discussed in our conference call, bidding activity had picked up from January and we expect this momentum to continue in the current fiscal year also. As per the NHAI website now there are 47 hybrid annuity projects of length 2183 kilometers worth Rs.44604 Crores for which bids are to be submitted before end of June 2018. These are some basically initial numbers. Apart from that, there are a lot of other basically EPC and other hybrid projects basically by various state governments. Now there might be certain slippages to the extent of 15% to 20% in this number, but still we think that the number by March end for FY2019 will be very much sizeable and even higher than the basically what were the number for FY2018.

Now if we see the competition we expect is not to be very high for first basically couple of quarters. It can be in the range of 4 to 5 bidders only. This is in relation to bidding. Now basically let me give the updates of the Maharashtra Border Check Post in relation to the post GST law come into place. Now

as discussed during our last conference calls also now NIC has directed Maharashtra Border Check Post to make certain changes in the software, which is under operation, so that the data collected by Maharashtra Border Check Post can be shared to GSTN Department. Now post this implementation of e-way bill, the officials from GST Department have for basically initial checking as well as the implementation of this software. They have started sitting in our check post area and also they have started random checking of vehicles based on the e-way bill, which is being popped up into the software of the GSTN Department at every check post. In a way basically the Maharashtra Border Check Post project is becoming now part of GST network, which we were also contemplating early and I think the government department is also getting a lot of advantages of this system, so this is basically I would like to give update that now this has been included...now the department has already started using the platform.

Now let me give the update for the arbitration matters. There were the four arbitration matters in four of the SPVs we have started actually with NHAI. So first at Rohtak - Panipat now the award is already in place. So now based on the recent communication the NHAI will release the 75% payment because all the arbitration awards NHAI has decided to go for challenging the same into the High Court and as per the policy prepared by the central government, they have agreed to release 75% payment against the bank guarantee.

Now there is another two basically important arbitration matter for Nagpur - Seoni, so all the hearings and everything is over. We are expecting its order to come before August this year actually and also in the case of Dhule - Palesner the arbitration proceedings is going on and we expect that also the award will be declared before September and the largest basically arbitration is in the Mumbai Nasik Expressway Limited, so the total amount of arbitration in Mumbai - Nasik itself...that claim itself is almost around Rs.400 Crores and the argument there more or less it is over, so now the arbitrators have started basically preparing the award, so we expect that this will also come very soon. So in nutshell we are expecting by September or October latest all the arbitration awards will be placed for these four matters and we have also evidence that based on the current year's numbers now Varun bhai will take you through all the numbers, but the company and the board has decided to go for a total dividend of 50 paisa per share against which 20 paisa has already been declared by the company on a semiannual basis during last year itself, so the final 30% per share will be distributed as per the guidelines of the companies act actually. So this is I think from my side I would like to update. Thank you very much to everyone for listening to me. With this, now I will hand over Mr. Varun Mehta to discuss the financial numbers and operational performance of Sadbhav Infrastructure.

Varun Mehta:

Thank you Nitin bhai for giving the useful updates on a HAM bids and also on the GST scenario for the MBCPNL project and good afternoon to all the participations and we once again thank you for taking your valuable time to attend the earnings call for this quarter and the year ended FY2018.

I am sure you must have seen the media release for the financial results, which was shared yesterday and also the SPV wise toll revenue, which was shared on April 9, 2018.

I will start with the financial numbers first. The entire break between the operational SPVs and construction SPVs and the standalone business has been provided in the media release for the quarter ended March 31, 2018. Now starting with the operational SPVs, the total cash income during Q4 FY2018 stood at Rs.277.67 Crores. This includes the Nagpur - Seoni annuity receipt of Rs.8.92 Crores. This number translates to a daily toll revenue of around Rs.3.08 Crores versus Rs.2.83 Crores, which was achieved in first half of FY2018 and as compared to Rs.3.03 Crores in Q3 of FY2018. This probably indicates that the entire growth momentum, which was started in the month of September especially after the downfall because of the demonetization and the GST, so the entire traffic momentum has continued in Q3 and in Q4 also. The cash EBITDA from the operational SPVs during Q4 FY2018 stood at Rs.233.48 Crores. This translates to an EBITDA margin in Q4 FY2018 at around 84.08%. The EBITDA margin for this full year of FY2018 for the operational SPVs has increased from 83.5% in FY2017 to 84.02% in FY2018 and probably we expect the EBITDA margin to increase further in FY2019 also because of the higher increase in the toll revenue. As mentioned in our various earning call also that the cash profit will increase on a quarter-to-quarter basis and we have seen this trend continuing in this quarter also. The cash profit in the operational SPVs has increased from Rs.36.5 Crores in Q1 FY2018 to Rs.41.78 Crores in Q2 to Rs.57.9 Crores in Q3 to Rs.64.26 Crores in Q4, so on a quarter-to-quarter basis, we have seen that increasing trend in the cash profit also.

From the operational SPVs, the cash profit in the full year of FY2018, it has increased by 76.36% from Rs.113.65 Crores in FY2017 to Rs.243 Crores in FY2018 and this increase in cash profit has been led by the entire refinancing activity, which has been completed now and also the incremental increase in the traffic growth, which we have witnessed in the full year of FY2018. We anticipate this cash profit to increase further in FY2019 led by the reduction of the finance cost in Maharashtra Border Check Post where the refinancing got completed on March 23, 2018 along with the increase in the toll rate in all the NHAs from April 1, 2018 by approximately around 4% to 4.5% and there is an increase in the toll rate in the Maharashtra Border Check Post by around 18% from April 1, 2018. For FY2019, we provide our revenue guidance in the operational SPVs of around Rs.1200 Crores to Rs.1225 Crores and a cash EBITDA margin of around 85% and these numbers are excluding the Mysore – Bellary because till now the stake has now been transferred from SCL to SIPL.

Now coming to the standalone business, the total cash income from the standalone business during Q4 FY2018 stood at Rs.63.51 Crores. Cash EBITDA during Q4 FY2018 stood at Rs.47.18 Crores, which translates to an EBITDA margin of 74.28%. EBITDA margin in SIPL standalone for the full year of FY2018 stood at around 65.5% as compared to 54.35% during FY2017 and this increase in

EBITDA margin is due to the higher proportion of the maintenance revenue, which has been started from the hybrid annuity project. Cash profit from the standalone business have increased from Rs.11.32 Crores in Q1 FY2018 to Rs.26.11 Crores in Q2 FY2018 to around Rs.29.26 Crores in Q3 FY2018. It has reduced in Q4 sort of some extent to around Rs.12.78 Crores and it was because of the lower booking of the HAM revenue and because of the major maintenance of the Dhule – Palesner which has been completed more or less in Q4 of FY2018, but we estimate that the revenue guidance for FY2019 for SIPL stand alone would be to the extent of around Rs.400 Crores to Rs.425 Crores and along with an EBITDA margin probably in the range of 65% to 67% because of the new HAM project, which will start the construction from Q2 so probably the maintenance revenue of those HAM projects will also start the booking in the Q2 onwards of FY2019.

In the HAM projects during the construction, there is an escalation formula as per the construction agreement after passing on the escalation to SCL with the EPC contractor, the SPVs have generated a profit of Rs.18.72 Crores during FY2018. Since we started recognizing this amount in Q4 FY2018, the entire amount has been reflected in the Q4 FY2018, but with all this the cash profits from the operational SPVs and standalone and the HAM projects, we are happy to announce that probably our cash profits has increased by 81.17% to Rs.298.31 Crores in FY2018 from around Rs.164.66 Crores in FY2017 and this is the result of the entire operational increase in the cash flow, which we have seen in all the SPVs.

Now coming to the order book, SIPL has a current outstanding order book of around Rs.900 Crores, which includes Rs.760 Crores of the maintenance revenue of the HAM projects and around Rs.120 Crores of the major maintenance of the Bijapur - Hungund and Hyderabad - Yadgiri and there is around Rs.20 Crores of major maintenance, which is also pending of the Dhule - Palesner and probably the entire amount of Rs.900 Crores is expected to be exhausted in the year probably FY2019 and FY2020 majority in FY2019 and FY2020 only. There will be some part, which will go to FY2021. The entire consolidated debt of the operational SPVs as on March 31, 2018 is around Rs.6971 Crores. The consolidated debt for the under construction SPVs is around Rs.439 Crores and the standalone debt of SIPL is around Rs.1329 Crores. Since we have completed the entire refinancing activity, which we started somewhere in the month of November 2015 from Dhule - Palesner and if you see our sort of stock exchange release, which we have given on March 26, 2018 for the Maharashtra Border Check Post we have given the SPV wise in which month probably we have completed the refinancing and what is the interest rate post the refinancing also. So probably right now our interest cost for all the operational SPVs excluding the Rohtak - Panipat and Rohtak – Hissar. So for the nine SPVs where we have completed the refinancing, there the interest cost is around 9.27% versus around 11.18%, which was there before the refinancing and the cost of debt in Rohtak - Panipat and Rohtak - Hissar remains a bit high. It is right now at around 11.7%. Still the blended cost for all the operation 11 SPVs is around 9.86% as on March 31, 2018. So probably the

entire activity of refinancing now will start giving effect from April 1, 2018 because till the financial year of FY2018, the entire effect was not been reflected because the refinancing was completed in a particular quarter, but the April 1, 2018 we will see the entire reduction of the cost from probably April 1, 2018 and plus the increase in the revenue because of the increase in the toll rate also. At the SIPL standalone level, we have refinanced the debt in the SIPL standalone amounting to Rs.170 Crores where the rate of interest has come down to 10.2% as compared to an earlier rate of 11.87% and also regarding the process of refinancing further debt at the SIPL standalone amounting to Rs.180 Crores where the interest rate charge reduced from 12.5% to around 10.2%. So this is the update in relation to the operational SPVs.

Now talking about the traffic growth, so probably the Y-o-Y traffic growth during the quarter stood as follows for each and every SPV, MBCPNL at around 7.83%, which is the traffic growth, which we have seen on a Y-o-Y Q4 FY2018 versus Q4 FY2017. Bijapur - Hungund we have seen a traffic growth of 5%, Dhule - Palesner, it is around 2%, Rohtak - Panipat it is around 26% and probably for the entire year we have seen this amount of momentum in the Rohtak - Panipat traffic. Rohtak - Hissar traffic growth is around 12%, Hyderabad - Yadgiri is around 14%, Ahmedabad Ring Road traffic growth is around 7.1%, Aurangabad - Jalna traffic growth is around 11.7%, Shreenathji - Udaipur traffic growth is around 2% and Bhilwara - Rajsamand, there is a degrowth of around 2%, but on an overall portfolio basis on a blended basis if we see the Q4 traffic growth stood at around 8.2%, which is led by Rohtak - Panipat and Rohtak - Hissar also and if you see this momentum probably in Q3 of FY2018, we had mentioned in our concall also that the traffic growth was round 11.7%, so probably we have seen that amount of momentum also basically in Q4 and we expect this momentum to continue in the first half of FY2019 especially because of the lower base and plus because of the increase in the economic activity, which probably we have seen on a macro basis and the daily toll collection for the month of April 2018 that is in the current financial year, it is right now at around Rs.3.15 Crores, so probably the entire momentum of the growth has also been continued for this particular traffic number.

Now coming to the under construction projects, so right now the implementation is going on in the six HAM projects and probably the status is as follows. In case of Rampur - Kathgodam package one 37% of the work has been completed and we have received the first grant. We are in the process of applying the second grant. So I think the work is going on as per the schedule only. Rampur - Kathgodam package two in that basically we have completed the work to the extent of 11%. In Bhavnagar - Talaja, we have completed the work to the extent of 36% and in that also we have received the first grant and we are in the process of applying the second grant. Una - Kodinar, there we have completed the work to the extent of 30%. We have received the first grant from NHAI. BRT Tiger Reserve Boundary to Bangalore section, there we have completed the work to the extent of 17% and we are in the process of applying the grant probably in the month of June. In case of Udaipur

bypass, we have completed the work to the extent of 17% again and we have received the first grant also. In case of Waranga - Mahagaon, so in this project, we have completed the financial closure in the month of November only, but right now we are in the process of getting the encumbrance-free land. So probably we are in the process of sort of taking this land and we expect basically the appointed dates for this project in the month of May only, in this current month only. So I think the entire construction will start for the Waranga - Mahagaon project and for the balance five projects, which we have won as mentioned in our earlier remarks only four projects, which we have won in Q4 and probably one project, which we have won in Q3. For these five projects the financial closure process is going on and probably in case of the one project that is Jodhpur Ring Road, we are more or less through in terms of the financial closure and for the rest four projects, we are at the various stages of discussion with the lenders, so probably by this quarter end, we should be in a position to sort of make through most of the financial closures. So I think in a way probably we have seen that FY2018 has shown sort of good promising trend in terms of the traffic numbers and plus we have completed the entire mammoth activity of the refinancing and plus the new orders have also been added in terms of the HAM projects, which has also been started reflecting in our cash profit numbers and which we expect it to improve probably straight Q1 and probably for another sort of more or less probably 8 to 12 quarters also. So I think with this probably, we complete our opening remarks. Thank you very much for listening to us and now probably we can open up the Q&A session. Thank you.

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Nitin Arora from Axis Mutual Fund. Please go ahead.

Nitin Arora: Sir the first question is with regard to the equity requirement if you can tell us how much we have infused and now given that the new projects have come in, what is the equity requirement in the phase wise, if you can tell us how much we are put in this year and in the next two years?

Varun Mehta: Sure. Till now Nitin we have put in Rs.269 Crores as on March 31, 2018 and the net equity requirement that is after deducting the maintenance margin of SIPL during the construction period so the net equity requirement for the 12 projects stands at around Rs.500 Crores.

Nitin Arora: Rs.500 Crores?

Varun Mehta: Yes, which probably we sort of expect it to fund because if you see on March 26, 2018 what announcement we have done for the Maharashtra Border Check Post so we have already got a tie up of the securitization in Maharashtra Border Check Post of Rs.520 Crores, so that is one of the source to sort of fund the equity also and plus obviously we are generating hefty amount of internal approvals also from the operational SPVs and the third is the arbitration money, which we discussed

in our opening remarks, so I think in terms of the phasing so probably it would be more or less equal so around Rs.250 Crores sort of needs to be put in probably FY2019 and the balance needs to be put in FY2020 and probably this is the source where we are sort of looking to fund it.

Nitin Arora: Sir in terms of if we look at your under construction total income, which has gone to some Rs.512 Crores revenue in the total income from operations, the breakup which you gave operational SPV and under construction SPV, is it related to what? Why it has increased so much if you can give us a project wise thing?

Varun Mehta: This Rs.512 Crores is mainly the revenue book for the HAM project because as and when the construction is going on so the construction progress will increase and because of that, that is the revenue, which has been reflected, which is what has been required under the Ind-AS accounting standard also. So probably you will an increase in the number because right now the construction is going on for six projects. Probably as and when the new projects will also start into construction that number will sort of keep on increasing, so I think probably this number is more so a book-keeping number and probably that is a number, which has been reflected because of the Ind-AS accounting and probably that is the number and this will continue on increasing probably in FY2019 as and when the new projects come in, but obviously if you see in the FY2018, they have started reflecting in the margin also because of the escalation what we received from the NHAI and also on the balance portion, so I think that escalation money, that escalation process will also keep on increasing.

Nitin Arora: Getting it and when we look at your total finance cost in under construction SPV if you look at sequentially it has become negative Sir what is the reason for this? It is just the accounting way of looking at it or...?

Varun Mehta: Yes probably post that we had submitted a revised media release also. If you see the recurring finance cost in the HAM projects around Rs.21 Crores for Q4.

Nitin Arora: Got it. Just last two questions. In terms of the finance cost, which we have done refinancing and if you look at sequentially the finance cost has not risen on the BOT part. So Rs.1140 Crores of your consol interest cost, which for this year you ended at considering the benefit, which you will get on your standalone, which you stated that you going to be financing of Rs.170 Crores there plus Maharashtra Border Check Post plus the other assets, how much is your expecting that interest cost to go down to which level in the absolute terms for FY2019?

Varun Mehta: Basically at the SPV level Maharashtra Border itself will contribute to the extent of around Rs.21 Crores to Rs.22 Crores because there the debt outstanding is around Rs.1020 Crores and we have reduced the finance cost from 11.1% to 9.3%. So probably there is a reduction in what we are seeing

in Maharashtra Border Check Post and plus if you see in FY2018 we sort of did the refinancing of Ahmedabad Ring Road in Q2. For Shreenathji – Udaipur, we did the refinancing in Q2 and for Bhilwara – Rajsamand we did the refinancing in Q4. So probably all this put together and plus the SIPL standalone the interest rate reduction so all this put together we are looking at an interest rate reduction of somewhere around Rs.40 Crores basically for FY2019.

Nitin Arora: Getting it and lastly Sir when we look at the new HAM projects what is the status because now I think you must have seen the land and everything? Is the land bank still there or you think the encroachments are there 80% land could be there, but there could be some encroachments or you think patch is clear and you can start the work once the financial closure is done?

Varun Mehta: Basically if I talk about the project specific, in case of Jodhpur Ring Road, so there 96% land is available upfront. In case of Vadodara - Mumbai Expressway there the entire 100% land is available and that is also 3G where the position of the land is available with the government. In terms of the Visakhapatnam Port Road, it is a small 13 kilometer section only, so there also the land is available and in case of Bhimasar – Bhuj and Tumkur - Chitradurga, so in these two projects right now the land is available to the extent of around 65% to 70%, but obviously there is a five to six months of timeline, which is available till the time the appointed date is got. So probably we will take the minimum 80% land only and then only we will take the appointed date.

Nitin Arora: Getting it. Thank you very much and all the best.

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

Nirav Shah: Good afternoon Varun bhai and Nitin bhai. Two questions. One is on the debt front, Sir you mentioned the standalone and the consolidated debt, but if I look at the standalone numbers of Rs.1329 Crores, it compares with Rs.1255 Crores in Q3. So we have seen some Rs.75 odd Crores of increase and the reduction in operational SPV that is only Rs.37 Crores, so can you just explain the difference because these generated around Rs.100 Crores of cash in this particular quarter?

Varun Mehta: I think basically the cash what has been generated obviously it has been invested as an equity also in the under construction projects and probably the number what we are seeing in the consolidated debt for the operational SPVs, so there basically in the entire full year of FY2018, we have repaid the debt to the extent of Rs.145 Crores, but if you see in Dhule - Palesner, there was a major maintenance also which has happened. So for that we have taken the debt from the lenders because what we have done in the refinancing and probably we have discussed in the earlier calls also, any first major maintenance activity it will be funded by the lenders debt, which will come in, so I think broadly if

you see on a quarterly basis, we have been repaying somewhere around probably around Rs.40 Crores to Rs.45 Crores of debt, which is there and the increase in the debt in the SIPL standalone what we are seeing, so obviously one reason is because of the redemption premium, which is there because the entities what we have rate at the SIPL level, so there the coupon rate is lower than the IRR, which is agreed, so because of that there will be some increase in the debt figure and the second thing, there has been certain loan, which has been given from SEL to SIPL in Q4 and the reason for that, since basically there are certain payments, which are stuck from NHAI mainly in relation to the GST because obviously the terms of the calculations what we have done, so there is certain amount, which we are supposed to receive from NHAI more so from the GST component, which is filed under the change in law. Temporarily that money has been given by SEL and also there is a temporary support, which has been given from SEL, which is in relation to the delay in the grant payment because there is a grant payment, which will be paid by NHAI for each and every project, so even if there is probably around 10 to 15 days of delay in terms of the payment from NHAI, so there is a temporary support, which has been given by SEL and as and when the grant will come in, the entire money will be sort of repaid to SEL, so probably this is a temporary sort of number, which has come in from SEL. As and when the money keeps on coming from NHAI and also basically the grant keeps on coming regularly, the entire amount will be paid back.

Nirav Shah: Got it so as of March how much will be SEL exposure last quarter it was Rs.455 Crores?

Varun Mehta: As of March it is somewhere around Rs.515 Crores.

Nirav Shah: Rs.515 Crores and the second question you have given the guidance of toll collection around Rs.1200 Crores to Rs.1225 Crores, so in terms of cash profit, Sir any guidance that we have given including Mysore - Bellary and for the standalone SPV?

Varun Mehta: This is the guidance excluding Mysore-Bellary.

Nirav Shah: In terms of cash profit Sir?

Varun Mehta: I think in terms of cash profit what we are looking at is probably in this year we have done Rs.300 Crores that is Rs.298 Crores. In think in FY2019, we should be there somewhere in the range of around Rs.320 Crores to Rs.330 Crores from operational SPVs. This is on the operational SPV and the SIPL standalone and the HAM will generate the additional cash profit, which is there.

Nirav Shah: Any number for that?

Varun Mehta: I think if you see for FY2018 we have done somewhere in the SIPL standalone it is somewhere around Rs.70 Crores to Rs.75 Crores as a number, so I think in FY2019 since there is a jump in the

revenue numbers also, so we are expecting somewhere in the range of Rs.90 Crores to Rs.100 Crores and in case of the HAM SPVs, it should be somewhere in the range of around Rs.35 Crores to Rs.40 Crores.

- Nirav Shah:** Rs.35 Crores to Rs.40 Crores got it, so total we should be around Rs.550 odd Crores?
- Varun Mehta:** It should be around Rs. 450.
- Nirav Shah:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Surabhi Bomb from Ambit Capital. Please go ahead.
- Surabhi Bomb:** Sir as you stated the equity requirement would be Rs.500 Crores across the 10 projects right?
- Varun Mehta:** Yes.
- Surabhi Bomb:** Sir could you just please restate the number for the equity that has already been invested in these six projects?
- Varun Mehta:** We have invested Rs.269 Crores of equity as on March 31, 2018.
- Surabhi Bomb:** Sir could you tell me the mobilization advances outstanding?
- Varun Mehta:** In all basically, we have received the mobilization advance of around Rs.423 Crores as on March 31, 2018 from NHAI.
- Surabhi Bomb:** Alright. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Ritwik Sheth from Deep Finance. Please go ahead.
- Ritwik Sheth:** Good evening everyone. Sir what was the traffic growth for FY2018 for our blended portfolio?
- Varun Mehta:** On a blended basis if you see as we just mentioned in Q4 the traffic growth was somewhere around 8.2%. In Q3, it was somewhere around 11.7%. In the first half basically if you see our concall also we have mentioned it is somewhere around 3% to 3.5%, so on a blended basis, the traffic growth is somewhere in the range of 6.6% to 6.7% for this full year of FY2018 and probably, we estimate that in the FY2019 it should also... probably the momentum should continue.
- Ritwik Sheth:** In Q3 it was because of the low base of demonetization?

- Varun Mehta:** Yes.
- Ritwik Sheth:** Sir can you explain the Rs.11 Crore negative other income like it is there in the note, but some more clarity?
- Varun Mehta:** Basically in that if you see we have mentioned in note #5, in Q3 basically there was an arbitration claim, which was booked in relation to Rohtak – Panipat and in that basically we had booked an interest income for that and in Q4 basically NHAI had challenged the arbitration award and because of that there is a reduction in the interest income, so in that basically if you see there is a reduction in the interest income to the extent of Rs.19 Crores, so because of that there is a reversal in the Q4.
- Ritwik Sheth:** In the reversal of the other income in Q3?
- Varun Mehta:** Yes, which is a one-time event and that is basically because of NHAI going ahead and challenging the award.
- Ritwik Sheth:** The amount is Rs.19 Crores right?
- Varun Mehta:** Yes.
- Ritwik Sheth:** Sir, what is the outstanding amount of debt from the parent?
- Varun Mehta:** It is around Rs.515 Crores.
- Ritwik Sheth:** Rs.515 Crores and one clarification in last press release in Q3 FY2018 our cash PAT was around Rs.100 Crores and if I see in current Q4 FY2018 press release, it says our cash PAT is Rs.87 Crores, so any restatement or anything, it is a small amount, but just wanted to clarify if there is any accounting changes or something?
- Varun Mehta:** You are talking about Q3 or probably Q4?
- Ritwik Sheth:** So in Q4 FY2018, the press release, which you gave the media release in one of the line cash profits for Q3 FY2018 is Rs.87 Crores, so that is for quarter on quarter and if I see in Q3 FY2018 media release, the cash profit for Q3 FY2018 was mentioned as Rs.100 Crores?
- Varun Mehta:** If you see Q3 FY2018 media release also it is Rs.87 Crores only. So probably if you want I can send to you the media release also, which is available on the BSE website also.

Ritwik Sheth: We can take it offline. Sir in terms of cash profit for the year we have three buckets from the BOT, from the SIPL standalone, and from the HAM projects, so if you can throw some light, BOT is self explanatory, so if SIPL standalone and HAM projects what does the actual income come from?

Varun Mehta: For SIPL standalone the income is in relation to the maintenance of the HAM projects and plus basically there is as major maintenance also of the operational project and the routine maintenance of the operational projects. So that is the main stream of revenue for SIPL and in case of the HAM basically the entire accounting, which has been reflected is because of the Ind-AS, but there also we sort of receive an escalation on income basically is as per the formula of the construction agreement and from that we need to pass on a particular component to SCL as an EPC contractor, whatever the balance escalation is there so that is the profit on the escalation of the SPV.

Ritwik Sheth: The HAM project revenue is basically the bridging of the amount between SCL and SIPL is that understanding right?

Varun Mehta: The HAM project revenue in the SPVs or at the SIPL standalone you are talking?

Ritwik Sheth: At the SPV level the cash profit that we are going to do around Rs.40 Crores for FY2019?

Varun Mehta: SPV level the cash profit, which is there so that is purely the difference between the escalation on the income and on the expense. It is nothing linked to the EPC cost or to the SEL or SIPL. It is purely the escalation, which is there as per the formula which is 70% WPI and 30% CPI, so say for example if we receive the escalation on the entire Rs.1000 Crores of the project cost, we have to pass on to the EPC contractor to the extent of only Rs.800 Crores, so whatever escalation we are getting on the Rs.200 Crores will be profit of that particular HAM project.

Ritwik Sheth: This does not mean that if we have higher execution in the year, we will have more revenue from the HAM projects?

Varun Mehta: It is not directly obviously because if the construction cost or say the construction progress is higher then definitely we can get the higher escalation, but it is also linked to what is the number of WPI and CPI in that particular quarter or say in a particular financial year.

Ritwik Sheth: Okay Sir, thank you and all the best.

Moderator: Thank you. The next question is from the line of Mitul Shah from Individual Investor. Please go ahead.

- Mitul Shah:** Sir congratulations for the numbers. Sir my question is the same as the other participant has asked that we have shown the Q3 FY2018 cash profit of Rs.87 Crores and this time you have shown it last time it was Rs.100 Crores and this time you have shown Rs.87 Crores, there was a difference in SIPL standalone number? This time in this media release you have said it was Rs.423 Crores at that point of time... Rs. 42 Crores and this time you have shown Rs.29 Crores, so there is a discrepancy of Rs.13 Crores, so what was the reason?
- Varun Mehta:** Basically in the Q3 FY2018 if you see the media release the number is also the same Rs.87 Crores only, the breakup is.
- Mitul Shah:** There is a media release. It is on the BSE website only and at that point of time we have made a note and yesterday also I have gone through it. Today also we have printout, I have a printout in front of me of your medial release?
- Varun Mehta:** Mitul basically media release you are referring to post that on the same day we have given a revised media release, so I think you are referring to the media release, which was the old one. On February 5, 2018, we have given the media release, which is available on the stock exchange is if you require I can give it to you, so in that the number, which is
- Mitul Shah:** I will go through that and my second question is Sir when will we be able come on the net profit?
- Nitin Patel:** Actually if you see all this business is intangible assets actually. Component of depreciation is very high compared to... but gradually on every quarter-on-quarter basis what we are seeing on year-on-year basis basically the loss basically after the post all these provisions and MMR provisions and other noncash items is getting reduced, so what we are of the view that by the end of FY2019, we should be basically completely come out of this scenario. FY2010 onwards we are of the view that the PAT should showing the positive number, but more important what we would like to contemplate here if you see the cash profit, cash profit for FY2018 has increased by more than 80% actually. So this is a significant jump and second thing in FY2019, we are very much sure because the numbers are very much clear. Repayment has already been started in the SPVs, so full years benefit of the refinance is going to come in FY2019 basically for all the SPVs we have completed in last year plus the increase in toll revenue, so all put together we are of the view that again this year itself the cash generation for the operational projects itself will be more than around 65% to more than 70% above than the FY2018 numbers, so this is what is more important for this kind of asset business actually, what we have.
- Mitul Shah:** That means the overall for year we can see like Rs.400 plus Crores on the cash profit side at least?

- Nitin Patel:** Absolutely see what as Varun bhai has recently mentioned that from the operational projects we are seeing between Rs.320 Crores to Rs.330 Crores of the cash profit plus the SIPL stand standalone basically that should be within the range of Rs.90 Crores to Rs.100 Crores and also from the hybrid annuity projects because of these escalation margin in the hybrid annuity that should be within the range of around Rs.40 Crores to Rs.42 Crores, so all put together the cash profit will go beyond Rs.450 Crores for FY2019.
- Moderate:** Excuse me, this is the operator. Mr. Shah May we request you to come back in the question queue for a followup please. Thank you. The next question is from the line of Parveez Akhtar from Edelweiss. Please go ahead.
- Parveez Akhtar:** Good afternoon Nitin bhai and Varun. A couple of questions. First what is the gross equity required that is needed to be infused, obviously you have given the net number with the margins, but what is the gross equity required?
- Varun Mehta:** Gross equity requirement for the first seven projects, so it is around Rs.428 Crores and for the balance five new projects what we have just won, it was just won in FY2018, so that the equity requirement is around Rs.600 Crores.
- Parveez Akhtar:** Sure and Sir you had given us about the status of the arbitration for the various projects. If you could also give us the claims amount for Nagpur - Seoni, Dhule - Palesner, and Mumbai - Nasik?
- Nitin Patel:** Nagpur – Seoni work, the claim is there is two parts. One is the difference in annuity. Currently we are getting Rs.19.20 Crores as semiannual annuity, which our claim is Rs.21.9 Crores actually which has already been recommended by ICN Project Director at the time of provisional completion certificate, which basically has been halted due to a couple of reasons beyond the concession agreement, so that has been challenged by us and also because of the 50% reduction in the project length of Nagpur - Seoni, so these put together is around Rs.160 Crores is the claim amount in Nagpur - Seoni. Second thing in Dhule - Palesner the claim amount is around Rs.62 Crores that is mainly because of late issuance of the toll free notification by NHAI. So this is the same kind of basically matter was there in Rohtak - Panipat, which was challenged and finally we got the award for the same from arbitrators. So this is similar to that, so Rs.62 Crores in Dhule - Palesner.
- Parveez Akhtar:** For MNEL whatever amount comes what portion will it come to us? Will the entire amount come to us or...?

Nitin Patel: In MNEL obviously there is a distribution, so out of the final award amount whatever will come, so 72% will belong Sadbhav Engineering and basically 28% will belong to Gammon Group between GIPL and Gammon India. 28% will go to them.

Parveez Akhtar: Sir my last question is we have seen a very, very strong traffic growth across most of the projects, but for three projects, which is Dhule - Palesner, SUTPL, and BRTPL it is kind of on the lower side, so just wanted to get your thoughts on it? What is the underlying reason? Is the marble issue still on in Rajasthan and do you see a resolution for it in the near future?

Varun Mehta: I think if you see Parveez in probably Shreenathji - Udaipur and Bhilwara – Rajsamand, the traffic has declined more so from July 1 especially basically because of the couple of issues. One was the GST on the marble. So It was basically placed very high and I think because of that the entire activity sort of had slowed down, so I think we do not foresee any major reason as such for a decline in both these projects and more so once the construction has been started for the KUA section that is the Kishangarh - Udaipur section, so I think once the constructions starts on a momentum basis in that particular project, we have seen also and probably we have discussed with many traffic consultants also probably we anticipate there will be some amount of shift happening from the Kishangarh - Udaipur road to Shreenathji - Udaipur and Bhilwara – Rajsamand because both these roads are sort of shorter in distance as compared to the Kishangarh - Udaipur road and also in terms of the traffic density the Kishangarh - Udaipur road has a very high amount of traffic density and with the construction activity happening simultaneously, so I think we anticipate in fact in the quarters from now, we should see a good amount of traffic growth in both these projects and in some sort Dhule - Palesner, there is no specific reason as such. I think it is probably linked to on a macro basis because Dhule - Palesner is a road, which sorts of connects the Western part of India to the Northern part of India, so it is not catering to any particular region as such. It is more so sort of a through traffic, which has been plying on that particularly road, so Dhule - Palesner I think it is a matter of time. I think as and when probably the activity or say the commodities with that particular road carries... the activity picks up in that particular commodity we can see a sort of increase in traffic there.

Nitin Patel: Also Parveez bhai to gh some extent basically we are also observing that there is some shift into the vehicle configuration basically. Earlier the vehicles, which were carrying say between 16 to 25 tonnes now they are shifting towards basically between 35 to 50 tonnes category, so this is also one of the reasons. So this is the phase. In some of the projects earlier we also we have seen this kind of phase, but gradually it got settled but in gross tonnage basis absolutely what is the growth that is being reflected in the overall tonnage basically, which is reported.

Parveez Akhtar: Thanks a lot Sir and all the best in the future.

- Moderator:** Thank you. The next question is from the line of Rita Tahilramani from SBI Cpital. Please go ahead.
- Rita Tahilramani:** Congratulations on a good set of numbers. Sir three questions from my side. Can you help us with the toll rate hike across each of these projects?
- Varun Mehta:** For the NHAI project, we have seven toll NHAI projects, so there the toll rate hike is between 4% to 4.5% because the NHAI has sort of come out with the circular where they have changed the linking factor with the old cities and the new cities so I think post that we have seen a 4% to 4.5% of the toll rate increase and in case the non NHAI projects one is Maharashtra Border Check Post, so there we have seen a toll rate hike of 18% and there are two projects, which is Aurangabad - Jalna and Ahmedabad Ring Road so there is not toll rate hike as on April 1, 2018, but in case of Ahmedabad Ring Road, we will see a toll rate hike from September 1, 2018.
- Rita Tahilramani:** If you could help me across your revenue across your operational SPVs, routine maintenance of your operational SPVs, and HAM projects and MMR of your SPVs?
- Varun Mehta:** You want the SPV wise breakup?
- Rita Tahilramani:** Not SPV wise breakup? I want the FY2018 routine maintenance of your operational SPV and how much have you clogged in your HAM project, routine maintenance of your HAM project and finally the MMR of your SPV?
- Varun Mehta:** In case of the HAM projects as far as FY2018 we have booked a revenue of around Rs.221 Crores, which is there in the SIPL standalone. In case of the routine maintenance of the project, there is a revenue of around Rs.25 Crores, which has been reflected in the SIPL standalone.
- Rita Tahilramani:** MMR?
- Varun Mehta:** In the MMR for Dhule - Palesner, which is there so there basically there is a revenue of around Rs.63 Crores.
- Rita Tahilramani:** Is there a maximum number of HAM projects are we targeting? What is the maximum number of HAM projects are we targeting to pickup in FY2019?
- Nitin Patel:** Actually it is basically the result and we have to see what is the competitive intensity, the margin levels basically what we are of the view that considering the number of bids, which are there in the pipeline, so definitely the margin level should go up actually number one and second thing what kind of EPC business Sadbhav Engineering is taking because in so far as SIPL is concerned, all the HAM bids basically the EPC is to be executed by Sadbhav Engineering, so we will see what is the mix is

coming in SCL for this quarter also, so depending upon the same, we will strategize our HAM bidding as well as adding more HAM projects actually.

Rita Tahilramani: That is from my side and good luck for the future.

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

Ashish Shah: Sir first question is on the Maharashtra Border refinancing, so by when do we expect the topup amount to be disbursed?

Varun Mehta: Topup amount it is like a line of credit, which is available with us, so as of now basically for the purpose of equity requirement we are generating the sufficient cash flows from the internal approvals, which has been pumped into as an equity, so I think this Rs.520 Crores of the topup debt, which is there in MBCPNL will be utilized as and when probably the new projects start up, so I think we anticipate that we will sort of starting taking the drawdown of this Rs.520 Crores from Q3 onwards.

Ashish Shah: So this will be drawn down in Maharashtra Border Check Post and then up streamed to SIPL?

Varun Mehta: Yes so there will be a repayment of loan, which has been given by SIPL and then SIPL will let this money as an equity in the new HAM projects.

Ashish Shah: How much is that loan from SIPL to Maharashtra Border Check Post?

Varun Mehta: The total loan, which is there it is to the extent of Rs.485 Crores, it is purely a sub-debt because in that the equity share capital is only Rs.5 lakh, so most of the money has been infused by the way of sub-debt.

Ashish Shah: But lenders will be okay with you taking the sub-debt out before the term loan is repayed and that should not?

Varun Mehta: We have got the sanction. We have got the entire financing document that we signed, so I think post that only we have sort of close that transaction.

Ashish Shah: Second on the adjustment for the inflation so we have done it in this quarter for the entire financial year, so from now onwards how will this happen? Would you revise it once a year? Would you revise the project cost for the HAM projects once in a year and take the difference to the P&L or from onwards it will be every quarterly affair? On a quarter-on-quarter, you will expect what is the inflation you will estimate that and then take into account the difference?

- Varun Mehta:** Yes So Ashish probably we will start booking this on a quarter-to-quarter basis and in FY2018 for the only reason because obviously it was the first year of the HAM projects under the Ind-AS, so because of that the entire booking has been reflected in the Q4, but from FY2019 since the WPI and CPI numbers keeps on getting reflected on a monthly basis, we are in a position to sort of calculate that particular escalation, so I think from Q1 onwards you will see a quarter-to-quarter booking of the escalation.
- Ashish Shah:** Sure lastly what is the status of the asset sale that we were planning? Is it anywhere close to now getting finalized?
- Varun Mehta:** Actually we are already as we have mentioned in our last couple of calls also basically because we are very much on the ground and we would like to close that and what we are of the view that we are reaching closer to basically our targets and numbers, so as and when we will complete this complete transaction, we will definitely come in the market, so currently because of NDAS and everything, so we are unable to give complete details of it actually as of now.
- Ashish Shah:** Sure Sir. Thank you.
- Moderator:** Thank you. We will take the next question from the line of Nirav Shah from GeeCee Invest. Please go ahead.
- Nirav Shah:** Most of the questions are answered. Just one question, so what is your update on the bond issue in terms of size, the interest rate, saving the timing, etc., where are we in that process?
- Varun Mehta:** Nirav basically we are in the process of doing that since it is a massive transition, which is there and obviously we are sort of working on probably what will be the final structure for the entire issuance, I think right now the activity is going on simultaneously in terms of the structure, in terms of the entire legal and the taxation is going on and also we are discussing with the rating agencies, so I think by Q1 end, we should be there at least in terms of structure at least probably we are expecting it to hit the market by Q1. So I think in the next few months we will have more clarity, but I think in terms of the numbers and probably what discussion we are having with the bankers and the rating agencies, the numbers look quite there basically for the bond issuance.
- Nirav Shah:** Great Sir. Thank you Sir and all the best.
- Moderator:** Thank you. The next question is from the line of Parveez Akhtar from Edelweiss. Please go ahead.
- Parveez Akhtar:** Just one followup question. What is the outlook now on completion of the remaining check post and the border check post project and the consequent increase in toll collection as we go ahead?

Nitin Patel: Except for one basically the paint. Earlier the originally when the project was there, there was 22 then after the government has added another two, so out of 24 only for one we have yet to get the land actually. The rates everything is more than 98% work is completed. So we are in the process basically to get the other basic stuff from the government for the issuance of GR, but normally in our past experience we have seen they take at least around six to eight months to give, but almost two to three months has already been gone and it is under active consideration. So positively we can see from Q3 onwards, we will have revenue from another three check post and in Q4 except for one, the rest will be operational basically. So this is what we can see on a broader line.

Parveez Akhtar: Let us say in FY2020 when all the 23 let us will become operational what is the kind of toll collection that we foresee?

Nitin Patel: Currently from FY2018 basically the operational we are collecting on an average around Rs. 66 lakh a day plus there is applicable GST whatever is there, but if we take out that one, so after adding another that check post except for paint, we should reach almost near to around Rs.83 lakh to Rs.84 lakhs a day.

Parveez Akhtar: 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 the conference over to Mr. Nitin Patel for closing comments.

Nitin Patel: Thank you very much to all the basically participants to take their valuable time for understanding their entire business of Sadbhav Infrastructure, so here we can say that now the business has been completely basically visible in terms of the basically operationalization as well as the size, the clarity on basically all the toll projects everything is completely clear in the market because FY2018 was the full year of operation of almost all the projects and also except for the few check posts which we are very much sure of the numbers, which I have indicated, we will definitely reach that. So this is one part. Second thing the large part of refinancing is over and as Varun bhai has told the last leg of the refinancing in terms of the issuance of the bond because for the entire operational project within two to three months we will be able to complete the transaction. So this will give further jump in the bottom line. We are seeing more than around Rs.70 Crores to Rs.75 Crores in the bottom line because of this issuance. So this will clarify and entire operational portfolio will go into the autopilot mode that is what we intended to and second thing whatever projects are there under implementation that all are from the hybrid annuity. So now the hybrid annuity model and the structure everything is basically understood in the market. Everybody has seen that now it is very less challenging and very easy to operate model and our company has also bagged a sizeable business till now and also we are very much hopeful to get it increased basically depending upon the pricing and the comfort when we



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are getting the bid, so this is what we can say from our side. Thank you very much again for your time and we are concluding this. Thank you.

Moderator:

Thank you. Ladies and gentlemen, on behalf of Equirus Securities that concludes this conference. Thank you for joining us and you may now disconnect your line.