



“Sadbhav Infrastructure Project Limited
Q2 FY2019 Earnings Conference Call”

November 06, 2018



ANALYST: MR. PRANAV MEHTA – EQUIRUS SECURITIES PRIVATE LIMITED

MANAGEMENT: MR. NITIN PATEL – EXECUTIVE DIRECTOR - SADBHAV
INFRASTRUCTURE PROJECT LIMITED
MR. VARUN MEHTA – CHIEF FINANCIAL OFFICER - SADBHAV
INFRASTRUCTURE PROJECT LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Sadbhav Infrastructure Project Limited Q2 FY2019 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 telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Nitin Patel. Thank you and over to you Sir!

Nitin Patel: Good morning everybody. On behalf of Sadbhav Infrastructure Project Limited, I warmly welcome all the participants to the earnings call for quarter ended and half year ended September 31, 2018. I would like to take you through the bidding scenario initially first along with the updates on SIPL post last conference call and then for financial numbers and operational performance Mr. Varun Mehta will take you through the same.

Now related to the bidding obviously the bidding has slowed down especially after the bumper bidding completed in the Q4 of FY2018 by NHAI. As per the NHAI website currently there are 37 projects of hybrid annuity of length 1712 kilometers worth 35760 Crores for which bids are to be submitted before end of December what NHAI is stating on their website the deals.

We expect NHAI should award more of the EPC projects in this year rather than hybrid annuity projects and also at SIPL during second half of FY2018 we had won five hybrid annuity projects out of five we have completed the financial closure for two hybrid annuity projects that is Jodhpur Ring Road, and Bhimasar Bhuj for balance three hybrid annuity projects we have received the sanction for two projects and the documentation for the same are under process and in-principal approval for one project that is Vizag Visakhapatnam Port Road.

So we expect that the financial closure for all the projects to be completed before the end of the current quarter. So now talking about the scenario in the currently the lenders market especially during the last one month what we have seen the change in terms of the lending institutions thinking process and especially the nonbanking financial institutions. So what we have observed is that the lenders mentality to hold the fund is increasing and what the bid, the contractual payments and everything what is to be released. So obviously they are taking some more time earlier we are expecting that the after certification and everything the payment should flow within the three to four days.

Now we are seeing that the payment is getting release after 10 to 15 days so that is the general difference and that we are seeing and particularly in some of couple of NBFCs we are seeing that

there is some delay in terms of the releasing payment that is only because of the current scenario during the last month actually. So this is what we would like to highlight here.

However, on the other side all the government payment because no in Sadbhav Engineering where we are doing the EPC work almost all the payments are flowing very fluently from the government side either it is maybe NHAI or the state government, so we are getting the payment even for the earlier work we have completed we are getting the payment fluently from the government side.

Also in hybrid annuity projects the grant payment from the NHAI is also released very fast and it is coming everything on time. So we do not see that there is any challenge from the government side payment, so that is what we would like to mention here and now what we would like to further state that the status of the current ongoing hybrid annuity project if you see the Rampur-Kathgodam package one we have already completed more than 50% of the work and received the two grants also so we are approaching for receiving the third grant for the project within a months time. Even the Rampur-Kathgodam package two almost around 17% work has been completed and we are expecting to receive the first grant in the month of December.

Bhavnagar-Talaja again 52% work has been completed and we have received the two grants in the project and this project is being executed almost in a very smoother manner. Una-Kodinar we have completed more than 37% of the work. We received first grant and almost by the end of this month we are expecting to receive the second grant also. The BRT Tiger Reserve Century to Bengaluru section that we have completed more than 53% of the work received both first two branch from NHAI and the project is also progressing very fast actually.

Udaipur Bypass where we have completed 50% of the work and received the first two grant from the NHAI and Waranga-Mahagaon we have completed around 14% of the work and received the first grant from NHAI also. So that is mainly for the current ongoing projects and considering the current status of the land in all these seven hybrid annuity projects generally two of the projects even during my last conference though I have mentioned that the two projects one the Rampur-Kathgodam package two and Una-Kodinar.

In the Rampur-Kathgodam package two we are expecting that almost around 6.25 kilometer of the project length we will go for a descoping, out of the total length of 49 kilometers so this is for Rampur-Kathgodam package two and Una-Kodinar we are expecting that around 6.5 kilometer of the land will go for a descoping out of the total length of 40 kilometers. So this is mainly it is not the three denotification is completed, but because of certain technical issues related to the locals as well as the some of the forest related matter actually so this land is going out actually and we have already submitted a proposal to authority for descoping of the same.

So this is pertaining to the seven hybrid annuity projects and the eighth one the Jodhpur Ring Road we have already applied to NHAI for issuing the appointed date because of the election process in Rajasthan so the NHAI has decided to take the approval from election commensurate so once they get the approval they will release the appointed date issue the appointed date for the project. So this is the status for eighth project actually.

This is from my end what I would like to mention for the call today's call. Now I would like to hand over the call to Mr. Varun Mehta to discuss the financial numbers and operational performance of SIPL for the quarter and half year ended and thank you very much to all the for taking your valuable time and also from my end and on behalf of Sadbhav I wish advance Happy Diwali and the prosperous New Year to all the participants and the members. Thank you so much, Varun Bhai!

Varun Mehta:

Thank you very much Nitin Bhai for giving that useful updates. Once again good morning to all the participants and thanking you for taking your valuable time in the festival season and I wish you a very Happy Diwali in advance to all the participants.

Now starting with the financial results I am sure you must have seen the financial results along with the media release shared yesterday and also the SPV wise toll revenue data, which was shared on 8th of October for the Q2.

Now let me start with the financial numbers first. The break up between the operational SPVs and the under construction SPVs along with the SIPL standalone has already been provided in the media release. Total cash income for all the operational SPVs during Q2 FY2019 has increased by 13% to Rs.289.50 Crores from Rs.256.20 Crores during Q2 FY2018. And this number includes the NSEL annuity receipts also. This revenue number translates to a daily toll revenue of Rs.3.15 Crores versus 2.78 Crores in Q2 of FY2018.

The cash EBITDA from operational SPVs during Q2 FY2019 has increased by 16.72% to Rs.250.96 Crores from Rs.215.02 Crores during Q2 FY2018. EBITDA margin in Q2 FY2019 stood at 86.69% versus 83.92% during Q2 FY2018. Cash profit in the operational SPVs during Q2 FY2019 has increased by 48.41% to Rs.76.81 Crores from Rs.51.75 Crores in Q2 FY2018. And we anticipate this cash profit to increase further in the second half of FY2019 on the back of the strong traffic growth which is typically seen in the second half of the financial year.

For the full year FY2019 we maintain the same revenue guidance, which we have provided in the last couple of calls which is around 1200 Crores is the revenue guidance and EBITDA margin of around 85% at the cash level. Our bank balance along with the current investment stood at around 149 Crores

as on September 30 as compared to Rs.78.29 Crores as on March 2018 and this is in relation to the operational projects only.

Now coming to the standalone business the total income from standalone business during Q2 FY2019 has reduced by 13.8% to Rs.94.41 Crores from Rs.109.52 Crores in Q2 FY2018 and this reduction is because of we have completed the major maintenance activity in Dhule–Palesner, but on the other hand the revenue is increased from the HAM projects.

The cash EBITDA during Q2 FY2019 has remained at the same level on a Y-o-Y basis at around 77 Crores. The EBITDA margin during Q2 FY2019 stood at 82.18% versus 70.17% during Q2 FY2018. Increase in the EBITDA margin is due to the higher proportion of the maintenance revenue from the HAM project.

Cash profit from the standalone business has increased by 69.32% to Rs.27.33 Crores in Q1 FY2019 from Rs.16.14 Crores in Q2 FY2018. For SIPL standalone business we provide a guidance of around 375 to 400 Crores for the entire year of FY2019.

With all this I am happy to say that the cash profit during Q2 FY2019 has increased by 53.06% to Rs.104.14 Crores versus Rs.68.04 Crores in Q2 FY2018. And this is the second consecutive quarter where the cash profit is higher than Rs.100 Crores and probably going forward we are seeing that this should increase from here on with the type of strong traffic growth.

The cash profit in first half of FY2019 has increased by 75.62% to Rs.203.2 Crores as compared to Rs.115.70 Crores in the first half of FY2018. With this probably, for this full year we are maintaining the guidance of the cash profit of around 425 Crores for the entire year of FY2019.

Now coming to the order book, SIPL has a current outstanding order book of around 660 Crores towards maintenance of the 12 HAM projects which is to be executed over the period of next 24 months. The maintenance in Bijapur–Hungund and HYTPL shall commence in the current quarter and in this there is an update that we have received the approval from NHAI in relation to the micro surfacing so I think because of that there is a drastic reduction in the cost of the MMR and probably there will be a lot of saving for the SIPL in this particular MMR also.

The consolidated debt of the operational SPVs as on September 30, 2018 stood at 7100 Crores the consolidated debt for the under construction SPVs stood at around 920 Crores and the standalone debt is around 1342 Crores at the SIPL standalone level.

The loan from Sadbhav Engineering currently stands at around 450 Crores. The seven HAM projects we have infused our total equity of 326 Crores up to September 30, 2018. Now coming to the update on the operational SPVs, so the traffic growth on a Y-o-Y basis stood as follows for the various SPVs: Maharashtra Border Check Post we have seen a traffic growth of 7.6%, Bijapur–Hungund we have seen a traffic growth of 2%, Dhule–Palesner around 5.5%, Rohtak–Panipat around 1.5%, Rohtak–Hissar at around 6.7%, Hyderabad–Yadgiri at around 3.5%, Ahmedabad Ring Road at around 6.5%, Aurangabad–Jalna at around 10%, Shreenathji–Udaipur at around 1.7% and Bhilwara at around 4.7%. So on an overall basis we have seen a traffic growth of around 5% which is obviously led by Maharashtra Border Check Post and probably here one point we would like to say that in the month of July there was a truckers strike for eight days so despite that we have seen a traffic growth of 5% on a portfolio level basis and I think the momentum has also continued in the month of October so for the month of October we have collected a revenue excluding the Nagpur–Seoni, which is an annuity project, from the toll project we have collected a revenue of 94.4 Crores for the month of October so I think it is a very strong traffic growth and the revenues which we are seeing in the entire portfolio and this is also seen in the Q1 of FY2019.

I think with all this probably we end our opening remarks and you may please start the Q&A session. Thank you.

Moderator: Thank you very much. Ladies and gentlemen we will now begin the question and answers session. We will take the first question from the line of Rohit Natarajan from Antique. Please go ahead.

Rohit Natarajan: Thank you for allowing me to ask questions. Sir you hinted about the financial closure of five HAM projects if you could just elaborate some details on the land acquisition progress made over there?

Nitin Patel: See actually see currently what is happen in the lenders more particularly the bank what we have seen that they are very much aware that they will take all the complete all the process once the more than 80% land is there in the hand, obviously it is return in the letter to authority that the all is disbursements is subject to the availability of the 80% of the land but now they are very particular and they are very clearly asking that at least 80% on encumbered land should be there. So as of now actually except for Vizag this we can say the Gujarat the Vadodara Mumbai, the Vadodara Kim Expressway project and also the Tumkur-Shivamogga because Vadodara Kim we have crossed more than 85% of the land in the hand now and Tumkur-Shivamogga it is just around 65%, 66% land is there in the hand and this Vizag land is there in the hand, but certain because that we have to complete the Greenfield Flyover connecting to the Vizag Port. So actually certain approvals from the various authorities is still pending so once it will be there then NHAI will be able to give the clearance for the same actually. So that however the work has already been started at the front by the to the extent we can take the initial clearance on the ground.

- Rohit Natarajan:** Sir on this Rampur–Kathgodam package two descopeing what will be the revised project cost asset will be like if you could just help me with that and even the Kodinar project where again you are thinking about descopeing what will be the revised amount would look like.
- Nitin Patel:** Obviously it all the recent structure like in the Una–Kodinar one entire toll plaza land is not available in the descopeing area and also one of the ROB is also the land is not available. Similarly, the same scenario in Una–Kodinar but all put together we are saying that the almost around say 220 to 240 Crores of the work will not be required to be executed once the entire proposal is get through. So as o now it is at the proposed space trade actually, but we have already moved forward as per the terms and conditions of the concession agreement.
- Rohit Natarajan:** Sir in Rampur–Kathgodam this package two the descopeing what will be the quantum of amount over there?
- Nitin Patel:** The quantum in terms of we can say around hardly Rs.100 to Rs.110 Crores.
- Rohit Natarajan:** Sir if I could appreciate some data points which I will get back into the queue because I let others have the questions and then I will get back to queue for the data points.
- Nitin Patel:** You can continue no problem.
- Rohit Natarajan:** Okay, Sir in terms of the equity and loans and advances exposure to all this six projects that we have as of now under construction if you could help me with that like in terms of Rampur–Kathgodam package both package one, two Una-Kodinar, Bhavnagar-Talaja, I would like to have know what is the cumulative equity investments we have made as on date including the loans and advances if any?
- Varun Mehta:** See we have made a total equity investment of around 326 Crores.
- Rohit Natarajan:** That is for the total overall.
- Varun Mehta:** Yes, in HAM projects.
- Rohit Natarajan:** Yes, I am talking about the individual ones like Rampur–Kathgodam...
- Varun Mehta:** You want the individual breakup.
- Rohit Natarajan:** Yes.

- Varun Mehta:** For Sadbhav Bhavnagar we have invested 36 Crores for Sadbhav Bhilwara we have invested 46 Crores, for Sadbhav Rudrapur we have invested 64 Crores, Sadbhav Una it is 24 Crores, Sadbhav Bangalore it is 62 Crores, Sadbhav Vidarbha it is 49 Crores, Sadbhav Udaipur it is 43 Crores and Jodhpur Ring Road it is 2 Crores because we have not yet received the appointed date.
- Rohit Natarajan:** Yes, appointed date is about to be it yes sure. Okay that is it from my side if there are any other questions I will get back into the queue.
- Moderator:** Thank you very much. We will take the first question from the line of Debashish Mazumdar from Edelweiss. Please go ahead.
- Debashish Mazumdar:** Thank you very much for the opportunity. Wish you all the very Happy Diwali. Sir what I need to understand is because of the rise in input cost are you guys getting an escalation from the NHAI and how that is you guys are passing on to EPC constructor?
- Nitin Patel:** Actually see the price escalation we might terms as per the formula stipulated in the concession agreement so it is a 30% of the WPI and 30% CPI and as of now authority is releasing 40% of the escalation component towards the grant what they are leasing along with that every milestone payment so every along with the grant payment they are releasing the escalation and it is being pass to the EPC contractors on the back-to-back basis and also for the balance 60% of the component so definitely the EPC contractors is eligible for getting the same payment. So obviously we have already taken up the matter with the authority because earlier we have received the sanctions from the lenders also to release this payment along with the regular EPC work. So but authority has intervened and they have mentioned that no, no, it can be paid only upon the COD of the project. So now we have already taken up and we have heard that State Bank of India has also move to NHAI and they are also going to consider for all the future sanctions what they are going to take up and authorities now agreeing that they will agree that the lenders can release that payment along with so on COD definitely NHAI is willing to reimburse along with the interest over the period of concession along with the annuity. So that is where the EPC contractor will continue to get the payment.
- Debashish Mazumdar:** My questions have been answered. Thank you very much.
- Moderator:** Thank you very much. Next question is from the line of Saurav Sultania an Individual Investor. Please go ahead.
- Saurav Sultania:** Happy Diwali. I have been as an individual investor of your company so there are three, four questions that I have. One is that obviously the share price returns to investors have not been very great if you look at from the time of IPO that you stock that you have issued so what is that your

thoughts and what are your plans towards that from a returns perspective? The second thing is what about the monetization of assets that you have been speaking about for some time now and you said that you are on the ground and very soon you should have something there so nothing has happened there on that. That is the second question. The third is when are you moving towards on profits at a consolidated level. I understand that the cash profits have been healthy. The fourth is now in this last four months like last year we did expect a lot of orders what kind of order wins we expect and fifth question is on your capacity to get funds which are the banks which are funding you whatever the rate that you are getting it right now so I have these five questions that I have?

Nitin Patel:

I will answer the second question of yours first that is relating to the monetization of the asset. Obviously the company even in our previous calls also we have stated that the company is continuing the process to monetize it's the portfolio level the assets and it is going on very actively as of now and we are thinking that all the process of this entire monetization is going on very smoothly and we expect that the at an appropriate time thing should come up so this is obviously one of the large event for the company first thing. The second point you have mentioned related to the forth question related to the orders how the NHAI will behave. See obviously last year there was a huge pipeline even today also the pipeline is very strong as I have mentioned around 37 projects has been listed on NHAI website under hybrid annuity so which the normally the Sadbhav Infrastructure is bidding but considering the current environment in the financial market and the way the appointed dates are getting shifted for the various series of projects actually and we are expecting with the large number of projects the appointed date is going to shift at least one or two quarters actually from now. So obviously and also the current new chairman at NHAI level is also clearly insisting that they do not want to go for any kind of waiver either by the concessionaire or by the authority. So that means they are also insisting that the let authority to give all the land 80% unencumbered land upfront at the time of appointed date so definitely currently in the Indian contacts it takes cut in more time earlier what was happening the concessional and those who are having their own construction team they were taking there it is going for one more step extra and they were taking some challenges in terms of the ground activity and they are taking the land so that is what the current scenario so orders definitely will come hopefully it will go into again the last quarter of the year this is what we can see, but as of now NHAI shifting the date and some of the orders may convert from the either from HAM to if we go for the EPC also, but there is still no clear policy has been decided at NHAI level so as and when it will come definitely the things will come into the market. The third question related to the you have I am sure there is the company is able to raise the funds as of now the financial the eight financial closure what we have achieved earlier all we have achieved below 9.5, seventh we have achieved at 9.25 then the eighth one is 9.45 and the Bhimasar Bhuj which the 9.7 what we have completed that is at 9.75 and the two sanctions which is there as I have mentioned that is also in the same range of 9.75% actually so what we can say the obviously the interest cost has shifted by at least 50 to 60 basis points from the earlier level and more particularly we are more aware of getting the sanction from the

banking system only other than completely depending on the total NBFC structure actually so that is what we are internally thinking. So this is the third. The fourth one related to the I may not be the right person to answer but related to the stock price and return actually as we have mentioned that they - see earlier what we can say that the right from the IPO if you see all the events what the company has did that is the consolidation of the stake of all the joint venture partners have been done the refinancing of almost 10 SPVs has been completed by the company more than 5800 Crores of the debt has been refinanced and almost around a 180 to 200 basis point of the cost in the reduction and our finance cost has been done by the company even the credit rating if you see the out of the current operational portfolio ten assets are falling under the A category and above actually so that is also the significant the positive has been done by the company and if you see the cash profit on quarter-on-quarter basis it is consistently increasing and even there is a cumulated even the losses the PAT if we see the last two quarters if the loss is there if you add back only just the deprecation amount that company is straightaway into the profit so now that gap has been substantially narrow down and as and when the repayment is happen in say current year we are expecting almost around 170 Crores of the repayment will be done so obviously this will further go for the increase in the profit cash profit and as well as the reduction in the finance cost will go up in that trajectory we have already entered into and obviously supported by this asset monetization if it is there that the whole scenario will be completely different that is what we are contemplating and this way how we can bring the net level of the growth for the company that is what in the mind of the management. So largely these I think all you are things has been replied anything is there you can ask. Thank you.

Saurav Sultania: No so the question on the bids what kind of bids do you foresee to win in these next four months and the second question on the bankers so you are saying that you are not doing funding through NBFCs so you are raising funds right now through banks?

Nitin Patel: See we are not going but ultimately it is not the total dependency only we go wherein certain mile see around 15%, 20%, 25% of the total requirement it is one part that is not be that issue, but largely the lead should be taken by the bank what we generally try to see understand.

Saurav Sultania: Thank you so much and I wish you all the very best.

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

Ashish Shah: Good morning. Happy Diwali to you. Sir just wanted to clarify on this issue of passing the escalation to the EPC contractor so we said that obviously the increase grant amount that will come from NHAI because of the escalation we will be passed on and for passing for the remaining 60% which is funded by equity and debt for that the escalation will have to be made by more equity and debt right so how

does so does that mean that SIPL will end up putting more equity and banks will end up disbursing more is the TPC is not fixed and I little unsure on how that the other 60% will work?

Nitin Patel: See technically NHAI has agreed to fund the entire amount the 40% they are releasing during construction period and 60% on COD because and then after over the period of 15 years along with the annuity payments with the interest actually so what is at the time of earlier when we have started taking the financial closure of all the earlier assets we have taken the sanction from the banks also so to the extent of the price escalation amount which is coming so for the 60% component lenders will continue to lend the money obviously but what NHAI had restricted that at the time of closing the documents. So at that time nobody has been allowed actually and this is not the contention of the Sadbhav alone it is an industry as a whole everybody has to figure out this number either so currently the option is that obviously either the sponsor should fund the additional money to the SPV or otherwise we have started as I have mentioned we already started moving to authority and NHAI now they are agreeing that yes okay you get the further approval and try to modify the financing documents. So obviously this is the process ultimately but the liability to pay the EPC contractor is already there in the by the SPVs that is what we can say and authorities also going to pay that amount along with the interest for the entire lifecycle.

Ashish Shah: Yes, that is fine so your total project cost the financially close cost will move up and your banks will lend more and equity contribution is increase to give the escalation component to the EPC contractor that is what happens if you keep the EPC as an escalable?

Nitin Patel: See normally at the time of bid Ashish Bhai generally what we are generally seeing that this we are not considering this escalation component because outright other than that what the IRR is required that we are keeping in to the mind so escalation generally it is a pass through item in normal case so if it is to be paid as of now so then the cost of fund naturally it is to be bound by the EPC contractor what we can say because the liability to make the payment comes only on the COD that is what we are going to take a call in the liability.

Ashish Shah: Also on the remaining three projects where financial closure is yet to be achieved when would be the last date for achieving that and have you already got any sort of extension from NHAI?

Nitin Patel: See we have already return later to NHAI concession agreement itself stipulate but if the condition, which has not been met with so definitely the authority has to extend the same so we already return to them and they have ask us to submit as and when the our documents are ready so as I have mentioned two we are going to submit mostly before the end of this November and one we will submit in the month of December.

- Ashish Shah:** I am done. Thank you.
- Moderator:** Thank you. Next question is from the line of Ankita Shah from Elara Capital. Please go ahead.
- Ankita Shah:** Sir just two questions from my end firstly given the strong pipeline from NHAI side I know it is largely from the EPC side but are there any BOT or HAM projects that we would be targeting to get in this year?
- Nitin Patel:** HAM bidding will obviously SIPL will continue to see that will be. We can see the at least we are expecting to have an appetite to take another at least two projects for the year depending upon the which within which range it is coming actually. So and rest we will be largely will go for the EPC.
- Ankita Shah:** So two projects we look to add at least in this year?
- Nitin Patel:** Yes, we are looking to add right.
- Ankita Shah:** Secondly Sir on equity balance equity payments and how is it expected to be spread I think 1000 Crores is the balance number if I am not wrong?
- Varun Mehta:** I think that we are suppose to increase around 1000 Crores in the next probably around 24 to 30 months and this is obviously on the assumption that the new projects what we will achieve the financial closure this will be at around 80, 20 debt equity ratio in terms of the new projects and in terms of this phasing of this equity so probably in the current year we are suppose to infuse more equity of around 110 to 120 Crores for the current year and in the next year then FY2020 we are suppose to infuse around 400 Crores of equity and the balance we are suppose to infuse in FY2021 there will be a very minute equity which we have to in to the FY2022 but then the majority of the equity will be spread it in FY2020 and FY2021?
- Ankita Shah:** That is it and thank you and very Happy Diwali to.
- Moderator:** Thank you. Next question is from the line of Parvez Akhtar from Edelweiss. Please go ahead.
- Parvez Akhtar:** Sir just a couple of questions what is the status of land acquisition for the Bhimasar Bhuj project?
- Nitin Patel:** See the 3D notification for almost around 88% is completed so and these particular starch actually the what we can say that the surrounding the area that is not much challenged in terms of the getting the land here particularly because this is the plain terrine actually and that is why the reason we have decided that the let us complete this and as soon as possible we can take the appointed date and start the construction of the work actually.

- Parvez Akhtar:** And when do we expect the appointed date for the Jodhpur Ring Road and this Bhimasar project?
- Nitin Patel:** See Jodhpur we have already applied so any point of time we may get the appointed date rather we have suggested October 18, which has already gone but because of the election this protocol so NHAI has moved to election commissioner and we are expecting that approval will come within a week's time to ten days time actually so then after immediately we will take the appointed date and start the work. And in Bhimasar Bhuj we expect that it will fall in the December.
- Parvez Akhtar:** Sir last question if I heard it correctly you are looking to take two HAM projects this year right?
- Nitin Patel:** We are almost around 2000 to 2500 Crores of the new job what we are targeting from the HAM side.
- Parvez Akhtar:** Thanks and all the best.
- Moderator:** Thank you. Next question is from the line of Prem Khurana from Anand Rathi. Please go ahead.
- Prem Khurana:** Two questions from my end. One was and if you could explain why was the traffic number so weak on some of our projects of Bijapur–Hungund, Rohtak–Panipat, your Shreenathji-Udaipur, Hyderabad especially Rohtak–Panipat because at least last quarter it was growing pretty good right because of the base so suddenly there is a significant drop?
- Varun Mehta:** I think Prem if you see in Bijapur–Hungund I think we have discussed in the last call also that the stretch is nearby Bijapur–Hungund which will need the serious stretch ahead of Bijapur–Hungund which is Solapur–Bijapur there is a two line stretch this section then again from Solapur–Yedshi, Yedshi–Aurangabad so there the construction was going on and the stretch before the Hospet–Chitradurga so I think there also the construction was going on and probably in this quarter it has been completed so I think for Bijapur–Hungund we have seen this that because of the nearby stretches which are like two laying or probably there the construction is going on so I think there is some amount of traffic, which has been impacted because if you see the traffic growth in Bijapur–Hungund when everything was normal so obviously there we have seen a traffic growth of around 7.5% to 8% also. Here we are expecting that the traffic should come back in Bijapur–Hungund since the construction is completed. In case of Rohtak–Panipat I think it is more of a base effect what we are seeing because if you see in the last 18 months we have seen a traffic growth of more than 20% so I think there has been a steady growth in this particular project on the back of the order from Supreme Court in relation to that the traffic not been allow to pass through Delhi and I think because of that the traffic was shifted to Rohtak–Panipat so I think in Rohtak–Panipat we are expecting that obviously the traffic growth should improve from here on because I think as and when the number of vehicles

are like utilizing more of this particular road instead of the Delhi City Bypass so I think we are expecting that the traffic should increase in Rohtak–Panipat in the future projects.

Prem Khurana: Rohtak–Panipat where are we in terms of the average Delhi traffic that you would have assume while bidding for the project because initially we started a base which was lower than your expectation.

Varun Mehta: Yes, I think the base is the actual is still lower than what probably we had estimated but I think definitely what we were like two years back we have infused to a large extent in this particular and I think once the implementation is going on of this order on a strict manner so I think we should definitely expect the traffic to increase further.

Prem Khurana: On standalone that if you could explain the number has come off on a sequential basis by more than Rs.100 Crores but when I look at your press release the number that you have done in terms of cash paid is also only around Rs.27 Crores and the reduction is more than 100 so how do you explain that incremental Rs.80 Crores of reduction because last call you gave us a number Rs.1472 Crores and the number that you gave in your opening remark was around 1314 standalone entity?

Varun Mehta: Yes, so if you see in the last call we have mentioned that we had taken an additional top of that in Maharashtra Border Check Post of around 150 Crores so that debt has been utilized to pay off the some of the debt of Sadbhav Engineering and so because of that the standalone debt has reduced in the Q2.

Prem Khurana: But then Maharashtra had reduced I mean essentially it has been replaced with the money that you have been able to get from SPV right so essentially now you owe it to SPV.

Varun Mehta: No, it is not that it is just like that the SIPL had infused the loan in Maharashtra Border Check Post and there has been a repayment of this particular loan that money Sadbhav Infra in fact repaid the loan back to Sadbhav Engineering.

Prem Khurana: But my debt for operational SPVs again is somewhat similar to last quarter number and we paid only Rs.40 Crores so there given the fact they have taken 150 Crores with our incremental number then the number should not have been same on a sequential basis?

Varun Mehta: No I think if you see the debt for operational SPV so it has increased in this particular quarter if you see right now what number we have given in the opening remark that is 7100 Crores and if you see us launched it for the Q1 I think it is somewhere around 6950 odd Crores was the debt in the June month.

- Prem Khurana:** I will check that. Thank you.
- Moderator:** Thank you. We will take the next question from the line of Shravan Shah from Dolat Capital. Please go ahead.
- Shravan Shah:** Thank you. Happy Diwali to Nitin Bhai and Varun Bhai. Sir my question is mainly in terms of the last to FC Bhimasar and Jodhpur there our TPC is 3% and 5% lower than the BPC versus earlier HAM projects were FC we have done at the BPC cost so TPC was equal to BPC so just trying to understand why is it happening and in terms of the equity IRR at SPV level in these two projects Bhimasar and Jodhpur how the equity IRR versus the other previous HAM projects?
- Varun Mehta:** See the difference what we are seeing in Jodhpur Ring Road and the Bhimasar Bhuj project so I think that is because of say we have assumed in the total project cost certain O&M cost which we are suppose to incur after COD because if you see the scenario okay when the COD happen for a particular project but we will get the annuity and the O&M payment from NHAI only six months from there but we are suppose to incur the O&M on a daily basis so I think because of that only we have kept a O&M reserve we get as a part of the total project cost so obviously that is not actually a cost, which is to be funded by anyone it is just part of the total project cost and as and when NHAI will make the payment it will be utilized for the purpose of the O&M of the project so I think because of that you are seeing a gap in the total project cost versus the EPC. In relation to your question for the equity IRR the equity IRR remains at the same level what we had for the seven projects because despite the increase in the interest rates of Bhimasar Bhuj so we were earlier paying 9.25 for the seven projects and now we have got the sanctions at 9.75 but if you see the bank rate what NHAI will pay to us on the annuity so that has also increased so earlier it was 6.25% now it has increased to 6.75% so I think definitely if you see there is a pass through which has happened on that also so I think in terms of IRR, I think what we will get is almost at the same level that in case of the pat projects.
- Shravan Shah:** So the equity IRR that how much equity at SPV level are we looking at.
- Varun Mehta:** See I think if you see the entire model we do have the maintenance revenue in the maintenance margin coming at the SIPL level so at the SIPL plus at the SPV level the equity IRR is somewhere in the range of around 18% to 19% is the equity IRR.
- Shravan Shah:** Regarding as you said that O&M for this two projects whatever we have quoted is likely on the lower side versus the actual O&M so in the Udaipur project also we quoted 3 Crore O&M so in that case also the TPC and BPC is the same so I hope that actual O&M in Udaipur would also be likely to be higher credit. So not able to understand the difference between BPC and TPC if I would go back to your logic the quoted O&M is lower versus the actual O&M?

Varun Mehta: Yes, so I think if you see in case of Udaipur bypass that is like couple of reasons why the O&M is lower. I think first time if you see the kilometers the land of the project itself is only 24 kilometers not if you see for Jodhpur Ring Road the length is 75 kilometers, for Bhimasar Bhuj the length is 60 kilometers the length itself is very small as compared to the other two projects the second reason if you see that it is a concrete based project because the Bhimasar Bhuj it is a flexible payment so there we are suppose to incur a higher O&M as compared to probably in case of the concrete payment because there is hardly any maintenance project concrete project. The third reason if you see near to the Udaipur Bypass we have like couple of projects one is Srinathji-Udaipur and the second is Bhilwara Rajsamand so I think definitely we have seen in the past because if you see in case of Sadbhav typically our strategy is to have the project nearby so that we can get a good reduction in terms of the O&M cost and also at the time of the construction so in fact Udaipur Bypass and the Srinathji-Udaipur the starting point of both the projects is almost the same so I think considering all this point the cost of 3 Crores, which is there it is sufficient to do the entire O&M on a yearly basis so I think because of that only the BPC and the TDC are same for you referred by one project.

Shravan Shah: Thank you and that is it from my side.

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

Rita Tahilramani: Congratulations on good set of numbers. Very Happy Diwali to you and your team. Sir just in terms of equity from Sadbhav to SIPL, which currently stands at 450-odd Crores so where do we expect this equity from Sadbhav to SIPL to come down to maybe by FY2019 end?

Nitin Patel: See actually see the process of the equity, which is being infused by Sadbhav obviously the SIPL is infusing to the various SPVs so definitely the our no relies will be on the monetization of asset is there because the day on date one when it is happened the same will be completely paid off in full and otherwise the see we had not done any of the securitization in the sense that we have got a sanction in Maharashtra Border Check Post to the extent of out of that 150 what we have raised and when we have drawn the money that has been largely used for the purpose of making the repayment to Sadbhav Engineering actually. Going forward after completing the requirement of the equity of our ongoing hybrid annuity project whatever the surplus is there including the it is the Maharashtra Border Check Post drawdown definitely that will be utilized for the purpose of repayment of SEL actually but more probably key is that the upon the monetization things will get rid of completely.

Rita Tahilramani: And in terms of the equity which we mentioned for 100 Crores so is this net equity or is it gross equity?

- Varun Mehta:** Yes, it is a gross equity probably if you see in the opening remarks we have mentioned that 660 Crores of the order book is outstanding towards the maintenance of the HAM project after reducing some amount of expenses what we are going for the maintenance so I think that then we will be able to get the net equity but the 1000 Crores is the gross equity.
- Rita Tahilramani:** In terms of the now recently because of this scenario current circumstances do we see any cash flow mismatch between our working capital requirement and the disbursement from the bank?
- Nitin Patel:** See in an ongoing hybrid annuity projects, as I have mentioned in my opening remarks that the time gap actually earlier it was getting released within three to four days so now on an average we are seeing it has grown to 10 to 15 days, this is number one and second thing actually from the NBFC perspective obviously we have seen that it is around we can say 20, 25, 30 days also it has happened in couple of projects largely what we have seen that the lending institutions has the mentality is the more towards the compliance then the rather than going for the business actually so that is what the current disconnect we are seeing and because of the last one, one and a half month scenario so there are lot of scare is there and I have seen obviously all the players might have seen this but ultimately this is what the fact is that what we would like to state here.
- Rita Tahilramani:** In terms of the new projects where we have applied for FC or nearing the appointment date, which of these projects have been funded by NBFCs or these are majorly are leading by bank funding?
- Nitin Patel:** Yes, see the project where we are proposed to do the FC for the three projects so there is no NBFC involved in that, that like banks only were involved in that and the last couple of project what we closed which is the Bhimasar Bhuj so there was an NBFC has given the sanction in that particular project and in case of Jodhpur Ring Road it was been sanctioned by the bank only.
- Rita Tahilramani:** That is it from my side and good luck for future.
- Moderator:** Thank you. Next question is from the line of Mitul Shah, Individual Investor. Please go ahead.
- Mitul Shah:** Sir I have two questions. When are we going to have our assets are going to get sold off because you are saying this thing from last many quarters so when you are expecting actually that you will be able to sell your assets?
- Nitin Patel:** See actually we have started earlier we have started the process for couple of assets because of the two major events of the demonetization and GST so that has got turned down because of the and post the success of the first TOT so we have seen the interest level for creating a platform is very high in the country so that is why that we have moved for the same so practically we have started this process

from the month of May 2018 I can say that May 2018 we have just initiated and as this is not a small transaction this it is a very large transaction and it having its own process but the company is completely active and we have reached obviously at an advance level so at a we can say that the sooner is better obviously so as and when that we will be completing the second round of process we will be able to come to the market and that is how the transaction is coming out that is what proposing.

Mitul Shah: Sir the timeline I am asking that what you are expecting like three-months six months there should be any timeline should be there that is what my question is?

Nitin Patel: It will be as early as possible obviously definitely because see as a company perspective also we are looking that this is a completely platform transaction and the interest level is also very good, as I can say as of know so it is very actively going on so I think as and when it will come definitely and this is a normal business activity of the company also. We keep on bidding also taking the project and this will also we will continue to churn the assets also. Earlier we have consolidated now the timeline seem to they go for a complete monetizing that.

Mitul Shah: We have to take the debt out of this money.

Nitin Patel: Yes, obviously naturally it will be completely in a whole the entire subsidiary completely different at this point of time.

Mitul Shah: Sir my second question is regarding the GSM, why the company is not challenging you going with the SEBI above GSM why we are still into the GSM for quite some time so what is the reason and even though our result is so good why we are not challenging their decision to keep us in the GSM?

Varun Mehta: I think for this we had approach the exchanges first and also we had approached SEBI for this and in fact we are also gone to SAT for this so I think what the criteria is for the purpose of GSM they have listed almost four to five financial parameters on the basis of which if a particular script is falling in that particular four to five financial parameters then probably the script will go to a GSM category and I think if you see the way our business is also that even though we are generating a cash profit and our cash profit increasing but there are cash losses, which are reflected and I think because of that only this script is still in the GSM category because in fact we had discussed with length with the exchanges and we had made a representation also but I think unfortunately the way the policy and the circular is there from SEBI it is totally link to the financial parameters and the entire outcome of this financial parameter has been generated by automated system so I think for that there has to be a change in the system.

- Mitul Shah:** Till the time it will not get into the actual profits that means like for this still the next six months to nine months will be not able to come out of it till the time we do not generate the actual profit till not look at the overall cash profit they look at as a net profit.
- Varun Mehta:** Yes, so I think obviously they are looking at the numbers which are published so I think obviously the numbers which are published in that we have a PAT losses which are there because if you see the way the business is there, there are certain non-cash items also in obviously after adjusting that we are having a very healthy cash profit which has been generated in the business.
- Mitul Shah:** I think in terms of that the 50% growth is there in the cash profit but they are not bring back and that is why I am asking?
- Varun Mehta:** Yes, so they are considering only the book PAT which is there, book loses or I can say which is there so I think because of that only we would be there only in the GSM middle category we would not move to the GSM one category and once we are sort of we will generate our PAT positive then probably we will move.
- Mitul Shah:** Sir when you are expecting the PAT positive like in six months, nine month or a one year full?
- Varun Mehta:** See they will look at the results, which are latest, available.
- Mitul Shah:** Yes, I have gone through it.
- Varun Mehta:** I think depending on because if you see the business which is there, there are certain SPVs which are generating a good amount of cash flow so I think if you see the losses for this year also it has reduced to a large extent as compared to the first half of FY2018 wherein 50% reduced they should be like PAT positive in the near future.
- Mitul Shah:** So once our asset gets sold off will straight come to the profit.
- Varun Mehta:** Yes, I think that for sure because obviously once the asset are sold out then the consolidation would not happen.
- Mitul Shah:** That is why I am asking Sir what is the timeframe you are expecting?
- Nitin Patel:** It is obviously see it is a company as we have mentioned that the company management we are everything we have taken up very seriously and it is in an advance stage I can tell that obviously and the sooner as better as soon as that we would be through in terms of all the things we will be able to come and explain everything to the market.

Mitul Shah: Thank you very much.

Moderator: Thank you. Next question is from the line of Bharanidhar Vijayakumar from Spark Capital. Please go ahead.

Bharanidhar V: Sir just had one clarification on this. Sir I wanted to understand little bit on this increase in project cost for the HAM projects so if I understand right this will be over and above whatever we had assumed during that the big right so we would have assume some escalation and this escalation extra that we need to get is over and above what we would have assume, right?

Nitin Patel: No see actually the increase in the cost it is not the any kind of hit to the SPV any of the SPV or SIPL actually see because it is a ultimately it is a pass through even as per terms of the concession agreement all the escalation even for 60% component NHAI is going to add into the total project cost at completion and entire this additional one is also going to be paid as an annuity along with the interest so there is no any kind of and only the thing is that the payment will happen at a later date actually so that is the SPVs are going to take a single rupee data either SIPL or anything actually.

Bharanidhar V: No my question was whether this kind of escalation have already been assumed during bid project cost or not?

Nitin Patel: You see in normal to be very frank what we are generally contemplating that the if whatever is required to be passed through so that we are not considering for the purpose of calculating over IRR only and only when the whatever is going to impact the SPV that only needs to be taken in to the consideration so here also we are not have any other impact so for the purpose of the SPVs return and the it is own financials there will not be any impact.

Bharanidhar V: So to put it in other way just can you give me in rupees Crores how much is this total amount of incremental project cost for all the projects under construction that has to come from NHAI?

Nitin Patel: That upfront amount is not available with us but obviously depending upon the how the escalation the CPI and there is it moved actually so but we can a broad part we can figure out or we can share it that we can share as and when we will be ready with the same.

Bharanidhar V: I will take it offline. Thank you that is all.

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

Parvez Akhtar: Sir what was the toll hike that we got on Ahmedabad Ring Road Project in September?

- Varun Mehta:** So in this September we have got a toll rate high of around 4.1%.
- Parvez Akhtar:** And for the projects that we are achieving FC currently what is the kind of upfront equity that we need to infuse in terms of percentage?
- Varun Mehta:** See it is somewhere in the range of around 45% to 50% of the total equity.
- Parvez Akhtar:** Thanks. That is it from my side and all the best for future.
- Moderator:** Thank you. Next question is from the line of Ritwik Sheth from Deep Finance. Please go ahead.
- Ritwik Sheth:** Sir just a clarification first is at consolidate of operational SPV 7700 Crores or 7100 Crores?
- Varun Mehta:** Yes, it is 7100 Crores.
- Ritwik Sheth:** And under construction is 920 and standalone is 1300?
- Varun Mehta:** Yes, the under construction is 920 and standalone is 1342.
- Ritwik Sheth:** Sir tell me also so once we sell all these toll projects which we have earmarked what kind of debt will we go out of the books.
- Varun Mehta:** I think see it depends on exactly what is the transaction so I think so the transaction is for the all the SPVs then the debt of the entire SPVs will go out because that is the debt which will be lying in the SPVs.
- Ritwik Sheth:** That is a 7100 Crores debt.
- Varun Mehta:** Yes 7100.
- Ritwik Sheth:** And we have invested around 2500, 2600 Crores in all these cumulatively?
- Varun Mehta:** Yes, so in total we have invested around 2600 Crores in this project.
- Ritwik Sheth:** Just as a strategic point of view the one year down the line we are able to sell and monetize this so we get in say 3000 Crores of money from the equity that we have invested and the debt goes away so after that standalone debt and under construction SPV debt is around 2100, 2200 Crores so what is the thought process of the management how do we scale up the business after this sale of assets so what will be our core focus for next say five years or something three years, five years?

Nitin Patel: See ultimately the thinking is to that the SIPL will always be a highways developer company number one, so there is no any other thought that the other than highway there will not be any kind of business in SIPL. Two obviously couple of various options are already under process and company and management is regularly evaluating as a whole that how to maximize the value for the stakeholders for all the purpose because ultimately this is the company which the stakeholders have supported throughout the last 12, 13 years and because of the consistent approach to implement the project well within that time and well within the cost, which has the entire platform has been created now so definitely the things will come up in a far better way and it is a very transparent way what we can say.

Ritwik Sheth: Also just that deals getting stuck because there are so many assets or we are open to do say four, five projects toll projects at a time if we get a good offer or anything or we are going to sell the entire basket together?

Nitin Patel: Right now the process is going on for the entire portfolio only and I think if you understand there are like almost 10 toll projects and two annuity projects for ten toll projects there is a traffic DD which is to be conducted there is a legal DD, taxation DD, financial DD I think because of that only it is taking up some bit of time and I think obviously yes Nitin Bhai has also mentioned the process is actually going on and I think as and when it is required but the listing requirement we would announce to the market when that is there.

Ritwik Sheth: Great, Happy Diwali to everyone and all the best.

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

Mitul Shah: Sir where do you see our profitability for the next year and revenue also last time when you say it was you said like 50% growth will be there so you have achieved it so for the next year what is your target what internal target you have booked for yourself?

Varun Mehta: I think if you see for the current year we have already given a guidance of 1200 Crores for the operational SPVs and for the next year definitely we are hopeful that for the next at least three years we are expecting a revenue growth of somewhere around 11% to 12% for the operational SPVs so I think that is what obviously we have seen in the past also that our revenue growth of 11% to 12% is achievable so I think this is what our expectation is for the next three years also.

Mitul Shah: Thank you.

Moderator: Thank you. Next question is from the line of Jiten Doshi. Please go ahead.

- Jiten Doshi:** Sir one question in terms of the order book which what you are talking about a 660 Crores standalone can you give me the breakup of major maintenance Bijapur–Hungund, Hyderabad–Yadgiri?
- Varun Mehta:** Yes, see this order book is only for the 12 HAM projects. This 660 Crores of the order book which is there so this is only for the 12 HAM projects which is there and in case of Hyderabad–Yadgiri and the Bijapur–Hungund for Bijapur–Hungund we are expecting the amount it should be somewhere around 84 to 85 Crores so Hyderabad–Yadgiri it should be somewhere around 35 to 36 Crores.
- Jiten Doshi:** They should start in Q4?
- Varun Mehta:** Yes, I think this will start in this current quarter only.
- Jiten Doshi:** And which would end in next year.
- Varun Mehta:** Yes, probably in the next year.
- Jiten Doshi:** So this executable order backlog 660 Crores 12 HAM projects is about 24 months.
- Varun Mehta:** Yes, for next 24 months.
- Jiten Doshi:** Thanks a lot.
- Moderator:** Thank you. Ladies and gentlemen that seems to be the last question for today. I would now like to hand the conference over to the management for their closing comments.
- Nitin Patel:** Thank you very much to all the participants for taking their valuable time in this festive season. We are also enlightened for getting the various the questions which are more relevant and a very we can see that the very important for the overall business and the future prospects of the company and we are really appreciating the thoughts what we have received on this platform and we continuously try to improve the scenario as we are seeing on a every quarter-on-quarter how the things are moving as compared to the what the current market scenario but company is well confident that they all the financial discipline and everything will play its role at a given point of time and definitely this will give a further visibility as well as the value creation for the haul of its stakeholder. That is from my end and thank you very much and again a very Happy Diwali and the Prosperous New Year to all the participants. Thank you so much.
- Moderator:** Thank you very much. Ladies and gentlemen, on behalf of Equirus Securities we conclude today's conference. Thank you for joining. You may now disconnect your lines.