



“Sadbhav Infrastructure Project Limited Q3 FY19  
Earnings Conference Call”

**February 13, 2019**



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

**MODERATOR:** **MR. JITEN RUSHI - BOB CAPITAL MARKETS**

**Moderator:** Ladies and gentlemen, good day and welcome to Sadbhav Infrastructure Project Limited Q3 FY19 Earnings Conference Call hosted by Bank of Baroda Capital Markets. 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. Jiten Rushi from BOB Capital Markets. Thank you and over to you, sir!

**Jiten Rushi:** Thank you. Good evening, everyone. On behalf of Bank of Baroda Capital Markets, we thank the management of Sadbhav Infrastructure Project for giving us the opportunity to host Q3 FY19 earning calls. Today from the management we have Mr. Nitin Patel - Non-Executive Director and Mr. Varun Mehta - Chief Financial Officer of the company. We shall begin the call with opening remarks from the management followed by questions and answer sessions. Thank you and over to you, sir!

**Nitin Patel:** Thank you very much, Jiten bhai. Now, good afternoon to all the participants who have taken their valuable time. On behalf of Sadbhav Infrastructure Project Limited, I warmly welcome all the participants to the earnings call for quarter ended 31<sup>st</sup> December, 2018. I would take you through the status of under construction projects initially along with updates on Sadbhav SIPL post last conference call and then for financial numbers and operational performance Mr. Varun Mehta will take you through the same. Now the status of the 12 hybrid annuity projects which are under construction is as follows. The Rampur-Kathgodam package 1, the 60% of the work is completed. Rampur-Kathgodam package 2, the 25% of the work is completed. In this particular project we have received the approval from NHAI for descoping of the non-available land and due to these the EPC work is going to be reduced by 73 crores. Now the Bhavnagar-Talaja, 62% of the work is completed. In Una-Kodinar, 40% work is completed. BRT Tiger Reserve Boundary to Bengaluru section 64% work is completed. Udaipur bypass project 55% work is completed. Waranga-Mahagaon 32% work is completed. Jodhpur Ring Road, we have received the appointed date on 14<sup>th</sup> of December, 2018 and the work is under basically progress around 8% work has been completed in this particular project.

The Bhimasar Bhuj’s financial closure is completed, as of now 65% of the land is available. Generally, when I mentioned the land percentage this is the encumbered land I am basically mentioning. So, basically everybody can understand. So, we expect the appointed date in the Q1 of FY20 for this particular project. Now, came to Ankleshwar we are in a process of submitting the financing documents to NHAI. We have received the sanction for this project actually and approximately 78% land is available in these project and we expect this construction for this particular project will start in the month of March itself as a substantial portion of the land is now under basically completion and we are of the view the construction will start soon actually. Now the Tumkur – Shivamogga, we are in the process of submitting the financing documents to NHAI approximately 65% land is available in these project and we expect the appointed date

will go into the Q1 of FY20. And the Vizag Port Road, so we are in the process of taking the final sanction actually we have received the in-principal sanction for this project and approximately 56% of the land is available in the project. So, again these project will also fall and the construction will start into the Q1 of FY20. So, this is the status of all the 12 hybrid annuity projects.

Now, coming to the further status of the arbitration proceedings which we have discuss in the various calls because substantial progress has been done and some results are also in the cards now. So, in all till date we have received the awards in 3 SPVs in favour of basically, in favour of SIPL. So, namely the Nagpur–Seoni, Rohtak–Panipat and Hyderabad–Yadgiri totalling to financing basically the financial claim has been approved to the tune of 170 crores in these 3 SPVs. Out of this we have received the money basically in Nagpur–Seoni to the tune of 69.18 crores in the month of January, 2019 and currently the arbitration proceedings in Dhule–Palesner, which is going on. So, we are of the view this will also be close before end of this current fiscal and also the other process of the basically the claims in the Aurangabad–Jalna and this Mysore–Bellary is on. So, again this we are expecting the outcome will also come very soon. So, this is largely in terms of the, what is going on in terms of under construction and the other basically proceedings what we have discussed during the last various conference call.

Now, I would like to hand over the call to Mr. Varun Mehta to take you through the, basically the financial numbers and operational performance of SIPL. So, I am again thank you very much to all the participant for listening to me. Thank you.

**Varun Mehta:**

Thank you very much Nitin Bhai for giving the useful updates on the company. I once again thank you all the participants and good afternoon to all the participants for taking your valuable time to attend the earnings call. I am sure you must have seen the financial results along with the media release which was shared yesterday and also the SPV wise toll revenue data, which was shared on 7<sup>th</sup> of January. I will just start with the financial numbers first. The break up between the operational SPV under construction SPV and the SIPL standalone has already been provided in the media release. The total cash income for all the operational SPVs during Q3 FY19 has increased by 8.3% to Rs. 299.7 crores from Rs. 276.8 crores during Q3 of FY18. This number includes NSEL annuity receipts also. This number translates to a daily toll revenue of Rs. 3.26 crores versus 3 crores in Q3 of FY18. The overall cash EBITDA from the operational SPV during Q3 FY19 has increased by 5.2% to Rs. 246.8 crores from Rs. 234.6 crores during Q3 of FY18. EBITDA margin in Q3 FY19 stood at 82.34% versus 84.76% during Q3 of FY18. Cash profits in the operational SPV during Q3 FY19, has increased by 24.7% to Rs. 72.23 crores from Rs. 57.9 crores in Q3 of FY18. For FY19 we maintain the same revenue guidance in the operational SPVs of Rs. 1,200 crores which was provided in the various earlier con calls and our cash EBITDA margin of around 85%. Our bank balance in the operational SPV along with the current investments stands at Rs. 133 crores as on 31<sup>st</sup> of December 2018 as compared to Rs. 78

crores as on 31<sup>st</sup> of March 2018 and this is after paying of all the debt servicing which has happened.

Now, coming to the standalone business, the total cash income from the standalone business during Q3 FY19 has reduced by 5.2% to Rs. 101 crores from Rs. 106.5 crores in Q3 of FY18 because in last year there was a major maintenance of Dhule–Palesner which was conducted. The cash EBITDA during Q3 FY19 has remained at the same level of Q3 FY18 that is somewhere around 79 crores of the cash EBITDA. EBITDA margin during Q3 FY19 stood at 78.12% versus 75.39% during Q3 of FY18. Increase in the EBITDA margin is due to the higher proportion of the revenue from the HAM project because the number of under construction HAM projects have increased as compared to FY18. The cash profits on this standalone business has increased by 20.3% to Rs. 35.2 crores in Q3 FY19 from Rs. 29.3 crores in Q3 of FY18. For SIPL standalone, we maintain the same revenue guidance of Rs. 375 to Rs. 400 crores which was provided in the earlier call. I am happy to say that the cash profit has increased by 21.8% put together from the operational SPVs and the SIPL standalone to Rs. 106 crores in Q3 FY19 versus Rs. 87 crores in Q3 FY18 and this is the 3<sup>rd</sup> consecutive quarter of the cash profit which is higher than 100 crores and probably the cash profit is bound to increase from here on. The cash profit in YTD FY19 has increased by 55.1% to Rs. 314.4 crores as compared to Rs. 202.8 crores in YTD FY18 and for the full year we maintain the same guidance of the cash profit which is of around 425 crores on a console basis.

Now coming to the order book, SIPL as a current order book of around 600 crores towards the dual HAM project which is to be executed over a period of next around 24 months and in relation to major maintenance we have commence the major maintenance in 2 of the SPV which is Bijapur–Hungund and Hyderabad–Yadgiri. Now coming to the debt figure, the console debt of the operational SPV as on 31<sup>st</sup> December stood at 6,947 crores. The console debt for the under construction SPVs is around 1,074 crores and the standalone debt is around 1,350 crores which includes the loans from SEL of around 458 crores. In the HAM projects we have infuse around 341 crores of equity up to 31<sup>st</sup> of December 2018. So, this is in relation to the financial numbers which were there. Now coming to the operational updates of the various SPVs, now talking about the Y-o-Y traffic growth, so we have seen a good amount of traffic growth in probably 6 of the SPVs. So, in Bhilwara Rajsamand we have seen a traffic growth of 20%. Then Shreenathji-Udaipur, we have seen a traffic growth of 9% in fact both these SPVs were like a bit slow traffic growth was seeing somewhere in Q1 and Q2 but now we have seen a rebound of the traffic in Q3.

In Rohtak–Hissar there is a traffic growth of 9%, Aurangabad–Jalna there is a traffic growth of 6.5%. Hyderabad–Yadgiri at 1.5% and Ahmedabad Ring Road at around 1.3%. We have seen some sort of de-growth in traffic in Maharashtra border check post and Dhule–Palesner which is somewhere around 1% is the traffic de-growth in both these SPVs. In case of Bijapur–Hungund since the nearby stretches are in the mood of the construction stage. So because of that

we have seen a decline in traffic of around 4% in Bijapur–Hungund and in case of Rohtak–Panipat since the KMP road Kundli–Manesar–Palwal, now that road is operational and in the first 2 months of the operational the road was toll free. So because of that we have seen traffic de-growth of around 7% in Rohtak–Panipat but now once the toll has been levied we have seen an improvement in the traffic numbers for Rohtak–Panipat also. With this the every daily toll revenue for the month of January is also strong. We have seen a daily toll revenue of around 3.3 crores for the month of January and probably we are expecting that this number will increase in the month of February and March also.

Now this is the entire update on the operational parameters also. With this, probably we as the company complete the opening remarks and now probably, we can open up the Q&A session, thank you.

**Moderator:** Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. First question is from the line of Ashish Shah from IDFC securities. Please go ahead.

**Ashish Shah:** Sir, first in terms of the financial closures for the HAM projects. So, there has been some amount of delay there. So, how confident are we that this financial closures will happen soon and if there will be any adverse implications of this delay for us?

**Nitin Patel:** See actually the condition precedent pertaining to the basically with closure and taking the appointed details not yet be fulfilled by even NHAI also. So as the process is that the in terms of the balance 3 projects Tumkur – Shivamogga and this Kim Vadodara that we have already received the sanctions and now we are expecting that before the end of this month the documents will be submitted to NHAI. Our Vizag Port Road as I have mentioned that the, we have received the in-principal sanction and most probably before the end of this month. But largely the NHAI is basically the proposition is not yet over actually and what we have seen that the during the last 3 to 4 months in various projects NHAI basically the process has also be little bit slowdown actually. So, as and when we get it through actually, so immediately we will take up. So, we have made enough correspondences with them as of now. And that the things which is there on the cars, so we are not expecting anything basically which become adverse on us actually with regard to these.

**Ashish Shah:** Sir, are we in a position to share the banks who are doing the, who are given the sanctions for Kim and for Tumkur-Shivamogga?

**Nitin Patel:** Obviously, the Kim to Ankleshwar we have received the sanction from State Bank of India and Tumkur – Shivamogga is this ICICI Bank. Vizag Port Road basically obviously it is in-principal sanction. So, once we get the final we will give you the details.

**Ashish Shah:** Sir, also in terms of the traffic on some of the roads which has been a little weak. So, you think this is got anything to do with the relaxation in the axle loads which has been made for the

commercial vehicles. So, have you seen a particular trend that the decline is more in the heavy axle category or you cannot already conclude any such thing?

**Varun Mehta:**

Yes, I think Ashish if you break the numbers between the months also, so we had seen a good amount of growth in the month of October and November. So, probably from the month of December we have seen some sort of decrease in traffic. So, I think it is very difficult to conclude on a traffic data of one month that exactly what is the reason? And probably in their entire portfolio also if you see that Maharashtra border check post and Dhule–Palesner, so there we have seen only a traffic de-growth other than that if you see the other projects we have seen a good amount of traffic growth also in Bijapur–Hungund and Rohtak–Panipat there were certain projects specific issues which we have probably like touch base upon that in the opening remark. But I think it is too early to comment exactly what is the reason for the decrease in traffic in these 2 projects.

**Ashish Shah:**

Also sir, this on the arbitration awards which have been in favor, so now are we in a position to get this cash release against bank guarantees or they should take time?

**Nitin Patel:**

See, in Nagpur–Seoni the entire award amount has been released by NHAI without litigating or even without bank guarantee. Even in Nagpur–Seoni the award is that for the, there are the 19 annuities are pending, semiannual. Wherein, in every semiannual annuity we will get additional 2.6 crores. So, if we make basically the total amount is more than 50 crores is yet to come. The present value terms also it is almost more than Rs. 38 crores-Rs. 40 crores is yet to come basically in Nagpur–Seoni. So, this is now it has been finalized, so every semiannual payment we will get it. With regard to Rohtak–Panipat, obviously NHAI has gone to the court but court is also given the direction to release the payment against the bank guarantees. So, we are in a process and most probably we will be able to get in these quarter itself 75% of the payment. So, that is the status and I think these are the, all are the unanimous award that is more important part. See, rather basically if it is award is majority then the, it makes some kind of things basically good but even arbitrator appointed by NHAI himself has given the award in our favor. So, that is very crucial and important so far as this award is concerned.

**Moderator:**

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

**Neerav Shah:**

Couple of questions. Firstly, I mean sir, what is the exact reason for the decline in cash margins because for the first half it was pretty healthy and this quarter we are seeing at around 82%. So, any specific reason for the cash expenses has gone up?

**Varun Mehta:**

Yes, I think if you see the revenue growth has also been lower as compared to the first half. Because in the first half we had seen a revenue growth of around 12% to 13% and in this quarter we have seen a revenue growth of around 8.3% is the revenue growth. So, that is one of the

reasons. And the other reason there were like couple of projects there was an additional cost which was incur in relation to the maintenance and so because of that the EBITDA margin has reduced to some extent. And so because of that only probably we have seen the margin is lower by around 200 bps.

**Neerav Shah:** For the full year it should settle at around 85%?

**Varun Mehta:** Yes.

**Neerav Shah:** And in your opening remarks you mentioned that collections are around 3.26 crores a day. I believe the December month average should be lower than the quarterly average?

**Varun Mehta:** Yes, so in fact in the last question also what we mentioned that we had seen a good growth in the month of October and November. But the toll collection for the month of December was a bit lower but if you see the toll collection for the month of January it is again in the range of 3.3 crores.

**Neerav Shah:** So, just want to get a sense that what was the December number like, so just it will give us an idea that what is the month-on-month improvement?

**Varun Mehta:** Yes, sure. So, the month of December we had seen an average daily toll revenue around 3.1 crores.

**Neerav Shah:** And Jan is 3.3?

**Varun Mehta:** Yes.

**Neerav Shah:** And is Maharashtra border check post showing traction in the month of Jan?

**Varun Mehta:** Yes, so we have seen some amount of uptick also in Maharashtra border check post.

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

**Ritwik Sheth:** This is Ritwik Sheth from Deep Finance. So firstly, so I missed that number what is the traffic growth for all the BoT projects put together?

**Varun Mehta:** Yes, so you want the individual SPVs or ...

**Ritwik Sheth:** No, not individual, consolidated.

**Varun Mehta:** On a consol basis, we have seen a traffic growth of somewhere around 4.5%.

- Ritwik Sheth:** This is Y-o-Y?
- Varun Mehta:** Yes, Y-o-Y.
- Ritwik Sheth:** And possible to share Q-o-Q?
- Varun Mehta:** Q-o-Q generally we do not compare because Q2 generally is a seasonally weak quarter. So, it will not make much sense to compare a seasonally weak quarter with some other quarter.
- Ritwik Sheth:** And sir what is the total equity requirement for all the HAM projects put together?
- Varun Mehta:** Yes, see in total we are supposed to infuse around 1,330 crores and right now we have already infused 341 crores. So, the balance is yet to be infuse over the span of next 2 to 2.5 years.
- Ritwik Sheth:** So, this will be completed by say FY22?
- Varun Mehta:** Yes.
- Ritwik Sheth:** And sir any update on the BoT sale what is happening because it is almost been a year since, I think, we had first initiated the process. So, any light you can throw on that?
- Nitin Patel:** See, actually in last conference call we have mentioned that obviously we are in a right path I can say right now only. But as and when the basically the things which is completely over, so definitely we will come on the platform and whatever requirement is to make announcement with the transaction. So, definitely we will come and give the complete update of the entire transaction.
- Ritwik Sheth:** So, is this just harping on it, is it like getting delayed for some reason or this that we have not finalized anything?
- Nitin Patel:** No, see it is not that. See, if you see the size of itself the portfolio, SIPL itself is a very large actually. That is why basically obviously it takes certain basically the timeframe and only one thing I can tell that we are on the right path what I have mentioned that. And other thing is that we will be able to come in a very, with a clear clarity of the entire transaction.
- Ritwik Sheth:** So, any timeline you would like to give?
- Nitin Patel:** It is sooner is better obviously. We also know that. So, I think we are also completely focusing on the same rather than basically going for the basically other stuff. So, that is why I think the time it is now not much time will go from now. We will be able to come as early as possible.



- Ritwik Sheth:** And sir, just I missed that debt total consolidate net debt number and if you can just repeat that again?
- Varun Mehta:** Yes, see the console debt in the operational SPV it is around 6,947 crores. The console debt in the under construction SPV is around 1,074 crores and the standalone debt is 1,350 crores.
- Moderator:** Thank you. The next question is from the line of Mitul Shah, as an individual investor. Please go ahead.
- Mitul Shah:** Sir, what is the timeline that when will we become the profitable again? We have reached almost there but what is your projection?
- Nitin Patel:** See, actually in terms of the cash profit you can see that the cash profit is significantly improving quarter-on-quarter. So, all the comparisons are in a completely positive direction. Even the repayment is also being done even I can share that the apart from the normal repayment we had basically made the additional repayment in some of the SPVs because there was a cash balance is consistently increasing. So, we have requested lenders also to take back actually rather than going for the negative carry. So, as Mr. Varun bhai has mentioned cash balance in the basically in all the operational portfolio, it is also increasing even after basically utilizing their some of the money for the undergoing HAM projects. And you can see the consolidated numbers also consistently every quarter it is improving in a completely positive direction. So, if you knock off the depreciation numbers, so obviously the company is already there and all these basically assets it is notional assets, so it is intangible assets practically. So, if we knock out that though it is clearly indicating that the profit is already there in the entire company as a whole even after servicing everything is required what is there actually.
- Mitul Shah:** But still on the net profit when you are seeing that you on the net profit basis, we are going to be a profitable?
- Nitin Patel:** See, obviously as and when the certain because of the revenue we are seeing that it will going forward but at least 2 to 3 more quarters basically may go and then after we can come into the completely net profit positive. Because all other stuff is in a completely positive direction and in between that basically what the discussion is that their company is there actually discussing this asset transaction is already there. So, we can give the complete numbers everything going forward what I can ...
- Mitul Shah:** Sir, in the last quarter also we had a very brief discussion about asset sale but you said we are very near at that point of time also. But nothing has happened in last 3 months. So, you have said in earlier question but still in the next, by the next quarter also that the answer will be the same or something will happen according to you?

**Nitin Patel:** Let us hope for the best actually before the next call comes actually. We should be there in a position but ultimately, I can say that the transaction itself it is a large and significant. So, we should always basically try to see that it should be in a complete proper manner. And the way as and when it is thorough, we will definitely come in a platform. So, everywhere whatever disclosure and everything is required company has made in appropriately and in a right direction.

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

**Ashish Shah:** Sir, just a couple of more questions. So, there is obviously a good pipeline of hybrid and EPC projects from NHAI. Are we bidding for hybrid projects in that pipeline? Or we want to wait now and wait till the transaction is concluded for our operating assets?

**Nitin Patel:** Obviously we have to, see the basically all the parameters and then current market basically the scenario what we are seeing that the it is better right now to up for the EPC as of now. So, obviously, company is submitting the bids under the EPC. For hybrid, definitely we will evaluate and if you see the, it is a good opportunity because there is a pipeline is already there and what we are of the view the way it has been approval has been taken by NHAI from the Ministry. So, this will continue, so I think that appropriate time we will definitely struck at the good projects. Because see our intention is very clear as of now what we have seen the land acquisition process because among all the basically the lender community they are very much clear now that they want certain things to be there upfront. So, that is what we are also now of the thinking that it should always be in your line with what the exactly the lender community wants because this is ultimately a one kind of clear partnership till we complete the basically construction. And we have to take everything all the risk into the, basically in the account.

**Ashish Shah:** So, what I conclude is that at this point of time you will probably go slow on HAM?

**Nitin Patel:** Absolutely.

**Ashish Shah:** And you will prefer bidding only for EPC?

**Nitin Patel:** Yes, absolutely right.

**Ashish Shah:** Sir, in Maharashtra border check post have we got the entire top up amount which we are hoping for about 500 odd crores when we had securitized that assets. So, have we got the entire amount, or we are still in the process of getting that?

**Varun Mehta:** Yes, Ashish Ji, we do have the line of credit available in Maharashtra border check post. So, we have drawn down 150 crores in Q2 and for further additional draw down has not been taken because if you see the equity commitment, the entire equity commitment has been made from the internal accruals only. So, we have not seen that there is a requirement to draw down as of

now. I think, once probably these 4 projects gets the appointed date, so probably we can take the draw down at that point of time because we will have to infuse the upfront equity also.

**Ashish Shah:** And last question. We have holding company or standalone debt of roughly 30 crores-50 crores. If I remove the 458 crores from Sadbhav, so the remaining portion of the debt what is the majority over the next 12 months or so?

**Varun Mehta:** See, over the next 12 months we are supposed to repay around 120 crores.

**Ashish Shah:** This is ex of the parent debt?

**Varun Mehta:** Yes, this is only in relation to this 892 crores NCDs which are outstanding.

**Moderator:** Thank you. Next question is from the line of Prem Khurana from Anand Rathi. Please go ahead.

**Prem Khurana:** Just 2 questions. One was how much was the repayment during the quarter? I mean, we used to provide that number in our media release but it is not that this quarter. So, if you could help me with the number, please?

**Varun Mehta:** Yes, so we have done a schedule repayment of around 40 crores and plus there is an additional repayment which we have done of around 5 crores. So, in all we have repaid 45 crores in this quarter.

**Prem Khurana:** And if I able to understand you correctly at the Nagpur–Seoni claim that we were supposed to receive, it has come subsequent to the quarter, right? It is not that, I mean we could receive it in Q3 and the entire repayment equity in case it has been done in the hybrid annuities is from internal accruals pay only.

**Varun Mehta:** Yes, so the equity infusion what we have done in the HAM has been funded from the internal accruals. And any of Nagpur–Seoni we have received in the month of Jan.

**Prem Khurana:** And could you please help me with the number in terms of maintenance income that you would have book for hybrid annuities?

**Varun Mehta:** Yes, so we have booked around 61 crores of the maintenance revenue from the HAM projects in this quarter.

**Moderator:** Thank you. The next question is from the line of Shravan Shah from Dolat Capital. Please go ahead.

- Shravan Shah:** Sir, regarding you said that for Kim HAM project we are getting funding from the SBI. In terms of the terms whatever I am hearing the SBI terms are slightly stricter than the other lenders. Is it true? And if yes, then why SBI and not others?
- Nitin Patel:** See, actually we have got a sanction it is that the initially we have to infuse the only 5%, means that is the 50% of the equity as a upfront which is in normal case every lender is taking. So, normally what we are seeing that the by the time we complete around almost closer to 30% of the work, we will be required to infuse only 5% of them, basically the 50% of the equity requirement. So, that is way the structure has been discussed and negotiated and accordingly we got the sanctions from SBI.
- Varun Mehta:** Sir, the advantage with the SBI is that there is no syndication which needs to be done. So, I think if you see the project came Ankleshwar it is a very large project. The total project cost is around 1,404 crores. So, I think that is the biggest advantages what we are seeing with SBI being the lender. And second also they are also providing the debt for the escalation which is not been provided by any of the lenders. So, I think that is also another advantage. Because I think, in this market it is obviously we all know that the PSU banks are not in a good shape. So, I think it is better to have a single bank as a lender also. So, I think that is a very big advantage because this project will require a very healthy amount of cash flow because the construction period in this project is only 24 months.
- Shravan Shah:** And is this SBI's first HAM funding project?
- Varun Mehta:** In the past they have done one of the HAM underwriting for Sadbhav also. So, this is the second project for Sadbhav which is been funded by SBI. I am not aware about any other players.
- Shravan Shah:** And secondly sir, in last 1.5 months have we bided for any HAM projects?
- Nitin Patel:** See, we had submitted like only couple of bids which probably where there in the states where we have generally bidding. But I think, we are not there in each and every bid at least in the last couple of months.
- Shravan Shah:** So, the bids would be 4-5 bids that we would have submitted in last 1.5 months or maybe 2 months?
- Nitin Patel:** In EPC segment we have submitted six bids.
- Shravan Shah:** Sir, I am specifically asking for the HAM?
- Varun Mehta:** Yes so, HAM we have submit only couple of bids.

- Shravan Shah:** And how do you, Nitin bhai how do you see that whatever the tender pipeline is there both in HAM and EPC given the kind of the election is there and code of conduct will be coming? How much can be likely to be awarded before this month and on may be start of the March?
- Nitin Patel:** Yes, obviously NHAI is in an active mode now and we are expecting that at least 30-35 projects will be awarded before the end of the basically say before the election code of conduct has been declared. But we are basically presuming but the pipeline definitely it is very large. So, almost around 75 to 78 projects are there actually in the pipeline so far. But at least the 30 projects or 35 projects may basically sail through what we can see by the time.
- Shravan Shah:** And this would be mostly from the EPC side and value terms would be around 20,000 crores-25,000 crores?
- Nitin Patel:** See EPC, the proportion is larger, definitely and in terms of the, yes the value maybe it is in the range of around 600 crores to 1,000 crores range actually. In Hybrid it may go around 800 crores to 1,400 crores range actually.
- Shravan Shah:** And sir, the equity that we would be required to put in HAM 1,330 crores. So, how much would be required in the fourth quarter and FY20 and 2021?
- Varun Mehta:** Yes, in the fourth quarter we are supposed to infuse around 35 crores and in FY20 we would be required to infuse around 400 crores and in FY21 we would be required to infuse somewhere around 410 or to 420.
- Moderator:** Thank you. We have the next question from the line of Jiten Rushi. Please go ahead.
- Jiten Rushi:** Sir, I just want to know the status of Una-Kodinar, so we were also looking to descope the work there. So, any update on that Una-Kodinar, sir?
- Nitin Patel:** See, the consortium meeting with the lenders and in the presence of NHAI and IC has just happened in the Monday and Tuesday this week actually. So, we are of the view that the descopeing will be basically break through by NHAI by mid of the March actually. So, then we will be able to know the exactly because what NHAI is wanting that the they are some of the area they may up for the delinking where they are hopeful that they will be able to get the land at least before the schedule for lending date. So, they may request us to basically complete the project in the extended period. So I think, considering our long association with NHAI we may opt but finally we will be able to tell in the mid of the March only.
- Jiten Rushi:** And sir, as you said about SBI for Kim we have received a debt for escalation also. So, any other projects where we have such terms for escalation debt?

- Varun Mehta:** So, yes if you see the past we got basically in Bhavnagar-Talaja and Una-Kodinar. But then NHAI was not accepting such structure. But now I think lately probably NHAI has started accepting the debt for the escalation also. And so because of that only we have got in this project.
- Jiten Rushi:** So, right now only it is for Kim not for others, right?
- Varun Mehta:** Yes, so Kim and the Bhavnagar-Talaja and Una-Kodinar, 3 out of 12 projects.
- Jiten Rushi:** And sir, the order backlog of 600 crores including the major maintenance or excluding major maintenance?
- Varun Mehta:** Yes, so that is excluding major maintenance. So, this is only from the HAM projects.
- Jiten Rushi:** So, what would be the major maintenance components, sir?
- Varun Mehta:** The total in Bijapur-Hungund and HYDPL put together we are hoping that the amount should be somewhere around 120 crores to 125 crores.
- Jiten Rushi:** And so far how much we have executed?
- Varun Mehta:** We have just started the work.
- Jiten Rushi:** So, by next year it should get over, right?
- Varun Mehta:** Yes, I think it will not be only in FY20. I think, it will spread over FY20 and 2021.
- Moderator:** Thank you. We have a follow up question from the line of Mitul Shah, as an individual investor. Please go ahead.
- Mitul Shah:** Sir, do you see the growth that has come in last 2.5-3 years in next 2.5-3 years?
- Varun Mehta:** By growth you mean to say traffic growth?
- Mitul Shah:** Traffic growth not in terms of only traffic growth in terms of new project as well and are we going to take that much, that many as projects that we used to take in last 2 years?
- Nitin Patel:** Definitely highway construction is basically they keep priority for the company. So, definitely we will be looking for the projects but obviously everybody has to factor the time considering the, what the business is already there what commitment we have to complete for the period of 1-1.5 to 2 years actually. And what are the basically the competitive level in the market, so all put together we will decide our further parameter.

- Mitul Shah:** And last thing what is the margin in EPC projects?
- Nitin Patel:** See, actually if you can see this EPC normally company maintains around 11% to 13% that is the range what we have seen. But obviously during the conference call of Sadbhav Engineering, we will definitely deal with this basically particular matter with the exact number on the hand.
- Mitul Shah:** And overall, on the overall basis the traffic growth you are seeing is it going to increase in terms of revenue?
- Varun Mehta:** Yes, I think if you see the numbers for the last 3 quarters Q1 and Q2 we have seen a very good amount of traffic growth. In Q3 the traffic growth reduced to some extent, but I think normally the traffic growth is also linked to the economy of the country. So, I think we are expecting that the economy of the country will increase from year on then definitely it will translate to an increase in the traffic growth. So, I think obviously this Q4 and Q1 generally are the best quarters in terms of the traffic growth and we are hopeful that growth is visible in this quarter also.
- Moderator:** Thank you. The next question is from the line of Prem Khurana from Anand Rathi. Please go ahead.
- Prem Khurana:** For the under construction hybrid annuities, could you please help me with the mobilization advance that you would have already drawn? And how much are pending to be drawn from the NHAI?
- Nitin Patel:** See, actually I can see that the except for, if you see the Jodhpur Ring Road we have taken only the first part. The second part we are in a process mostly next week we will be able to take it. And the rest of the projects Bhimasar Bhuj, Kim-Ankleshwar, Tumkur – Shivamogga and Vizag Port the entire 10% of the value of these projects is pending.
- Prem Khurana:** And a large part of this would be passed on to the sub-contractor, right?
- Nitin Patel:** No, that will be basically within the company itself actually. So, nothing has been passed on there.
- Prem Khurana:** So, whenever you receive this amount because given the fact that we have given construction order to Sadbhav Engineering?
- Nitin Patel:** Yes, that is yes obviously, it will go SEL, large part will go to SEL only and definitely it will be utilized for the purpose of construction work only.
- Moderator:** Thank you. Ladies and gentlemen, as there are no further questions from the participants, I now hand the conference over to Mr. Nitin Patel for closing comments. Thank you and over to you, sir.

**Nitin Patel:** On behalf of Sadbhav Infrastructure Project Limited, I am very much thankful to all the participants who have taken their valuable time for understanding the business of the company. And also I am thankful to BOB Capital Markets for organizing this conference call. With regard to the company, it is clearly visible that the so far as operational portfolio is concerned in on in total basis basically company is in a clear mode of generating the cash in the every quarter now. And hence for we are quite confident that it is a clearly visible that there is no chance of going down it. Because the trajectory of this business model itself is such that this will continue to increase the up and up and also we had a significant amount of the balance period is already there for the entire portfolio average period is almost more than 15 years. So, the clear visibility, the way the strength is there in the portfolio that will continue to give a good results for coming period of time to the company. So, that is from my end and again thank you very much to all. Thank you.

**Moderator:** Thank you very much. Ladies and gentlemen, on behalf of Sadbhav Infrastructure Project Limited, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.