



“Sadbhav Engineering Limited & Sadbhav  
Infrastructure Project Limited Q1 FY-21 Earnings  
Conference Call”

**September 03, 2020**



**MANAGEMENT: MR. VASISTHA PATEL – CEO OF SEL, MD OF SIPL  
MR. NITIN PATEL – ED & CFO, SEL  
MR. VARUN MEHTA – CFO, SIPL**

**MODERATORS: MR. AMBER SINGHANIA – ASIAN MARKET SECURITIES  
LIMITED**

**Moderator:** Ladies and gentlemen good day and welcome to the Sadbhav Engineering and Sadbhav Infrastructure Projects Limited Q1 FY21 Earnings Conference Call hosted by Asian Market Securities Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘\*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Amber Singhania from Asian Market Securities. Thank you and over to you sir.

**Amber Singhania:** Thank you Aisha. Good afternoon everyone. On behalf of Asian Market Securities, I welcome you all for 1Q FY21 earnings conference call for Sadbhav Engineering Limited and Sadbhav Infrastructure Projects Limited. We have with us today Mr. Vasistha Patel – CEO of Sadbhav Engineering, MD of Sadbhav Infrastructure, Mr. Nitin Patel – ED and CFO of Sadbhav Engineering and Mr. Varun Mehta – CFO of Sadbhav Infrastructure Project Limited representing the company. I now request Mr. Patel to take us through the quarterly results and the outlook of the company, post that we shall begin with Q&A session. Over to you sir.

**Nitin Patel:** Thank you very much Amber bhai. Good afternoon everyone. On behalf of Sadbhav Group, I welcome all the participants and thank you for taking your valuable time for the earnings call for quarter ended 30<sup>th</sup> June, 2020. I will first start with SEL financial numbers; post that Mr. Vasistha Patel will take you through status of various under construction projects and bidding details and then after Mr. Varun Mehta will take you through the SIPL financial numbers.

Now the income from operations for the quarter stood at Rs. 229 crores, EBITDA for the quarter stood at Rs. 19 crores, PBT for the quarter stood at loss of Rs. 28.10 crores, PAT for the quarter stood at loss of 26.58 crores. EBITDA margin for the quarter stood at 8.46%.

Now the segment wise revenue breakup for the quarter is already mentioned in the presentation. The gross debt as on 30<sup>th</sup> June, 2020 stood at Rs. 1165 crores versus 1242 crores as on 31<sup>st</sup> March 2020. Loan given to SIPL stood at Rs. 350 crores. Now the order book as on 30<sup>th</sup> June, 2020 times at Rs. 8181 crores. Now in SEL we have yet to receive mobilization advance of Rs. 355 crores from four projects namely Kim-Ankleshwar, Gadag-Honnali and two Ahmadabad-Dholera projects which we recently won. We expect to receive 95 crores in current month and Rs. 260 crores in Q3.

Now the breakup of debtors as on 31<sup>st</sup> March 2020 I would like to give the breakup of the debtors which was outstanding on 31<sup>st</sup> March; I’m taking into basically business segment wise actually. So first in HAM projects, the HAM projects, the trade receivables excluding GST and price escalation was 306.45 crores. Price escalation outstanding as on 31<sup>st</sup> March was 217.55 crores and GST receivable was 98.50 crores and this is excluding of the two more projects. Basically, the two main projects where the largest exposure is there that is Jodhpur Ring Road

where the outstanding amount was 158.01 crores and the Kim-Ankleshwar, the outstanding was 158.79 crores. So, in these two projects the work has been started but disbursement was not yet taken place actually, so that's why the outstanding has moved up in these two projects and this is in the HAM segment.

In EPC projects, the outstanding typically receivable is around 380.63 crores. In irrigation segment total outstanding is 196.91 crores, mining sector the outstanding was 41.29 crores and all other basically projects which have already been completed and where basically the final bill of the maintenance spend of activity at SEL level where these activities under processes, so these all together was 175.63 crores. So, this is the breakup of the receivable as on 31<sup>st</sup> of March. The total put together which was outstanding was 1743 crores.

Now coming to the merger of both the companies, the BSE and NSE have sent their observations to SEBI, posts confirmation from SEBI which will receive the final approval from both the exchanges. Also, I would like to give the update about the status of arbitration in various projects; in Dhule-Palasner where we have already received the arbitration award which was the outstanding was around 62 crores including the interest. The conciliation process with NHAI has taken place and finally from the company perspective we have agreed to take Rs. 45 crores as against the outstanding of 62 crores and we have agreed to waive the interest portion of this award amount and which NHAI has finally agreed and they have taken up for the EC approval, we are expecting the same will be concluded within a couple of weeks and we will receive this payment from NHAI. This is pertaining to Dhule-Palasner. In Rohtak-Panipat the outstanding amount is 121 crores. The matter is pending at the Delhi High Court and most of the hearing is completed. We are expecting the decision of the honorable High Court very soon. Apart from that we had lodged a claim of 1190 crores pertaining to Rohtak-Panipat over the alternate route which is created by the Haryana State Government which is a clear deviation and the breach of the concession agreement and because of that we have faced the significant reduction in the revenue in Rohtak-Panipat and that claim has been lodged and the arbitration panel has been formed and the first hearing is scheduled on 7<sup>th</sup> of September that is around four days from now. there is a panel of three learned justices has been basically nominated, one from our side, one from NHAI side and both the learned justices have appointed the presiding arbitrator. So, this has basically taken place. So, we will update as and when what is the outcome of the same on a regular basis.

So, this is from my end, with this now I will hand over to Mr. Vasistha Patel to discuss the operations of the business. Thank you very much everyone for listening to me.

**Vasistha Patel:**

Thank you Nitin Bhai. Good afternoon to all the participants and thank you for taking your valuable time to attend the earning call. Post the lockdown construction has resumed in all projects now. Currently the labor and material availability is around 80% on sites, we expect to reach 100% from October onwards and from October onwards we are going to start the three EPC bid projects like Gadag-Honnali 980 crores EPC is there, Kim-Ankleshwar 1125 crores

EPC is there and Dholera-Ahmadabad which we have recently won is 1572 crores EPC cost which we are going to start from November-December. So incremental turnover from this three EPC projects in Q3 is almost 300 to 325 which we are expecting and from coming under the construction projects as of now the status is that Bhavnagar-Talaja, we have received PCOD for 34 km effect from 28<sup>th</sup> February, 2020 and now we are going to apply for the annuity in this coming week. Udaipur bypass project PCOD for 19.2 km has been approved by NHAI with effect from 31<sup>st</sup> July, 2020. We expect to receive PCOD certificate before end of the current quarter. Rampur-Kathgodam Package 1 we expect to receive the PCOD for 32 km is before end of the current quarter, we expect to receive PCOD from October 2019. BRT Tiger Reserve Bangalore projects, we are expecting our PCOD for 90 km before the end of the Q3. Una-Kodinar project we expect to receive PCOD for 24 km before end of the Q3. Rampur-Kathgodam Package 2, we expect PCOD for 40 km before end of the Quarter 4. Waranga-Mahagaon we expect to receive PCOD before end of Q1 FY22. Jodhpur Ringroad 24% work is already completed. In Kim-Ankleshwar 7% work is completed and from October onwards we are going to start full fledged in Kim-Ankleshwar. Regarding Lucknow Ring Road we expect completion in Q3 of FY22. Gadag-Honnali appointed date of the project has been received and what has been resumed in this quarter onwards. Mumbai-Nagpur Package 5, 10% work has been completed so far and same has been resumed in this quarter post lockdown.

You can see from above that we have already received PCOD in two HAM projects. One more HAM project is expected in current quarter, two more HAM projects shall achieve PCOD before Q3 and one more HAM project shall achieve PCOD before end of Q4. So, all put together with expect to receive PCOD for six HAM projects in the current financial year.

On the bidding activity NHAI has called bids for 19 EPC projects were Rs. 14,195 crores for which bid submission date is before end of the September. NHAI also has called bids for 24 HAM project worth Rs. 24,000 crores for which bids are to be submitted before end of the October. There are two road EPC projects worth Rs. 1652 crores for which we have submitted the bids. Bids opening shall happen in next couple of weeks. In the Metro segment we have submitted a bid for one project worth Rs. 570 crores in Ahmadabad Metro on 1<sup>st</sup> July, 2020. Bid opening shall happen in next couple of weeks.

As already informed to stock exchange we have been declared L1 in two Road EPC projects worth Rs. 1572 crores between Ahmadabad to Dholera in the state of Gujarat. We expect to receive LoA within 10 days from now. As of now land is available to the tune of 80%. We expect to commence construction of both these projects in Q3. With this now I will hand over to Mr. Varun Mehta to discuss the financial numbers of SIPL and updates on stake sale transaction. Thank you very much everyone for listening to me.

**Varun Mehta:**

Thank you Vasistha sir for giving useful updates. Good afternoon to all the participants and thank you for taking your valuable time to attend the Q1 FY21 earnings call.

In standalone business, SIPL revenue from operations stood at around Rs. 48.9 crores, finance cost have been reduced to almost half in Q1 of FY21 as compared to YOY or as compared to Q-on-Q also. PAT stood at Rs. 6.51 crores. Consolidated numbers of SIPL are not comparable because of the completion of the stake sale transaction in eight operational SPVs during Q4 of FY20.

Toll collection for the month of August 2020 in four operational projects has reached 97% of toll revenues in August 2019. We expect to see YOY growth in toll revenue from the month of October 2020 especially when the Festival season starts around that point of time. If we include the six toll assets sold to Indinfravit Trust, then the toll revenue of 10 projects for the month of August 2020 has reached 94% of those revenue in August 2019.

SIPL has a current order book of around Rs. 160 crores towards the maintenance and advisory related of nine HAM projects which is to be executed over a period of next 18 months. Revenue of 34 crores has been booked in this quarter from this particular order book. SIPL has an outstanding order book of around 4000 crores towards maintenance from the nine assets which we have sold to Indinfravit Trust, revenue has started to flow from this particular activity. Revenue of 13 crores has been booked in this particular quarter.

Consol debt of operational SPVs as on 30<sup>th</sup> June, 2020 stood at Rs. 3103 crores, this is including Ahmadabad Ring Road. Consol debt as on 30<sup>th</sup> June, 2020 for under construction SPVs stood at Rs. 2099 crores and standalone debt is around Rs. 800 crores, this includes loan from SEL of Rs. 350 crores. In HAM assets all together we have infused an equity of Rs. 705 crores till date and balance equity of Rs. 308 crores is to be infused in the next couple of years.

Now coming to the status of the stake sale deal, we have discussed the entire transaction in the last concall. So as far as the balance transaction is concerned, we are yet to receive Rs. 73 crores from the stake assets, so we expect that to receive partly in this month and partly in next month.

In relation to the last asset which is Ahmadabad Ring Road, valuation of the asset is Rs. 267 crores as per the SPA. Government of Gujarat has given the green signal to AUDA to provide the approval. AUDA has received approval from two member board and we expect to receive the approval from AUDA who is the client for this particular project before the end of the current month in fact we are hopeful in the next couple of weeks probably we should get the approval. Approval from five lenders have been received in this project. There is one lender where the approval we are expecting to receive post AUDA provides the approval. So, all put together Rs. 73 crores and Rs. 267 crores, in all around 340 crores is yet to be received from Indinfravit with the relation to the stake sale transaction which we are expecting partly in this month and partly in Q3. So, by end of Q3 we should be receiving the entire money. So, this is the update in relation to SIPL and relation to SEL. Now with this we complete our opening remarks. Thank you very much for listening to us. Please start the Q&A session.

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

**Mohit Kumar:** Much was question is on the EPC execution for Q2, Q3 and Q4, the presentation mentioned about 60% to 70% of pre-COVID level in the Q2, so what is it translating into EPC terms and does it mean now 60%-70% of the Q4 run rate or are you talking about somewhere around closer of 600 to 700 crores normal run rate which we were doing earlier? And can we expect to now Q3 to be 800 crores kind of top line given that we have 3 or 4 projects which are starting to contribute from October onwards?

**Nitin Patel:** The presentation which we have mentioned, we would like to convey that in the Q2 we should be basically achieving the top line to the tune of closer to around 400 crores odd actually depending as during last con-call also we have mentioned than the run rate for the execution is going on around 4 to 4.5 crores a day actually. So because there are two way, one is the labors have started coming back as Mr. Vasistha Patel has mentioned that currently 80% level we have reached but that has reached over a period of itself that is July and August put together and now this month we are expecting to reach at closer to 100%. But the monsoon intensity is also played a significant role because the number of projects where the monsoon is very heavy and because of the construction pace has also slowed down. But in Q3 as we have mentioned that we are targeting to reach to the per day as we have the run rate of almost closer to Rs. 9 to 10 crores so that will bring us at almost normal level what we have seen that and then after in Q4 also that's why the incremental turnover from these three projects is also going to add over and above what we are going to achieve into the Q2. So that is basically from our side towards your question.

**Mohit Kumar:** Do you expect any kind of distribution from the IndvIT is for FY21 given the COVID situation?

**Nitin Patel:** Already what we have been conveyed that in the end of the month of October they are going to conclude, and the distribution is going to take place for this year in the month of November. So obviously we are expecting the distribution from the Trust.

**Mohit Kumar:** Do you expect it to be lower than the 70-80 crores which we were expecting earlier for FY21 especially?

**Nitin Patel:** Practically what we are seeing that if it is being done in the November because in the May there was no distribution, so we are expecting it will be little higher than what should be the half yearly because we assume that this November distribution will be the one only in this entire year, so then after the next distribution will come probably in the month of April or May next year.

- Mohit Kumar:** Last question is on the HAM portfolio, have you started a discussion with the potential investors and where are we?
- Varun Mehta:** Yes, we have started the discussion with the investors because as mentioned in opening remarks that the projects are at a very advanced stage and in fact we have started receiving the PCOD for certain of the projects and by the financial year end probably six of the portfolio should see the PCOD. So, the discussion right now is at an initial stage, but we are seeing a very good interest for the portfolio.
- Moderator:** The next question is from the line of Parikshit Kandpal from HDFC Securities.
- Parikshit Kandpal:** My question was, we already at SIPL level we are at 5200 crores odd of debt and there is a pending equity requirement of 308 crores. So, against this spending equity requirement how much will be the total residual debt which will come in when all these projects get completed and OCD achieved?
- Varun Mehta:** The balance debt from the nine assets is around 2000 crores which is pending.
- Parikshit Kandpal:** 2000 crores is pending and that how much of debt we were having?
- Varun Mehta:** Current debt is 2099 crores.
- Parikshit Kandpal:** So maybe down the line so we will have peaked at almost 6000 to 7000 crores odd.
- Varun Mehta:** It actually depends on exactly how many new projects we add and probably how many assets we sell, so to be having a function of this.
- Parikshit Kandpal:** But with the existing assets 7000 is my....
- Varun Mehta:** Yes.
- Parikshit Kandpal:** My second question was now on this debt, so 5200 crores of debt, so 2100 crores is from the under construction and balance is from the other assets. So, what will be the breakup of 3100 crores debt in terms of the banks and at NCDs.
- Varun Mehta:** The 3100 crores is from the four operational SPVs, so all these for operational SPVs have only bank debt only. There are no NCDs in this.
- Parikshit Kandpal:** And Varun Bhai what is the total large funding done till now in this financial year for the assets?

- Varun Mehta:** This financial year because Rohtak-Panipat and Rohtak-Hissar have taken moratorium in both the SPVs, so in this financial year as of now there has been no support given by SIPL to the SPVs.
- Parikshit Kandpal:** For the full-year what is the number you are looking at?
- Varun Mehta:** Full year we are looking at number somewhere around between 55 to 60 crores.
- Parikshit Kandpal:** I think in last call Nitin Bhai you had said that from the start of September we will start building almost 10 crores per day kind of run rate, so where are we now and when do we expect this number to start reflecting?
- Nitin Patel:** As we have mentioned the run rate because we have already started the construction activity in the Kim-Ankleshwar, Gadag-Honnali has already been started but it is obviously in the initial stage. Kim almost all the brands have been started executing, so we are expecting the incremental revenue versus we have told that what we are achieving in Q4 and in Q2 what we are mentioning that at least Rs. 300 to 325 crores from these three projects because when the monsoon intensity will go down then obviously the other under construction projects will also help, the full time execution and full-time revenue will come. So now they are coming back as we have mentioned that the real complete focus is coming towards the EPC and which is evident from the new projects for company has won. Also the bidding which we have made also it is in the EPC and further focus is also towards the same that how to built up the EPC business and how to go towards again the run rate of 10 crores per day. But from October onwards we have mentioned that we will be achieving that target.
- Moderator:** The next question is from the line of Vibhor Singhal from PhillipCapital.
- Vibhor Singhal:** The debtors that the account receivables which were at 1900 crores at the end of March the breakup of which that you had given, what would they be at the end of Q1?
- Nitin Patel:** End of the?
- Vibhor Singhal:** End of the Q1, so basically at the end of June what would be the account receivables pending total?
- Nitin Patel:** By the end of Q1 it has come down by another Rs. 140 crores by the end of Q1. Even in Q2 also between month of July and August we had almost got the collection to the tune of around Rs. 450 to 460 crores so far actually. So, September we have not yet included, so we are going to incremental collection as compared to the actual execution that is in Q2 also.
- Vibhor Singhal:** So, March end the receivables were at 1930 crores, they came down by around 140 crores, so 1800 crores is what they would be at?

**Nitin Patel:** It has already come down and we are also seeing that eventually it will further go down as the collection improves. As we have mentioned that is the reason, we have given the complete breakup. There are various aspects, particularly there are some of the price escalation component of the HAM that will take little long time but the moment we get the collection from Jodhpur Ring Road and Kim-Ankleshwar that itself is more than Rs. 300 crores. So, this will straightway reduce the receivables significantly and also improve the cash flow immediately whatever we required further. So, this is a clear certified invoices of the both the projects.

**Vibhor Singhal:** The 340 crores that we expect to be received from the InvIT transaction by the end of Q3, what will we be using that 340 crores, will we use that to straightaway reduce the debt at SEL level or will that gets consumed in working capital or some other transaction that we are looking?

**Varun Mehta:** Out of that 340 crores the plan is between around 220 to 230 crores we will utilize to pay out the debt at SIPL and at the SEL level and the balance portion will be utilized for the working capital.

**Moderator:** The next question is from the line of Deepak Poddar from Sapphire Capital.

**Deepak Poddar:** My first question revolves around your cash flows, can you throw some light on overall cash inflows we expect to receive over next one year or some arbitration whether it's Rohtak-Panipat or others or the fund stuck with the government or from the sale of assets? So, some light on that would be helpful.

**Nitin Patel:** I would like to put the status and what action we have taken for speedy recovery of that money. First as I mentioned in Dhule-Palasnur we have already concluded the conciliation process and the matter is pending with the NHAI executive committee level. So, I think within a couple of weeks we are expecting to receive around 45 crores of the Dhule-Palasnur amount. Then with the Rohtak-Panipat almost outstanding is 121 crores and the matter has been challenged in the Delhi High Court by NHAI, so almost all the hearing is completed. We expect that when the next hearing will take place then after the matter will come for the judgment by the honorable Delhi High Court. So, when it is there then we will be getting. So we expect the judgment should come before the end of Q3, so thereafter it may take another quarter or so basically for realizing this money from NHAI once some court jurisdiction decision is there we can take it faster. With regard to Mumbai-Nasik, the outstanding amount is almost 212 crores including the accumulated the interest thereon, so we are expecting to get at least part money 120 crores odd against the bank guarantee. So, we are in a discussion with couple of banks to issue bank guarantee. So eventually the money, when we are offering to the bank the money which can come from the same that we can use for the purpose of straightaway reduction some of the facility in Sadbhav Engineering because this money is directly going to come to SEL. So this is the status and once way we will get approvals from the banks and immediately I think it will not take more than a couple of months to realize at

least 120 crores what we are looking for, the remaining portion will take its own jurisdiction process and it may take another 1.5 to 2 years.

**Deepak Poddar:** So, all in all like these three projects are close to about 400 to 500 crores cash inflow over next one year through this arbitration?

**Nitin Patel:** We can say that around 270 crores odd we can look into, Rs. 270-275 crores.

**Deepak Poddar:** And what about the cash inflows you expect from the fund that is stuck with the government or the sale of asset you already mentioned about 340 crores, right that is pending?

**Nitin Patel:** As I have mentioned that these two projects, one is Jodhpur Ring Road and the Kim-Ankleshwar that is more than 300 crores has been stuck, so this money straightaway will come once the disbursement will start, so that we are expecting that it should come within one or two months maximum, couple of months. Then after the money towards the GST, yes that is also we are expecting that NHAI should finalize because earlier amount was higher, now it has come down. But slowly it is getting completed. So that will also come within the Q3, at least we can expect 70% collection from the same. And also, we are in the process of realizing some amount almost around 150 crores odd from the other EPCs and the HAM as well as the other amount by the end of Q3, so remaining will continue in a process.

**Deepak Poddar:** But in terms of any government in flows that you are expecting like the one which is stuck basically?

**Nitin Patel:** Government inflow, the larger amount is lying with the Irrigation Department of the various couple of states actually so we are constantly following and once it will be through we can get the amount because at least as I have mentioned almost 196 crores is stuck into the irrigation projects. So that amount we are trying hard to get it back, so we are hopeful to get this money at least around 50% or 60% odd within 2 to 3 months.

**Deepak Poddar:** So with all this cash inflows like in next 12 months will you be able to reduce your debt by 1000 crores kind of a number or any other outlook that you want to share on the debt reduction side over next one-year?

**Nitin Patel:** Obviously you can see there is the process what company has adopted, the overall reduction of the debt. The first significant marquee transaction we have completed in the month of February and thereafter almost more than 1000 crores of the debt has been reduced. As Mr. Varun Bhai has mentioned that the another 300 crores we are going to reduce from the process of the Ahmadabad Ring Road and whatever surplus after our working capital made which will be there that will be obviously utilized for the reduction. And also as I have mentioned that from the process of Mumbai-Nasik which the bank guarantee is coming we are discussing with the lender in the same direction that the amount will be utilized for reduction in the debt itself. So,

our endeavor and thinking processes very clear to bring it down slowly and by collecting this money which is lying within the system itself.

**Moderator:** The next question is from the line of Parvez Akhtar from Edelweiss Securities.

**Parvez Akhtar:** What is the kind of order intake that we are looking for in FY21?

**Nitin Patel:** Currently the bidding obviously our priority is towards the EPC itself but the way the bidding activity and the process we have lined up and we are thinking to at least another 3000 to 3500 crores new wins before the end of this year.

**Parvez Akhtar:** This is over and above the 1500 crores that we have already received?

**Nitin Patel:** Yes, this is over and above 1500 crores what we won.

**Parvez Akhtar:** Just needed a couple of data points. I missed the debt figure in SEL.

**Nitin Patel:** It is outstanding 1165 crores is the gross debt in SEL which includes 350 crores of the loan given to SIPL.

**Parvez Akhtar:** And what would be the cash currently in SEL?

**Nitin Patel:** Currently it is around 105 crores odd which is there.

**Parvez Akhtar:** Would it be possible to get the segment wise revenue breakup for the quarter?

**Nitin Patel:** I think we have given in to the presentation. We will provide you offline Parvez Bhai, I think it is not there in this.

**Moderator:** The next question is from the line of Jiten Rushi from Axis Capital.

**Jiten Rushi:** What is the outstanding mobilization advances as on June '20?

**Nitin Patel:** Outstanding is to the tune of almost around 270 crores odd actually.

**Jiten Rushi:** We have received gross interest of 407 million in the SEL adjusted for the interest from SIPL, numbers there is a difference of around 3 crores, so can you just tell what is the difference because we have reported around 240 million as the net interest and if we add 137 million is the gross interest from SIPL, it comes to around 370 million and we have reported a gross interest of , so there is a gap of around 3 crores, so what is the gap?

**Nitin Patel:** The interest from SIPL you have mentioned 13 crores odd, right?

- Jiten Rushi:** Yes.
- Nitin Patel:** Then what is the other you would like to, the difference of 3 crores I could not understand how we would like to look at it?
- Jiten Rushi:** The interest on SIPL and the net interest reported in the book if you add it is not matching with the gross interest number which has been mentioned in the notes to accounts, there is a gap.
- Nitin Patel:** That is the difference of the interest charged to the other SPV within the Sadbhav.
- Jiten Rushi:** So basically what I see in the notes to accounts, we have mentioned total interest paid amount is 406.7 million and then the interests of SPV at 137 crores and the net interest reported is around 239.7, so if we add 239.....
- Varun Mehta:** There is a typo in the notes to account #4, as far as the gross interest amount is concerned.
- Jiten Rushi:** What is the toll collection in the Rohtak-Hissar then Ahmadabad Ring Road and the Maharashtra border check post for Q1?
- Varun Mehta:** So, you want for Q1, right?
- Jiten Rushi:** Yes Q1.
- Varun Mehta:** So for Ahmadabad Ring Road the Q1 revenue was around 15.5 crores, for Maharashtra border check post the Q1 revenue was 19.5 crores, for Rohtak-Panipat the Q1 revenue was 11.7 crores and Rohtak-Hissar the Q1 revenue was around 10.2 crores.
- Jiten Rushi:** And last question on the tax rate and the bank limit. So, tax rate guidance for this year-next year and what is the bank limit and what is the utilization value at SEL level?
- Nitin Patel:** The full year, the tax rate in Sadbhav Engineering will be, it is a 30% but the MAT credit which is available that is basically to the tune of I think the net-net we are expecting that it should come around 23% for the full year.
- Moderator:** The next question is from the line of Siddharth Shah from MK Ventures.
- Siddharth Shah:** My first question is on the order book inflow guidance. After the Ahmadabad project we are at around 9700 crores order book. So, what is the expectation for the remaining of the year? How much order inflow we are expecting?
- Nitin Patel:** As we have just mentioned that it is almost around 3000 to 3500 crores, we are expecting another new orders over and above 9700 which is there now.

**Siddharth Shah:** In terms of execution you said that we would be reaching something like 10 crores per day by October. So, what would be the guidance for next year-full year revenues if you can give a broad indication?

**Nitin Patel:** If you see the next year we are expecting to again come back to the almost a level of around 3300 to 3500 crores level actually depending upon the way the order is already, business is already there in the hand and also the way we are planning to get new orders because the number of HAM projects are going to be completed and another the new projects what we have won and the three new, the large projects what Mr. Vasistha Bhai has mentioned almost 3600 crores of the business which is going to start the execution from now. So, this again will continue for next year itself. So almost around 3000, between 3300 to 3500 we can give now.

**Siddharth Shah:** So, you mean to say that we will stabilize at 10 crores per day kind of execution run rate for next 18 months or something?

**Nitin Patel:** Once we will achieve this for the yes Q3 and Q4 then definitely because we are saying the average because if you see the monsoon will also come in the next year. So, depending on put together we are considering that we will come back to the same numbers now.

**Siddharth Shah:** Last couple of quarters' valuations has been lower. So, when we ramp up to 10 crores per day you think there will be a significant additional working capital requirement, or you will be able to manage with the current limits?

**Nitin Patel:** With the current units it is okay and as we have mentioned that the projects which we are, there is the EPC that we have going to start that, the new advances are also going to take place. Almost more than 350 around 355 crores is going to be added further. So this will also play a role and I think for carrying out this EPC is not required and now almost even if you see our, even we have almost nearing to completion of the almost of our EPC requirement also into the HAM. Significant portion has already been completed.

**Moderator:** The next question is from the line of Rithvik Sheth from One-Up Financial Consultants.

**Rithvik Sheth:** My question is on the receivables. Our current receivables is around 1800 to that SEL level. So, 1-year down the line what will be a comfortable run rate for that we would like to have on books and assuming that we could do a (+3000 crores) revenue in FY22. So, what will be the company comfortable at the receivables?

**Nitin Patel:** If you see that there are 2-3 components here I would like to mention. That the one is the collection from the irrigation projects which are almost completed or nearing to completion. As I have mentioned almost closer to 196 crores is outstanding so that is the 50% of the same, we are expecting to get as almost as early as possible within 3 to 4 months that we are as of now. Second thing also I have mentioned the two HAM projects almost this more than 300 crores which is outstanding because the disbursement has not yet taken place. So, once it is

taken place it will again come down. The third thing if you see that the collection from the GST angle because that everything will be completed within the years' time so that GST component almost around 98% this will be over. So, this will again come round and the price escalation of the HAM so our focus will be to realize this price escalation component almost 217 crores is outstanding as of now. So as and when we complete three or four projects we will focus one is either to at the monetization of the asset, that is one which is already the process has been started or parallelly we can look into the re-financing of the asset where we can take back these escalation money from the hybrid annuity projects this SPV itself, so this money will come back. So this way we can come down so this is the sum total of all this but we are very much sure that within a year's time, this amount will come down to a substantial extent and the normal things this four is if we came out then the things will be at an almost normal level.

**Rithvik Sheth:** What is the GST angle that you are talking about? What is the quantum for the same?

**Nitin Patel:** It is Rs. 98 crores as of now because of the change in law of the projects if we won before July 2017. There we are eligible to get the sum of the GST refund. So, we have not yet received the all the money. So, the balance which is outstanding that is being shown as a receivable from NHAI.

**Rithvik Sheth:** So, if everything goes according to plan from these four things and we could see our receivables dropping to around 1000 -1100 crores in the next say 12 to 18 months?

**Nitin Patel:** Not 1000 but obviously we can see the reduction of almost around say 400 crores odd actually, once all this taken place as we have mentioned right now.

**Moderator:** The next question is from the line of Prem Khurana from Anand Rathi.

**Prem Khurana:** First question was with respect to Jodhpur Ring Road. I think last time you had given us the sense that the earlier lender has backed out. So, have you been able to open a new lender for the project or we are still funding it from our pocket?

**Varun Mehta:** Prem as of now we are funding it from the grant which we are getting from NHAI and also our equity which is we have to infuse but we are at an advanced stage for the tie-up with the lenders for this particular project.

**Prem Khurana:** So when you say we are expecting to realize 150 is contingent upon the fact that we would get to have lender on board in the immediate future and they would start money at the early as possible, right?

**Varun Mehta:** Yes, I think it is depending on the grant also because how we can get the grant as an advance grant also from NHAI. So, the 158 is also been paid from the grant and once we get the new lender on board, so I think the entire money will be received by SEL. The good part in this

project is that, that we have crossed the initial hurdle of the land acquisition and the issues as far as the other ones are concerned, so any new lender who is coming in so probably happy to see that the issues of land acquisition and those are passed. So now as and when he will come on board, so probably the entire project is visible till the COD.

**Prem Khurana:** Second question was on our irrigation receivables. I think Rs. 190 crores odd but if you could give us a sense as to when, how much of this is regular course of business and how much of this is as essentially wherein I mean you would have to go and set across the table and negotiate with the client because as I see it in the last FY20, an entire year you did only around Rs. 84 crores odd of revenues and we have receivables of more than 190. So, which essentially means when there are some receivables which have been due for more than 1-year, so are these disputed or these are retentions that you need to kind of realize. If you could help us understand the construct of the 190 crores?

**Nitin Patel:** It is a breakup of a 2-3 components. One is because escalation component some of the projects have been hold. Second thing the part money they have hold because of the sudden lend they have not yet given, and we have asked them to either conclude the contract or release this actually. Third thing there is a couple of points because of the change in the design and they had asked us to do the carry out the extra work as a change of scope which has been taken place. So, this is also being included in the same. So, these are the largely three and some parts small amount is towards the GST in this irrigation also because we are eligible to get the differential amount of the GST also in this.

**Prem Khurana:** You expect 60% of this to come to you by this year and at least and then remaining 40s wherein you would have to put in some more effort?

**Nitin Patel:** It will come into thing because this is the total of almost around a 6-7 projects, all put together this money is different-different format it is being hold at.

**Moderator:** The next question is from the line of Manish Goyal from Enam Holdings.

**Manish Goyal:** Couple of questions. One on the margins front, how do you expect in the current year and next year?

**Nitin Patel:** Mining front you mean to say?

**Manish Goyal:** No margins, overall margins, EBITDA margins for that...

**Nitin Patel:** EBITDA if the current year as you mentioned on – see normally we can say that even the HAM projects and EPC put together, average will be able to make between 12% to 12.5%. That is clearly achievable. In the mining also it will be little at least one or couple basis points, 1 or 2 percentage higher. Irrigation it is largely just of the completion. So, we don't expect

much margin. Hardly it may be around 4%-5% that but on an average, we can say that the around say 12% odd or so we will be able to achieve for the year and as well as next year also.

**Manish Goyal:** So first two quarters Q1 and Q2 we will see a lower margin. So, we expect that in Q3 and Q4 margins to be higher and for the entire year we should be able to have 12%-12.5% average margins? That is what you are referring to?

**Nitin Patel:** Q1 we are not, see obviously because that we have to discount but Q2-Q3 and Q4 put together we can say that the 12% will be achievable, that is not a case in future, right now it is not achievable.

**Manish Goyal:** On standalone debt like at SEL we mentioned 1165 and at SIPL it is roughly 800 crores. So, in March end we were at 1600 crores so if I remove these 350 crores odd of common debt between these two companies. So, debt is at same level on a standalone basis and it has not come down despite we have a decent receivable inflows. So maybe if you can say by year end what can we expect that on a merged entity at a standalone level what kind of gross debt we can see and?

**Nitin Patel:** First of all once we conclude this Ahmadabad Ring Road transaction 300 crores as you have mentioned and over and above we are expecting that at least another 150 crores odd may further go down, raised whatever collection and everything is there that will be required for the purpose of the executing all these projects itself actually.

**Manish Goyal:** So ideally as mentioned by Varun Bhai that 220 crores will be utilized for debt repayment. So this 1600 crores odd of standalone debt between both companies it should go down by, I am just asking what level can we see by March end because you have claimed receivables but you will also have project execution ramp up also. So, what can we expect this number to be, roughly by year end?

**Nitin Patel:** If I see that as I have mentioned that the almost we are expecting to get it reduced by another see 450 crores odd actually as compared to what is there actually as of now for both the companies put together. So in merged entity, see in SEL it 1165 crores it is there and this SIPL say for 450 crores if we add take out there 350 crores. So out of that 450 we are expecting to get reduced in this year which will build with there.

**Moderator:** The next question is from the line of Ashish Shah from Centrum Broking.

**Ashish Shah:** My first question is on the price escalations. We have 218 crores so how do we structure our contracts between the SPB and the parent company? Because normally these price escalations would get funded either by adjustment of the project cost and hence you get the higher grant amounts during construction also the final project cost will get adjusted to this extent. So, I am just actually little unsure of why would the price escalations related to HAM projects be pending and why would that take longer than the normal receivables?

**Nitin Patel:** Ashish Bhai see price escalation which is being paid by the authority to the tune of 40% only, right? And 60% is getting accumulated and it will be added into the completion cost of the project and then eventually the annuity will be paid on the completion cost with all these interest and repayment of everything will be paid over the period by the authority. But so far as EPC contract is concerned, the EPC contractor is, the contract which has been given that is an inclusive of the fixed price plus the price escalation what authority gives. So, this put together the 40% has already been received, remaining 60% component which is there that is outstanding to be received from the HAM projects.

**Ashish Shah:** Right so these are not part of the EPC, not part of the debt tie-up that we have and the?

**Nitin Patel:** No that is not there actually, so that is additionally because once project will be completed then it will be added into the total project cost.

**Varun Mehta:** Ashish in certain projects of us, lenders will be able to disburse this particular 60% once the project achieves the COD and because of that the amount will be outstanding till the time we don't have the COD. So as soon as we get the COD, we will get the disbursement. Also, since certain of the projects we don't have the debt tie-up then the debt will be disbursed by the lenders only once we do the refinance.

**Ashish Shah:** Secondly, we haven't seen much movement in the mining order book so over the last 12 months you have probably done little under 200 crores of execution in mining. So what is the status there?

**Nitin Patel:** Focus Ashish Bhai is towards the transportation business that is why Highway and Metro we are putting the bid. Obviously, we will look for the some of the large size irrigation projects which is coming in a normal conventional project then we can look into. In mining as of now we had a very, the thought process is that the whatever resources we are having that we will continue to use and according to that only we will put the bid. So currently the resources are engaged for the ongoing business. That's why we are not and the new CAPEX plan we are not looking for at least couple of years from now actually. So that is why we are looking for the more into the highways as well as the irrigation segment but obviously some good opportunity will come then we will look into the same in mining also because there we had a different qualification and also the experience team with regard to over execution of these projects.

**Ashish Shah:** But what I wanted to actually know is that why the current quarter is not moving? Over the last 12 months we have done barely about 190 crores odd of execution the whole of 2020-21 first quarter included. So, are these orders likely to go ahead, we'll have to cancel them or what do you think is going to happen to the existing mining orders?

**Nitin Patel:** Actually, to be frank earlier basically some of the contract we have given completely some of sub-contract basis that has been taken over and the execution has been started. Even we are

seeing that every quarter-on-quarter now basically we will see again the mining because as we are tallying that we are coming back to the normal level of the 10 crore per day execution, so that way also we are considering the mining will also come up and we have already made the arrangement in such a way that we now we are coming towards almost 75%-80% of the targeted achievements now we are through these last 1.5-2 months actually and going forward we are expecting to achieve at least 100% above on the execution front of the mining requirement. So obviously over the net and the contractual period which is there it is a longer contractual period in two projects are almost around say 6 years contract are there. So that's why it is having a little bit slow pace actually.

- Ashish Shah:** So, could we look at 300-400 crores of annual execution in FY22?
- Nitin Patel:** In FY22 we can see almost around 250-300 crores we can compare.
- Moderator:** The next question is from the line of Parikshit Kandpal from HDFC Securities.
- Parikshit Kandpal:** My question was after the merger of SIPL and SEL happens so what could be the stand alone margins then?
- Nitin Patel:** EPC business as I have mentioned there almost around 12% we'll be able to achieve and particularly O&M business our margins level is little bit high, so if you see the O&M we will be able to achieve almost around the 18%-20% of the EBIDTA so for as O&M is concerned. So, mix of the same definitely the margins level because we are expecting at least around the say on an average because from the HAM and other projects and this 4,000 crore of Indinfravit the order which is there. So, put together minimum 300-325 crores of average turnover and with the almost between 18%-20% of the EBIDTA which will be added into the merged entity along with the SEL normal EPC business.
- Parikshit Kandpal:** What the total bids submitted as of now and still to be opened?
- Varun Mehta:** Parikshit, we have submitted two road EPC projects worth Rs. 1652 crores for which the bids have been submitted and are yet to be opened up and there is one project in metro segment worth Rs. 470 crores where the bid is yet to open up. So, put together around 2000-2100 crores.
- Parikshit Kandpal:** But if we have to get some 3000-4000 crores for the rest of the year that means the bid sizes have to go up significantly. The bidding has to be ramped up significantly.
- Nitin Patel:** Yes, Parikshit Bhai currently we are working on almost around nine projects for bidding almost the working is completed at overhead. So then after also the team has been asked to look after the other bidding which is coming in the pipeline so that way, we are now the completely geared up so far as the new bidding. You might have seen that even the last bidding

also the four projects for we have submitted the bid, even the bids are yet to be opened when the let it be open you can see how Sadbhav is planning to work out.

**Parikshit Kandpal:** Last question, the promoter's group declassification to public shareholdings if you can comment on that.

**Nitin Patel:** In the promoter group almost, it is there actually so no change into the shareholding. Obviously the Vishnu Bhai's holding is now controlled by Shashin Bhai and his mother and on the contrary one thing I would like to put it here that the promoter are now in a process to completely release the entire shareholdings which is under the place within at least maximum three months this entire holding will get, all of the pledge will get released by the promoters. So that action they've already taken and now every month on month we will see this movement.

**Parikshit Kandpal:** Great development sir. The intention is that this pledging will not come back so why it's completely removed we'll not be having any pledges on the stock by the promoters in the near future.

**Nitin Patel:** Absolutely. So, it has been completely decided the action has already been taken now and now it is just a process, rest of the things have been lined up now.

**Moderator:** The next question is from the line of Siddharth Shah from MK Ventures.

**Siddharth Shah:** Just a follow up question on the three projects which we are retaining, can you give a small update the Maharashtra border check post as well as what resolution we are planning for Rohtak-Panipat and Rohtak-Hissar?

**Varun Mehta:** For Maharashtra border check post right now, we are in the process of getting the toll collections started for the five check posts because we have received the PCOD. So, we are hopeful that the toll collection should start somewhere basically in the month of October. Probably because that will add say around 17-18 lakhs of revenue per day. So, I think that's a sizeable number basically when the toll collection starts at the five check posts. On the two projects Rohtak-Panipat and Rohtak-Hissar obviously in the Rohtak-Panipat as we have mentioned that the arbitration process is already been started and so that is the solution is what we are looking out basically in Rohtak-Panipat because obviously there is a good merit which we see in terms of the submission what we have made to NHAI. And we are hopeful that probably there will be a compensation which will be received by Rohtak-Panipat and which will solve the debt problem in that particular SPV. In Rohtak-Hissar the plan is obviously we are working with the lenders let us see exactly what proper solution can be made in the particular SPV. But basically, we are working on the debt resolution for the SPVs Rohtak - Panipat and Rohtak - Hissar.

**Siddharth Shah:** And the last question is SIPL standalone order book 4000, you just mentioned that the O&M margins are 18%-20% right?

**Nitin Patel:** Right.

**Moderator:** The next question is from the line of Mohit Kumar from IDFC Securities.

**Mohit Kumar:** One question, what is the status of EPC execution in the Mumbai-Nagpur expressway? Is it 100% now?

**Nitin Patel:** Actually, the execution has been now started post the lockdown and now there every quarter on quarter obviously there will be the contribution from this project also so far as the topline is concerned.

**Mohit Kumar:** But the kind of run rate we are looking at let's say in the third quarter from this particular project?

**Nitin Patel:** On an average we can say that the almost around 100 crore powered basically, 100-250 crore in Q3 we have come up and Q4 little bit it will go up further because as and when we reach to the further top player in the other activities will be moped up so this we can say as of now for the couple of quarters.

**Moderator:** The next question is from the line of Amber Singhania from Asian Market Securities.

**Amber Singhania:** Just one small question is that on 4000 crores of order books for SIPL for O&M, how long it will be, this is for how many years and annually what kind of revenue you can book from this?

**Varun Mehta:** Amber this is over a span of next 15 years and the revenue will actually depend on probably which year we can get the major maintenance because in the year where there is a major maintenance the revenue can go up to 400 crores and in the year where the major maintenance is not there, so then the revenue should be around 100 crores. So, on an average basically 4000 divided by 15 so I think on average around 270-275 crores should be the revenue.

**Moderator:** Thank you. I would now like to hand the conference over to the management for closing comments.

**Nitin Patel:** Thank you very much to all the participants for taking your valuable time. Obviously, we from the company's side can say that the quarter was not obviously of the mark because of the COVID situation as well as the things have not taken up till June. Obviously, things have ramped up as we have mentioned and now, we are coming to the position that from October onwards we'll be able to achieve, that is the most important point which we would like to convey. Apart from the business how we are looking forward, how the new orders has been taken at the further what is the plan, so all put together we are again thankful to all participants.

Thank you very much. Thank you to Asian Market Securities for organizing the call also.  
Thank you.

**Amber Singhania:** Thank you Nitin Bhai. On behalf of Asian Market Securities, we thank everyone and special thanks to the management for giving us the opportunity. Thank you very much.

**Moderator:** Thank you. On behalf of Asian Market Securities that concludes today's conference call.  
Thank you for joining us and you may now disconnect your lines.