



“Sadbhav Engineering Limited & Sadbhav Infra Project Limited
Q3 FY2021 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to Sadbhav Engineering Limited & Sadbhav Infrastructure Projects Limited Q3 FY2021 Earnings Conference Call hosted by Asian Market Securities Private 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, Nirav. Good afternoon, everyone. On behalf of Asian Market Securities, I welcome you all for Q3 FY2021 Earnings Conference Call of Sadbhav Engineering Limited and Sadbhav Infrastructure Projects Limited. We have with us today, Mr. Vasisth Patel, CEO of Sadbhav Engineering and MD of Sadbhav Infrastructure; and Mr. Nitin Patel, ED and CFO, Sadbhav Engineering with us representing the company. We shall have a quick update from the management and then we can proceed to the Q&A session. Over to you, Sir!

Nitin Patel: Thank you very much, Amber bhai. Good evening, everyone. On behalf of Sadbhav Group, I warmly welcome you all for earnings call for the quarter ended December 31, 2020. Let me begin first with SEL financial numbers, and then we will update for SIPL financial numbers, post that, Mr. Vasisth Patel will update for status of various under construction projects and bidding details. The income from operations for the quarter stood at Rs.556 Crores and for the 9 months stood at Rs.1198 Crores. EBITDA for the quarter stood at Rs.74 Crores and for 9 months stood at Rs.142 Crores. PBT for the quarter stood at Rs.15.23 Crores. Profit after tax for the quarter stood at Rs.15.16 Crores. EBITDA margin for the quarter stood at 13.25% as against the 12.08% of the Q2 of FY2021.

The segment-wise revenue breakup for the quarter is already mentioned in the media release. The gross debt as on December 31, 2020, stood at Rs.1182 Crores versus Rs.1224 Crores as on September 30, 2020. Loan given to SIPL stood at Rs.388 Crores. Order book as on December 31, 2020, stands at Rs.9683 Crores. Segment-wise order book has been provided in the media release. Now updating about the new orders awarded in the FY2021, we have been awarded 3 new EPC projects, out of which 2 are the EPC orders between Ahmedabad to Dholera from NHAI valuing Rs.1572 Crores and one residual award of Surat metro project of 780 Crores, awarded by Gujarat Metro Rail Corporation Limited.

Now let me give the update about the merger. Now we have obtained the necessary approval of merger of SIPL with SEL from equity shareholders, unsecured creditors and secured creditors vide our meeting held through video conferencing on January 29, 2021, also the said voting results has been informed to stock exchanges on January 30, 2021. We all have come across never before the

budget, in which the infrastructure sector has been emerged as the top priority to fuel the growth, development and employment generation. We have finally heard about the setup of the professionally managed development financial institution with budgetary allocation of Rs.20000 Crores, which will help to meet the requirement of long-term funds in the infrastructure projects. Also, the budget has given importance to InvIT mechanism for asset monetization of infra assets, which will attract the international investors.

Now let me give the update about the status of the arbitration. In Rohtak-Panipat, the outstanding amount is 128 Crores including the accumulated interest, 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 have lodged a claim of 1706 Crores on NHAI pertaining to Rohtak-Panipat towards the alternate route and the same matter is pending before the arbitration tribunal, also, we have received the consent from NHAI for processing these award under the conciliation route, so we are also parallelly exploring the procedure of conciliation with NHAI so we can basically explore this as early as possible.

In the Mumbai-Nasik, we have received the unanimous award of 192 Crores in our favor, and interest thereon till accumulated, including the interest. Out of the same award, 72% belongs to SEL and balanced portion of 28% belongs to Gammon Group. Now starting with the SIPL financial numbers, in stand-alone business, revenue from operations for quarter ending December 31, 2020, stood at Rs.45 Crores and for 9 months ending December 31, 2020 stood at Rs.132 Crores. Finance cost for the current quarter has remained at 33 Crores as compared to corresponding quarter, which was 60 Crores, whereas it remains 87 Crores for the current 9 months ending December 31, 2020 as compared to 167 Crores in the previous 9 months.

Profit after tax for 9 months ending December 31, 2020, stood at Rs.8.6 Crores compared to corresponding 9 months loss of 17.75 Crores. In the toll collection segment, we have seen the toll collection revenue grown up by 11% in Q3 as compared to corresponding Q3 in all 4 operational projects, so this, we can see that now the effect of the pandemic has almost been gone in the Q3 and also the recent growth has also been witnessed in terms of increase in the toll revenue. SIPL has a current outstanding order book of 104 Crores without GST, towards the maintenance of and advisory related of 9 HAM projects, which is under to be executed over a period of next 24 months.

SIPL also has an order book of 3925 Crores towards the maintenance of IndInfravit Trust for the 9 assets, which have been sold during the Q4 of the previous year. The revenue has been started to flow from these now and in the current quarter, the revenue of Rs.44 Crores have been booked towards the O&M business of HAM SPV and also maintenance of asset transferred to IndInfravit Trust. The consolidated debt of operational SPVs as on December 31, 2020, is 2939 Crores, including

Ahmedabad Ring Road. The consolidated debt as on December 31, 2020, for under construction SPV is around 2192 Crores and standalone debt is around 778 Crores, which includes the loan from SEL of Rs.388 Crores. In HAM projects, we have already infused 750 Crores equity till date. The balance equity requirement is Rs.334 Crores, which we have already planned to infuse over the period of a couple of months. So during the discussion, we will take it forward. So that is what I would like to put from my end and now I will hand over to Mr. Vasisth Patel to discuss the operations. Thank you very much all for listening to me.

Vasisth Patel:

Thank you, Nitin. Good evening to all the participants, and thank you for taking your valuable time to attend the earning call. As Nitin mentioned earlier and can be seen that current year budget has been for infrastructure, which will definitely help the EPC companies. It can be seen from current quarter numbers that we have ramped up our execution level. Construction activities have resumed in all projects, also labor and material ability has come to pre-COVID levels. Coming to the under construction projects, status of the major projects are as under. Bhavnagar-Talaja, we have received a PCOD for 34 kilometers out of total length 48 kilometers with effect from February 20, 2020 and also, we have received a first proportionate annuity of Rs.31.8 Crores from NHAI for this project.

Udaipur Bypass project, we have received a PCOD for 18-kilometer out of total length of 23-kilometer with effect from July 31, 2020. We expect to receive first annuity in the current month itself. Rampur-Kathgodam Package 1, PCOD has been approved by NHAI with effect from October 2019 for 31-kilometer out of total length of 43-kilometer and we have received 2 annuities for Rs.44.85 Crores, this project in the current quarter. BRT Tiger Reserve Bangaluru project, we have already applied for PCOD for 78-kilometer stretch out of total length of 170-kilometer and expected to receive the PCOD in the current quarter.

Una-Kodinar project, we expect to receive the PCOD for a 20-kilometer out of 40-kilometer length in end of this Q4 FY2021. Rampur-Kathgodam Package 2, we expect to receive the PCOD for 20-kilometer out of revised length of 43-kilometer before the end of Q1 FY2022. Waranga-Mahagaon, 68% work has been completed, we expect to receive PCOD before end of Q1 FY2022. Jodhpur Ring Road, we have already completed 30% work. In Kim-Ankleshwar, 10% work is completed. In Gadag-Honnali, 7% work is completed. In Lucknow Ring Road, 35% work is completed, and we expect the completion in Q3 FY2022. Ahmedabad-Rajkot, 43% work has completed, we expect to complete both the project in Q2 of FY2022.

Mumbai-Nagpur Package 5, 22% work has been completed. Ahmedabad-Dholera, we have received a LOA of project in the month of January, and we have also started mobilizing our resources. We have received a PCOD in 3 HAM projects, 2 more HAM projects is expected in current quarter. 2 more HAM projects shall achieve a PCOD before end of Q2 FY2022, so all put together, we expect to

receive a PCOD for 7 HAM projects before end of Q2 FY2022 out of 9 HAM projects. On the bidding activity, NHAI has called a bid for 30 EPC projects worth Rs.23670 Crores, for which bid submission date is before end of this February-March 2021. NHAI has also called up bids for 41 HAM projects worth Rs.39157 Crores, for which bids are to be submitted before end of February and March 2021. There are 15 road EPC projects worth Rs.13421 Crores, for which we have submitted the bids. Bid opening shall happen in next couple of weeks. With this, we complete our opening remarks. Thank you very much for listening to us. Now we may please start the Q&A session. Thank you.

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 DAM Capital Advisors. Please go ahead.

Mohit Kumar: Good evening, Sir and congratulations on a strong recovery, I think we achieved our Q2 FY2020 numbers in this quarter. So my question is, what is the utilization for the NCD money, which you are raised and does it mean that our receivables would climb, we will get more cash flow to the ACL and can we expect the increase in EPC revenue from Q4 or let us say, Q1 FY2022 of somewhere around 800 Crores to 900 Crores odd, given that all the issues are behind us?

Nitin Patel: I think there are 3, 4 questions there are actually in your question. First of all, let me give the answer pertaining to the utilization of the NCDs, so total money which we have signed the pact with Allianz and AMP Capital is 700 Crores and out of the same, almost around 340 Crores are going to be utilized for the purpose of infusing the balance equity requirement of our HAM assets, which will complete the 100% equity requirement of all the HAM assets, so that has been lined up and with this, more importantly, what we are seeing that immediately after completing that, all these 9 HAM assets where we have achieved the PCOD as well as we are nearing to PCOD and which are under construction, the balance grant disbursement from NHAI is almost closer to 2000 Crores and also the debt disbursement, balance is almost, again, around Rs.1950 Crores, so it can be seen that with this, all this liquidity will get freezed and the requirement from the sponsor side and the Sadbhav side is getting completed in totality, so that is one point and second, the utilization will be to make the prepayment or repayment of the facilities at SIPL level to the mutual funds ancillaries repayment actually. So that is what the basic 2 purpose of the facility, which we are going to take, number one. Number two, regarding the reduction in the debtors number, obviously, there are the 2, 3 key points what we are seeing, that during the last call, we have also mentioned that there are the 2 major projects in the HAM where the large money is getting struck actually, one was the Kim-Ankleshwar, so we have received the money into this particularly Q4, the disbursement has been started, so to that extent, we can expect the reduction will be there because the stuck money has get released, number one. Number two, the Jodhpur Ring Road particularly, we are expecting that this should be completed in this quarter itself, but outstanding in this project itself is almost to the tune of 220 Crores of

Sadbhav Engineering, so that is what we are expecting once the Jodhpur disbursement will start, so we can get back the large amount of the working capital back, that is second thing. Apart from that, the other HAM projects, by and large, the things is moving on, but what we can expect that the price escalation accumulated into all the under construction HAM, which we have earlier was 247 Crores during the Q2 numbers when we have mentioned, which is around 260 Crores now, so once where the PCOD has been received, we have started basically the process of the refinancing these assets so long as we can basically get this price escalation money and which will further basically improve our working capital requirement, so that is how it has been worked out. Rest other things, by and large, what we have seen, there is a reasonable reduction in the receivables, but obviously, we are expecting as and when the execution will ramp up, that will basically give the further leeway to us so long as to get the money back in various projects because of getting the payment under the milestone completion, so that is how we are looking that, so that is regarding to these 2 points. Rest other things, the execution, what we can see that, yes, almost all projects, the execution has been started except for the 3 projects, the 2 EPC of Ahmedabad-Dholera, which we were expecting to start in the Q3 itself, but because of the required land, as per the contract agreement, has not been taken, so we have not yet taken the appointed date, but the ground activity has been started in the project, so as soon as the appointed date is there, we are expecting the further growth in terms of the execution from these 2 projects. Surat Metro, yes, we have received the LOA, the required performance, BG and everything has been submitted. In fact, in Dholera also we have submitted all the performance BGs, but Surat Metro, the work has been started, so we are expecting this quarter, the revenue will start in Surat Metro and particularly in Dholera, a few of the basically aspects will be started in March, but by and large, we will get the further ramp-up in the month of April. So considering this, we can say that obviously on a year-on-year basis, we can expect there would be at least around 25%, 30% basically growth in terms of the quarter four. We are definitely, but as soon as further these 2 projects, if we can get the further execution, so definitely, it will further improve, but largely, we should be within the 25% to 30% growth of the Y-o-Y actually, that is what we are looking for the Q4.

Mohit Kumar: Thank you, Sir. Best of luck.

Moderator: Thank you very much. The next question is from the line of Vibhor Singhal from Phillip Capital. Please go ahead.

Vibhor Singhal: Thanks for taking my question. Sir, my question was on the guidance from yourself, you mentioned that we are looking at around 25% to 30% growth in Q4, am I right Sir?

Nitin Patel: Yes, correct.

- Vibhor Singhal:** Right, so where will the major part of the execution that we are expecting in this quarter will come from, is it going to be like, are we expecting significant pickup in the Mumbai-Nagpur Expressway or the HAM projects or do you think the new packages that we have won, they will also start contributing from Q4?
- Nitin Patel:** See, the ramp-up, as I have mentioned, first of all, the Kim Ankleshwar, which is a large project, the execution has been now basically taken a good space pact and apart from that, the Gadag-Honnali, and I think let Mr. Vasisth Patel to give the basically further idea from where we can get the execution ramp up, so basically, it will be more visibility because he tracks that almost each and every project, so Vasisth, please better you update that.
- Vasistha Patel:** Yes, see Kim-Ankleshwar, we have ramped up now because of after COVID, we are starting from a scratch, so Kim-Ankleshwar, we are on a track and after April, we are going to start the payment layer also, so turnover from that Kim-Ankleshwar will start ramping. After that Gadag-Honnali also, we have started the job after the monsoon, so in March itself, there is appointed date in Gadag-Honnali, but because of the COVID, we start later on October-November, so Gadag-Honnali is going fast after this January-February month, so we are ramping in Gadag-Honnali also. We have started the work in Surat Metro also, so initial stage, we are going to start this all soil testing and everything, so turnover and billing will start from April onwards. In Dholera also same thing, we have started the clearing, grubbing and everything, so billing and turnover will start from April onwards, so additionally, what we are doing, Gadag-Honnali and these 3 projects, Dholera, Package 1, Package 2 and Surat Metro, will be adding some more topline in this revenue.
- Vibhor Singhal:** Right. So Sir, basically, what is the current execution run rate, what is the execution that we are doing, let us say, per day today and what is it that we are looking at in next year FY2022?
- Vasisth Patel:** Earlier, we have also said that it is almost 6 Crores to 7 Crores per day, and we are trying to achieve 10 Crores per day, so in March, we think March onwards, it is almost 9 Crores to 10 Crores per day.
- Vibhor Singhal:** So in FY2022, we can expect that we are doing 10 Crores per day kind of an execution, so almost a 3500 Crores of topline is what we can think?
- Vasisth Patel:** After these 3 projects started, we can easily achieve 10 Crores per day.
- Vibhor Singhal:** So we are looking at around 3500 Crores of topline in FY2022?
- Vasisth Patel:** Yes.

Vibhor Singhal: Right, Sir. Mr. Nitin, what are we looking at the debt front, the standalone debt that we have of around 1100 Crores at Sadbhav Engineering Limited, where do we expect this debt number to be at the end of this year and next year, do we expect this through basically be getting some more reduced because of payments that we are expecting, even from the Ahmedabad Ring Road project or other diversion?

Nitin Patel: See, actually, I can tell that there is a the map of the 700 Crores what we are raising now, so literally and plus the receivables from Ahmedabad Ring Road, so put together, we are making the repayment of almost around Rs.660 Crores out of the same, so net debt is not getting increased, number one. Number two, in terms of the projects, which will start basically further and, as I mentioned, this Jodhpur Ring Road, the moment we will basically start getting the payment from the same, so we are expecting that basically our debt should go down by at least around Rs.75 Crores to Rs.100 Crores and in fact, I can say that even as compared to the previous quarter, this quarter also, it has been reduced. Some of the facilities has been repaid by us and also, we are planning and working out in such a way where we can reduce the cost also, so this quarter, we have taken up so far as reduction in the cost of the funds also, so that we are expecting that this will be obviously, but in terms of we are seeing the execution ramp up, so we do not see that it will go down drastically, but I think it will be well within the range bound, but basically, it will go down only. It will not improve further.

Vibhor Singhal: Sir, 1100 Crores was the debt at the end of this quarter and now we have added 700 Crores of the NCDs, out of which 350 Crores, we will use to invest in HAM as equity and the remaining will be used to pay back the debt of SIPL, am I right?

Nitin Patel: Yes, that also, and apart from that, the proceeds of Ahmedabad Ring Road is also going to be paid the repayment of the NCDs actually, so all put together, almost around 660 Crores worth of the payment will be made out of these proceeds, so that is how it has been worked out and parallelly, the way we have worked out, because the priority of fund, which is basically currently we are closing with the Allianz and so part one is that we are going to take care of the equity requirement also so long as we can get the further ramp up into the execution of all the balance HAM projects also.

Vibhor Singhal: So, year-end debt should be around 1200 Crores?

Nitin Patel: I think we can consider, it should be within the same range, correct.

Vibhor Singhal: Sure, Sir. Thanks for taking my questions. I will get back in the queue if I have any.

Moderator: Thank you very much. The next question is from the line of Prem Khurana from Anand Rathi. Please go ahead.

Prem Khurana: Thank you for taking my questions. Two questions to begin with, as far as I mean execution being done seriously around roadside, but for some reason irrigation and mining still seem to be very, very slow and there is hardly any movement, so would you be able to kind of share your thoughts, I mean, do you see these two segments also to come back in a big way or when you say, I mean, you will get to have significant movement largely be a function of transportation, EPC and hybrid annuities?

Nitin Patel: You see actually in irrigation and mining front, I can say the irrigation is the balance, which is left, that is largely because of the nonavailability of the land on the ground, so we are consistently chasing as and when it will be available, we will conclude this and even one of the projects we already requested the client for the foreclosure, so as soon as we get it, we will get out of the same, so that is what we are looking. Obviously, one irrigation project in Karnataka, post the pandemic, now it has been ramped up, so that continue to get it and I think coming 3 to 4 quarters, that will be exhausted. The value is almost around Rs.120 Crores to Rs.130 Crores, so that is what we are looking to complete that. Number in terms of the mining, obviously, the projects, which we have basically taken up, the certain area, which has been open for the mining, that we have already started the execution, but we agree that the execution pace is currently is slow and the utilization of our resources is almost around, we can say that it is not more than 70%. So we are also pressing basically with the client to take up in an additional way, so we can ramp up that execution, so hopefully, in the coming couple of quarters, we can see some improvement in the mining actually, but irrigation, I think it will be a little bit subdued will be there.

Prem Khurana: So fair to assume that going ahead, the focus would be more on roads, I mean, given the fact that we are still not able to kind of have any significant size?

Nitin Patel: Obviously, larger portion will come from the HAM, the new EPC, which we are going to start including the Surat Metro.

Prem Khurana: Sir, second question would be, if you could detail us the trade receivables, I think last quarter, we had almost around Rs.1700 Crores of receivables and if you could help us, I mean break it down into various parts, how you gave it the last time essentially in terms of how much are GST dues and how much is essentially the escalation that is stuck and the money, which is struck in irrigation and mining projects?

Nitin Patel: Sure, I can say that the last quarter, the irrigation, which was 192 Crores, it has come down to Rs.168 Crores. Mining, it was 63 Crores, it came to 37 Crores. EPC from 325 Crores to it is 338 Crores. GST was outstanding last quarter it was 41 Crores, it has come down to 27 Crores. The amount of price escalation, which was 247 Crores, it has gone to Rs.260 Crores. Jodhpur and Kim put together was 336 Crores against that, now we have bifurcated the Jodhpur outstanding was 220 Crores and Kim is

around 126 Crores out of which, as I have mentioned, we have received the payment some in the Q4 also in Kim, so it has gone down and in the balance, all the projects, which are going on including all around 7, 8 HAMs, Gadag-Honnali, all put together, which was 486 Crores, it has come to 440 Crores, so outstanding, I can say that against 1690 Crores, it has come to around Rs.1630 Crores.

Prem Khurana: Sure, Sir. I have few more I will come back in the queue. Thank you.

Moderator: Thank you. The next question is from the line of Rohit from Antique Stock Broking. Please go ahead.

Rohit: Thank you for this opportunity, Sir. Sir, if you could touch upon the second round of asset monetization, especially the 6 assets that you are likely to have PCOD and what is the ROFO clause, what is the status over there?

Nitin Patel: See, Mr. Rohit, ultimately, company and we have already decided that going forward, the monetization process, because post this closing, the first round with IndInfravit Trust, and as we all aware that we have entered the ROFO agreement with them, so as a part of the process, the models for all the 3 has been shared with the IndInfravit Trust and the first cut number discussion has already been started with them and internally, what we are planning that since as Mr. Vasisth has mentioned that another 3 we are expecting very soon the PCOD, so we are trying to bunch of the 6 and parallely, we are also working out to go for the refinancing of all these assets, so where we can basically add the value and some of the value uptick can also be taken, but what we are targeting to complete that in coming FY2022, we should we do away with almost around between 6 to 7 projects of the monetizing, that is what we are basically how we are working.

Rohit: Sure, Sir, I appreciate that part. Sir, my second question is on Rohtak-Panipat, you said that you have raised some 1000 Crores of claims in arbitration tribunal, looking at the conciliation route, what exactly is the time lines here, what exactly should be the realistic expectation of the outcome, any colour on that?

Nitin Patel: See normally, NHAI, we had an earlier experience in Dhule-Palesner when from start of the conciliation till end it took around 4 months. Here, what we are expecting that because it is only single claim of the alternate route and all the documents has been submitted even before the panel of the arbitrators and to the authority and now NHAI has officially communicated us to start the process of conciliation, not only this 1706 Crores, but the award which has already came in our favor of 128 Crores, that also NHAI wants to settle it, so we expect that within a period of 4 to maximum within a period of 6 months, the conciliation process will be over, that is what we are looking for now.

Rohit: Sure, Sir. That is it from my side. Thank you.

- Moderator:** Thank you. The next question is from the line of Ritwik from Deep Financial Consultants. Please go ahead.
- Ritwik:** Thanks for the opportunity, Sir. Sir, my first question is on the Rohtak-Panipat and Rohtak-Hisar, what would be the cash loss in Q3 FY2021 for both these projects?
- Nitin Patel:** Actually, I think the last conference call we have mentioned. Now, we have already moved in these 2 projects for a restructuring of both the assets and the intercreditor agreement for Rohtak-Panipat has already been signed between the lenders and the process they have appointed the TAV consultant and also the advised rating process is already going on, so we are expecting there will not be any support required henceforth in this project because the restructuring has already been taken up by the lenders, and they have taken up in a positive way, number one. Number two, in Rohtak-Hisar, because in January 28, 2021 or January 29, 2021, the lenders have given the green signal to sign the ICA, and they have taken the 30 days time, so before the end of this month, particularly February end, the ICA will be signed and within the 6 months the restructuring will be completed, so in both projects, there is no further funding will be required from the sponsor side as the way that we have submitted the restructuring proposal.
- Ritwik:** So FY2022, we expect that we will not be supporting both these assets?
- Nitin Patel:** No, because as we have discussed in Rohtak-Panipat, we are expecting that parallelly the conciliation should also be over, so I think this will take care of the by and large the entire project requirement.
- Ritwik:** Sure and what is the update on Ahmedabad Ring Road project, when will the transaction be completed and when can we expect to receive the cash from the sale?
- Nitin Patel:** Obviously, post receipt of approval, the details has already been shared to the IndInfravit Trust and now they have just taken up the matter at their internal level, so what we are expecting that it should be completed earlier, but we have already requested the trust to give a time line so long as it should be completed and we have requested them to complete before the March 15, 2021, so we can get the money and the purpose of the same can be served as soon as it can be closed actually. Obviously, we had also the couple of round of meeting in this week itself for the same purpose along with the team.
- Ritwik:** So there are no approvals or any pending thing from our side that we need to do, right, or the agency as such from the exit side?
- Nitin Patel:** No, we already received the approval from the client and that has been obviously shared to them, so now we need to transfer 100% ownership to them.

Ritwik: Sir, what should we expect on the SIPL standalone front, you mentioned that we have around 3900 Crores of O&M from the sale of assets done to the InvIT and also we have some order book for the HAM projects, so FY2022, what is the kind of topline and EBITDA level that we should expect from the SIPL standalone segment?

Nitin Patel: In SIPL, by and large the things will be like this, actually, the post receipt of this Allianz 700 Crores and this Ahmedabad Ring Road proceeds, the current debt of SIPL will be paid off to the tune of around 660 Crores, as I have mentioned. Equity, all projects will be fully funded, so there will not be any debt except for the 700 Crores, which is lying that we have raised against the units of the InvIT and the revenue in SIPL will be there are the 3, 4, one is the maintenance contract from IndInfravit, which we are expecting, it should be around 210 Crores to 220 Crores for full year including routine and major maintenance, two the HAM SPV where we have already received the PCOD and we are expecting to get the PCOD, but we should get almost around Rs.70 Crores to Rs.80 Crores revenue in FY2022 from completed HAM assets O&M. Third, the PIMA fees, 1% of the toll revenue of the IndInfravit assets that should be also within the range of around Rs.9 Crores. The under construction, the HAM, which is going on, we are expecting around Rs.12 Crores to Rs.15 Crores revenue in the full year, so this should be the by and large and the dividend from the IndInfravit Trust, which should range within the Rs.75 Crores to Rs.80 Crores, that is what the SIPL revenue should be.

Moderator: Thank you very much. The next question is from the line of Deepak Poddar from Sapphire Capital Partners. Please go ahead.

Deepak Poddar: Thank you very much for the opportunity. Sir, just wanted to understand, first on the order inflows we are looking at in this year as well as the next year and do you see that our order inflow accretion has been a little on the slower side and secondly on the interest cost, like this 40 Crores, 50 Crores per quarter, how do you see that scaling down as you spoke about your debt level you expect to go down on the standalone level?

Nitin Patel: Two, three things, first of all, we see order inflow, as we have mentioned, that the almost 2400 Crores of the new orders has come, as Vasisth has mentioned in his opening remarks, that we have submitted the 15 bids in the road EPC to the tune of Rs.13421 Crores plus, the 30 EPC projects for which the NHAI itself has called the bids out to the tune of 23672 Crores, that is the opportunity plus in the metro as well as the certain other in this even the bullet train project between the Ahmedabad to Mumbai, that the Ahmedabad station section, Sadbhav is getting the pre-qualification for this entire 5900 Crores bid, so we are also participating in the bid in a joint venture with one of the infra player, so these all activities going on, so we expect that there will be a decent ramp up of the orders. Obviously, the number of bidding activity bids will also increase going forward basically.

- Deepak Poddar:** So what sort of order inflow target we have for FY2021 and FY2022?
- Nitin Patel:** Current year, we have already, as we have earlier mentioned that we are targeting around 4000 Crores to 4500 Crores, so out of which almost 2400 Crores, we already achieved, so we are expecting another 1500 Crores to 2000 Crores for the year, the way we are basically submitting and obviously, the competitive intensity is there, but the number of bids also being increased by us actually and also in the pipeline, it is also a very strong pipeline and next year also, we are expecting almost it should be within 4000 Crores to 5000 Crores, we should have it actually.
- Deepak Poddar:** Fair enough and about the interest cost in this?
- Nitin Patel:** The interest cost actually, particularly in Q3, what has happened because of the pandemic and around 3 to 4 banks basically in SEL, the renewal could not be completed by the lender. Now recently, they have just completed and earlier they have basically charged based on their card rates and now they have agreed to for the lower rate with a retrospective effect, so we are expecting some reversal to the tune of it will also further go down and also the reversal of almost around Rs.9 Crores to Rs.10 Crores in Q4.
- Deepak Poddar:** Reversal?
- Nitin Patel:** Yes.
- Deepak Poddar:** So basically 40 Crores kind of a quarterly interest cost that one can see, right?
- Nitin Patel:** It should be within the range of around 33 Crores to 34 Crores.
- Deepak Poddar:** Understood. Fair enough and Sir, can I squeeze in one more query?
- Nitin Patel:** Which one?
- Deepak Poddar:** Can I squeeze in one more question?
- Nitin Patel:** Please go ahead.
- Deepak Poddar:** And in terms of your margins, basically, we have seen good accretion in your margin, but just wanted to understand at maybe 9 Crores to 10 Crores of execution level per day, what sort of sustainable margins one can basically build in?

- Nitin Patel:** Normally, when we have submitted bids and win, we are executing, on an average, we are expecting around 12% odd actually, so I think that is sustainable, that is what we have seen that.
- Deepak Poddar:** That is from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Nirav Shah from Geecee Holdings. Please go ahead.
- Nirav Shah:** Good evening, Sir and thanks for the opportunity and also decent set of numbers. Mr. Nitin, I have a few questions, firstly if you could just share the toll collection numbers for Maharashtra Border Check post, Rohtak-Panipat and Rohtak-Hisar for this quarter and what would the current run rate be for collections per day from the Maharashtra Border check post, say January number or the latest number?
- Nitin Patel:** See, actually, I can share the details. Ahmedabad Ring Road, the numbers what I am having, I can say the total of that be around Rs.131 Crores was the toll revenue for the October, November and December 2019 as against October, November, December 2020, we have collected 146.73 Crores and the large amount, basically, largely, I can say that the incremental amount is coming from the Maharashtra Border check post because in October 2019, it was 20.52 Crores, which was 23.62 Crores in October 2020, November 2019, it was 21.01 Crores, November 2020, it was 22.42 Crores and December 2019 it is 22.95 Crores, so December 2020, it is 24.90 Crores , so we have seen, on an average, as I have mentioned, the revenue has grown by 11% in across all basically SPVs. Obviously, we have seen some setback in Rohtak-Panipat and Rohtak-Hisar from December 25, 2020, because of the farmers agitation, all toll plazas surrounding the Delhi has been closed by the farmers and till date, both the toll, Rohtak-Panipat and Rohtak-Hisar, there is no revenue with effect from December, 25, 2020, which we are taking up in terms of the contract with NHAI now.
- Nirav Shah:** What is the number you mentioned for October of this quarter for Maharashtra Border check post, I just missed that?
- Nitin Patel:** October 2020, it is 23.62 Crores.
- Nirav Shah:** Got it, Sir. What is the status of that 73 Crores pending cash from the Phase 1 of deal, you will receive by March?
- Nitin Patel:** There are the certain activity is to be completed, out of the 73 Crores, I think, around 6 Crores or 7 Crores has been released, but balance, we are expecting that the almost around 20 Crores to 25 Crores should be completed by the end of the February and the remaining, we are targeting to complete by March, little spillover may happen there because of certain ground activity, it is taking some more

time actually and also some of the approval from the NHAI, which is the third party, so that is also required to be taken so long as to get back that money.

Nirav Shah: So will any part of this spillover to next year or you are expecting to receive everything by Q4?

Nitin Patel: Some amount may go actually, it should not be more than Rs.20 Crores, Rs.25 Crores.

Nirav Shah: Got it. Great and just final 2 questions, Mr. Vasisth mentioned about 25% to 30% of Y-o-Y growth in Q4, that broadly takes our Q4 execution just about at par or slightly below this current execution, so is that understanding correct, because last March, we did around 409 Crores of topline?

Nitin Patel: So it should be a little higher from the current quarter, obviously, because as Mr. Vasisth has mentioned that the Kim-Ankleshwar, Gadag-Honnali has ramped up in this quarter actually apart from all the EPC, the Lucknow Ring Road, Ahmedabad-Rajkot, and apart from this, the topline from the Samruddhi and other projects basically, so all this, we are expecting that it should be higher than that, so I think to us, it would be within the range of almost around 650 Crores to 700 Crores, actually.

Nirav Shah: Okay, 650 Crores to 700 Crores and Sir, final question is, you have mentioned the gross debt number for SEL standalone of 1182 Crores, but what is the net debt?

Nitin Patel: See, I think it should be around 1090 Crores odd actually because we are not considering these units of the InvIT because now we already worked out the separate arrangement, but SEL standalone, it should be around 1090 Crores.

Nirav Shah: So while the gross debt is lower by 40 Crores, at the net level, we are almost at same on a sequential basis?

Nitin Patel: In the SEL standalone, we should be on the same level, actually, because of the certain amount, which is already lying in the banks in form of the different, different proposition or the different requirements, is how it looked like actually.

Nirav Shah: Got it. Thanks, Mr. Nitin for your answers and all the best.

Moderator: Thank you. The next question is from the line of Jiten Rushi from Axis Capital. Please go ahead.

Jiten Rushi: Good evening, Sir. A few questions from my side, can you share the mobilization advance outstanding as on date and the capex done so far in 9 months and target for this year and next year?

- Nitin Patel:** The outstanding mobilization advance as of December 31, 2020 is to the tune of Rs.418 Crores and the capex, we did not do much actually in the quarter. Even in Q4, we are not seeing much basically, but post the start of this EPC, once we completely mobilized, we will evaluate what is the balance resources requirement. According to that, we will plan and based on the new bidding and how the results are coming out, but we are expecting a large number of equipments are also getting released from our HAM projects, which we are basically going to complete within a couple of quarters again now.
- Jiten Rushi:** So I mean can we expect around 40 Crores, 50 Crores next year or this year?
- Nitin Patel:** Not this year. I think this year is not much actually, hardly around Rs.18 Crores to Rs.20 Crores. Next year, it may be around a little bit higher, 40 Crores or odd actually, that is what we are looking.
- Jiten Rushi:** Sir, what is the mobilization advance expected in next 2, 3 months because 2 projects, EPC and 1 metro project we should really advance this, right, so how much are we expecting?
- Nitin Patel:** See, the outstanding from these 3 projects is 235 Crores, so we are expecting that it should come by March or maximum by the end of April.
- Jiten Rushi:** Sir, on the Gadag-Honnali, what is the equity we have invested and what is the spending, I think you said kind of 100 Crores is required?
- Nitin Patel:** In Gadag-Honnali, we have till now, I can say that because in December, it was not much, but because the work has been ramped up now. Till now, we have already infused almost around 38 Crores and we have lined up another 50 Crores within another 15 days' time, actually, so that will basically further ramp up, so that is how the Gadag-Honnali has been planned and with this, we are expecting that there will not be much gap remain, and that will be taken care during the Q1 of the next fiscal.
- Jiten Rushi:** Sir, tax rate is still at a very low level, so what is the tax rate you are expecting for this year and next year because so far the tax rate has been extremely low how should we expect the tax rate for this year?
- Nitin Patel:** Can you repeat the question, please?
- Jiten Rushi:** Sir, what would be the effective tax rate for this year and next year because our effective tax rate has been extremely low?

- Nitin Patel:** Tax rate, according to us, basically, I think we are still having some MAT credit is there actually, okay.
- Jiten Rushi:** Sir, can you, I did not get you, Sir.
- Nitin Patel:** Just a minute. I am getting some data, in Sadbhav Engineering, during the first 6 months or 9 months, there is a loss, so I think because of that we are not expecting the much tax outgo in the current fiscal in SEL and normally, it should be within the range of around 22% to 23% so far as the next full year will be considered so that we can take for the next year.
- Jiten Rushi:** Last question on my side, so the SEL outstanding is still there, annuity received from SIPL, so on this 700 Crores, you have said that we will use 350 Crores to invest in equity for the HAM project and the rest 350 Crores we will use to repay the standalone right, and the pending amount of around 50 Crores to 60 Crores from Ahmedabad Ring Road and you said that it will come down to 660 Crores, so I just wanted to understand that from 780 Crores of standalone that of SIPL, we have come down to 660 Crores, so how will it stack up like because with debentures 350 Crores and then 50 Crores to 60 Crores from Ahmedabad Ring Road, broadly 400 Crores, so this 250 Crores to 260 Crores will come from, which resources by end of this year?
- Nitin Patel:** Let me complete this, let me give the clarity, the 700 Crores from the Allianz what we are raising and another 270 Crores from the Ahmedabad Ring Road, so put together 970 Crores, against that, as we have mentioned, that is 660 Crores will be utilized for the purpose of making the repayment between SIPL and SEL put together, that is the NCDs, will be hived off completely and the balance will be utilized for the purpose of funding the equity into the ongoing HAM projects, and which will take care of all the balance requirement of the HAMs actually.
- Jiten Rushi:** Basically, 388 Crores of SEL, we will repay?
- Nitin Patel:** Not entirely, but part will be repaid, one of the NCD, which is lying in SEL, that will be basically paid out of the proceeds.
- Jiten Rushi:** So, what is the value?
- Nitin Patel:** The value is almost around 145 Crores.
- Moderator:** Sorry to interrupt you. Request you to come back in the question queue for a follow-up.
- Jiten Rushi:** This just a continuation. Sir, these NCDs are interest bearing or how it is?

- Nitin Patel:** Which one NCD?
- Jiten Rushi:** This 700 Crores.
- Nitin Patel:** That is obviously interest bearing.
- Moderator:** Thank you very much. The next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.
- Parikshit Kandpal:** Congratulations on a good ramp-up during the quarter. My question was, this NCD which you have raised, so the underlying security is IndInfravit units, right?
- Nitin Patel:** Mr. Parikshit, please repeat?
- Parikshit Kandpal:** Sir, this NCD, which we have raised from the Allianz, another partner AMP, so for this the security is the IndInfravit units, which we are holding, right?
- Nitin Patel:** Correct. Primary security is that, correct.
- Parikshit Kandpal:** So what is the value of the securities, which you have there before 750 Crores if you have raised and if I understand correctly, the NCD values in this IndInfravit unit will be valued how much of the current because it is not ready?
- Nitin Patel:** In IndInfravit, it is basically based on the allotment, and it is 724 Crores of the units has been allotted to SIPL, so that is the unit value and also there is some another SIPL security of the unencumbered shares of the HAM and also one of the Maharashtra Border Check post, So that put together, it is basically how it has been worked out.
- Parikshit Kandpal:** So interest will be serviced from the dividend, which will come from the IndInfravit Trust to you, so 70 Crores to 75 Crores odd of dividend, which come will go towards servicing of this NCD?
- Nitin Patel:** Exactly.
- Parikshit Kandpal:** Kind of we have preponed these cash flows to complete our equity requirements for the HAM, so in a sense, this is kind of monetization only, right, though we will officially, whenever the ROFO is exercised, we will do that, but it is more like preponing these cash flows to meet the current cash flow requirement?
- Nitin Patel:** Can you tell me again, please?

- Parikshit Kandpal:** Sir, my second question was on HAM assets, so just now after these 9 assets get completed and over, so are we looking to bid for more HAM assets or the focus will now be only on EPC?
- Nitin Patel:** See HAM even, I think the last time when we have discussed, so what we have basically planned that we will complete first lot of the HAM monetization and then after, we will start looking the HAM bidding.
- Parikshit Kandpal:** Thank you, Sir. That is all from my side and all the best.
- Moderator:** Thank you. The next question is from the line of Ritesh Vora from Mission Holdings. Please go ahead.
- Ritesh Vora:** Congratulation on good turnaround. Sir, can you clarify for the investment community, what is the net debt on the project level, which is going to be there by end of this year and how you are planning to solve that?
- Nitin Patel:** See project level, now let me give the details of the project wise so you can have a better idea. In operational project, that is particularly just sum total, I am including the Ahmedabad Ring Road also, the Maharashtra Border check post, Rohtak-Panipat, Ahmedabad Ring Road and Rohtak-Hisar, the outstanding is 2939 Crores as of December 31, 2020 and particularly in all the HAM assets, which are under construction, the outstanding is 2192 Crores, so all the HAM assets where the PCOD has been received, the servicing is going to be done from the annuity, which has not been received, obviously, it will be taken care out of the total project cost, which has been envisaged. Particularly Maharashtra Border check post is a self-sufficient asset generating the decent cash and it is a good rated SPV and also it is a decent track also. Ahmedabad Ring Road, we are all aware that, obviously, it is going to the IndInfravit Trust, but there is no issue. Only in Rohtak-Panipat and Rohtak-Hisar, there was a challenge in the servicing because of the various developments took place across the road, so the restructuring has been proposed to the lenders and based on the revenue, which is coming in the project, only to that extent the sustainable portion will be worked out and accordingly, servicing will be made, so that is how the entire planning has been done at a group level.
- Ritesh Vora:** Right, so are we saying that what terms and conditions of this restructuring, the net IRR, I mean, what is the terms and condition of this restructuring?
- Nitin Patel:** It is basically as per the RBI guidelines and the lenders put together, they have to agree and currently, the rate of interest on the sustainable portion, the lenders, which we are proposing, it is between 8.5% to 9%.

Ritesh Vora: All right, so we can hopefully say that debt is no longer an issue for both the parent company as well as the project company, there is no issue as far as debt is concerned, and we have passed problem we have faced in servicing those debt?

Nitin Patel: The restructuring, once it is closed, yes, what you have mentioned and the second thing, the transaction, which we have basically concluded just signed the document with Allianz, so that will take care of all the balance equity requirement so long as the availability of the grant and the balance un-disbursed debt will be very smooth for the completion of all the projects actually.

Ritesh Vora: Alright, Sir. Wish you all the best.

Moderator: Thank you very much. The next question is from the line of Giriraj Daga from KM Visaria Family Trust. Please go ahead.

Giriraj Daga: Sir, my first question is related to the receivables side of it, so I have a few queries there, so when you said price escalation 260 Crores, do you mean that the client is yet to notify this amount or how do I look at that number and my second question, let us say, we are looking at 168 Crores in irrigation, but when I look at last 3 quarter, execution is poor, so this is like very old receivables, maybe 1 year old, 2 year old, if you can throw light on that, what is the aging of this receivable and are you expecting some amount of write-off there?

Nitin Patel: No, this is all basically irrigation, more particularly, it is largely, by and large, it is a certified work and the payment, which is withheld by the client, there are the various under the head. Mainly, one is the some of the change in scope, what we have already executed that has not been finalized by them. Second thing, the project, where they have not provided the land and we have issued the foreclosure notice to them and the client is asking to continue, but we have told that we cannot continue because the land is not made available, that is a major reason and largely, the price escalation component, which we have mentioned, this is particularly under the HAM SPV, where the amount corresponding this is a 60% component, 40% for which the NHAI has already certified independent engineer and paid to us. The corresponding 60% amount is the 260 Crores, what we have mentioned actually, so that will come from NHAI along with the annuity payments, but post once we complete the refinancing, that money can be taken out.

Giriraj Daga: So it will not come during the construction period?

Nitin Patel: Construction period, it will not come, but obviously once we achieve the PCOD, this can be taken out.

- Giriraj Daga:** So just of 1630 Crores, how much is just the normal business, 1 month view kind of a number or this is the normal course of it, there is no litigation or no pending review applicable, so that number will be very small, right, rest of the numbers, we have some amount to be yet to be notified or some change in scope, I want a clear number?
- Nitin Patel:** No, it is not available with me, but I have to check it actually, to be very frank, because that exact is not available. Project wise detail, we have to work out, actually.
- Giriraj Daga:** My second question is, like last time, I remember, you had mentioned the HAM equity requirement pending to be 281 Crores, this time, we have some 334 Crores, so has there been any change in scope or why that number had gone up?
- Nitin Patel:** Exactly because in one of the projects, this Kim-Ankleshwar, because of the change in the State Bank of India's basically the HAM policy, so we have agreed to that revised policy and because of that, some equity has been increased, but the disbursement and it will be faster than what was earlier actually, so that is how it has been decided and the revised document has been signed and because of that, it is coming to 334 Crores.
- Giriraj Daga:** Lastly, the Mumbai-Nasik, you had mentioned the same status last quarter also that we had the award in our favor and 72% belongs to us, so why the money has not come so far?
- Nitin Patel:** That is the arbitration award actually. See, NHAI has already basically gone to the Delhi High Court but parallelly, now they have started asking for a conciliation because what we are seeing that the NHAI wants to complete this conciliation process of all the ongoing basically matters, largely where the awards has been received or claims has been submitted based on the factual details, so we are trying to get it, but obviously, it is in a joint venture with Sadbhav and Gammon, so we have already requested Gammon to basically look into the same so we can take a very faster decision and get it done actually and particularly in Dhule Palesner where we are standalone and as we have mentioned in Rohtak-Panipat, we are alone, so we are taking decision at our own and we have already started the process and in Dhule, we have received the money also from NHAI.
- Giriraj Daga:** Do you think the Mumbai-Nasik will come in this quarter?
- Nitin Patel:** Not in this quarter, actually because the conciliation has not yet started.
- Giriraj Daga:** It will take 4 to 6 months, you said earlier.
- Nitin Patel:** See, once we agree to the conciliation letter with NHAI, then after it will take another 5 to 6 months.

- Giriraj Daga:** Sure, thanks a lot.
- Moderator:** Thank you very much. Ladies and gentlemen, due to time constraint, that will be the last question for today. I will now hand the conference over to Mr. Amber Singhania for closing comments.
- Amber Singhania:** Thank you, Nirav. On behalf of Asian Market Securities, we thank all for this participation in this call and a special thanks to the management for giving us the opportunity. I would now like to hand over to the management for their closing remarks. Over to you, Mr. Nitin and Mr. Vasisth.
- Nitin Patel:** Thank you very much to all the participants for taking your valuable time for Q3 FY2021 numbers and as we have reiterated that the process of execution has been ramped up, and the company is continuously striving to improve from the current level and we are confident based on the way the things have happened and now the certain events, which we have concluded, including this Allianz and the arrangement of the balance equity, so we will see the further uptick going forward and also, we are thankful to Asian Market Securities for holding the call on our behalf. Thank you very much to all.
- Moderator:** Thank you very much. On behalf of Asian Market Securities Private Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.