



“Sadbhav Infrastructure Project Limited Q2 & H1 FY2018
Earnings Conference Call”

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Moderator: Ladies and gentlemen, good morning and welcome to the Sadbhav Infrastructure Project Limited Q2 and H1 FY2018 Results Conference Call hosted by Equirus Securities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Devam Modi. Thank you and over to you Sir!

Devam Modi: On behalf of Equirus Securities, I would like to welcome all of you to the conference call of Sadbhav Infra, we have with us the management, Nitin Bhai as well as Varun. Nitin Sir, I will hand over the call to you now from here.

Nitin Patel: Thank you very much Devam Bhai. Good morning to everyone and on behalf of Sadbhav Infrastructure Project Limited I warmly welcome to all the participants to the earnings call for the quarter ended and half year ended September 30, 2017. Initially, I would take you through the broader perspective of the overall Sadbhav Infra business and regarding the financial numbers and operational performance of individual SPVs and project, Mr. Varun Mehta who is the CFO of the company will take you through the same. Now starting with the profit numbers that traffic growth in Q2 was obviously better than what we have achieved in Q1, barring the period for the GST implementation because initial 15-18 and 20 days there was a dip of almost around of 42 and 50% across various SPVs depending upon the mix of the commercial and car traffic and also if I break down the Q2 then we have definitely seen the pickup in the traffic growth in the month of September because September was the robust and obviously there are lot of clarity of the GST has become through and again basically activity has been started picked up and it is continuing also.

Now taking cues from these, we again now reiterate that the traffic growth in the second half should be far better than the what we have achieved in the first half. Now in relation to the refinancing of their various SPVs, now what we had even during our last concall also we have indicated that we are in a process of completing the refinancing of four of the SPVs, out of these two mainly the Ahmedabad Ring Road and Shreenathji-Udaipur, which have completed the refinancing in Q2 itself, so in Q3 we will get the full quarters benefit in terms of the reduction in the cost of fund and here I would say that till that we have completed the refinancing of seven SPVs including Ahmedabad Ring Road and Shreenathji-Udaipur, till the end of Q2 where we have seen the interest rate reduction and which has already started reflecting in the numbers.

Now in Q3, we are planning to complete the refinance of the entire debt of Maharashtra border check post and Bhilwara Rajsamand. So these two put together we are seeing almost around 1300 to 1400 Crores, the debt will be refinanced and with these we will complete the larger portion of the first

round of the refinancing of the almost all the operational projects and the one more point here I would like to reiterate that the pickup in the traffic of the Rohtak-Panipat because consistently last two quarters we are seeing the Rohtak-Panipat traffic number is almost showing a double digit even more than 20% growth, so this is complete turnaround of the SPV what we have seen and again I can share that obviously these two to three numbers will be there everybody will be able to see the what absolute number is there, but we have seen that the even Q3 itself the growth in the traffic itself in Rohtak-Panipat is more than 30%-35% as compared to the last Q3, so obviously this SPV is going to come into the completely self-sufficient mode by the end of Q3 what we are expecting.

Also where we have declared that we have received the arbitration award to the tune of Rs.105 Crores in Rohtak-Panipat. So with these we are confident that in Q4 will be able to complete the refinancing of Rohtak-Panipat also, so where we are going to see almost substantial reduction in the cost of debt because the traffic number and as well as this arbitration process will definitely support whatever requirement to be done for the SPV and taking about the further the business if you see the business awarding activity, so obviously till now it was very slow in the NHAI perspective, because all these hybrid and everything NHAI has awarded roughly around 500 kilometer so far. However we see a good pipeline in coming future as some of the projects has been shifted back again and again two to three times, but while discussing with the authority now they are of the view they want to complete almost all the 80% land acquisition as well as the clearance perspective to the various structures because large number of projects where the very critical structures are required to be constructed in the new hybrid annuity and we are seeing that the per kilometer cost of the hybrid annuity is also substantially growing for as and when the new projects coming into the place actually. So as of now there are 27 hybrid annuity projects to the length of 1254 kilometer costing Rs.30330 Crores for which bidders have to be submitted before December 30, 2017. One HAM project that is in Narasannapeta to Ranastalam in the state of Andhra Pradesh, which is the length of 54 kilometer worth almost Rs.13024 Crores as NHAI estimate for which we have submitted the financial bid and same is yet to be opened up.

Now talking about the GST impact on the sector for hybrid annuity projects in relation to annuity income, annuity receipt from NHAI is exempt from GST perspective, now the clarification and notification is already in place however GST we have to be paid on the 40% payment received during the construction period, which is the grant, which NHAI is going to make the payment and also on the O&M payment during the operational period which was initially earlier before GST regime operation and maintenance activity was out of the service tax regime, obviously that VAT and some another component was there actually, but now everything has been clubbed into one. So but this 40% component also we are eligible to get the set of from the construction basically EPC contract value, so we do not see that there will be any further impact of the GST burden on the SPVs, so everything is pass through and accordingly now the earlier, there was a problem but after the government given the

clarification this issue has been sorted out, so I think this is the broad perspective what I would like to share, so let us start going forward on the operational business as well as the SPV wise performance. Again thank you so much to all the participants for taking your valuable time and a listening to me and I will hand over basically the call process to Mr. Varun Mehta to discuss about the further performance of the company.

Varun Mehta:

Thank you very much Nitin Bhai for giving the useful insights on the industry and on the company. Once again, good morning to all the participants and we welcome on behalf of Sadbhav Infra to the earnings call and as I start with the financial numbers and then we can discuss the operation numbers and then we will open up the Q&A session.

I am sure you much have seen the media release for the financial results shared on the last Saturday on the date of the results and also SPV wise toll revenue data share on the October 9, 2017.

Now starting with the financial numbers, the breakup between the operational SPVs, under construction SPVs and SIPL standalone has already been provided in the media release. The total cash income for all the operational SPVs has increased by 13.64% from around 455.95 Crores in H1 FY2017 to Rs.518.14 Crores in first half of FY2018. First half of the FY2018 number includes the NHAI Nagpur Seoni annuity receipt around 10.12 Crores, which is not reflected in the P&L because of the Ind-AS accounting.

During the same period the cash EBITDA amounts on the operational SPV has increased by around 13.92% from around Rs.383.58 Crores to Rs.436.97 Crores in the first half FY2018. EBITDA margin in the first half of FY2018 stood at 84.33% versus 84.13% in first half of FY2017. The cash profits on the operational SPVs stood at 78.18 Crores in first half of FY2018 versus 62.71 Crores in first half of FY2017 and this cash profit will keep on increasing on each and every quarter because of the reduction in the finance cost which has happened and plus the revenue basically definitely the second half revenue should be far-far better than what we have seen in the last three to four quarters because of the various reasons which we all know. As mentioned during our concall that we have retained the revenue guidance from the operational SPVs for FY2018 to around 1075 Crores and this number is excluding the Mysore-Bellary annuity, which is expected basically in this month. The cash EBITDA margin from the operational SPV also we have retained the guidance for that at around 85% and we have already seen that in first half we have achieved somewhere around 84%.

Now coming to the standalone business, the total cash income on the standalone business has increased by 20.91% from 149.01 Crores in first half of FY2017 to 180.17 Crores in first half of FY2018. Cash EBITDA has increased by 50.95% from 70.49 Crores to 106.42 Crores in first half of FY2018. This cash profit from the SIPL standalone business stood at around 37.44 Crores in first half

of FY2018 versus 37.84 Crores in first half of FY2017. Also as I mentioned in the last concall, we had given a revenue guidance in the SIPL standalone business of around 250 Crores but however considering we have received the appointed date for the five HAM projects and plus the two HAM projects we are expecting that the appointed date should be received very soon. So there were basically we are increasing the revenue guidance in the SIPL standalone business to 300 Crores for the financial year of 2019.

Now coming to the outstanding order book, SIPL has a current order book of around 366 Crores towards the routine maintenance of the seven HAM projects, which is to be executed over a period of next 21 months. The major maintenance of Dhule Palesner right now is in progress and the balance order book coming from Dhule Palesner major maintenance is somewhere around 50 Crores. The major maintenance in Bijapur-Hungund, and Hyderabad Yadgiri is expected in Q4 FY2018 and FY2019, which are amount to around 120 Crores in relation to the SIPL proportion.

Considering all these, the total outstanding order book of SIPL comes to around 540 Crores, which shall be executed in the next 21 months. So I think SIPL standalone definitely has shown sort of good amount of changes in terms of the revenue and in terms of the order book over the past couple of financial year what we have seen.

The consolidated debt of operational SPVs as on September 30, 2017 is around 7043 Crores. The consolidated debt for the under construction SPV is around 179 Crores and the standalone debt is around 1255 Crores, which includes the debt from SEL that is Sadbhav Engineering of around 445 Crores. The average cost of debt in the operational SPVs excluding Rohtak-Panipat and Rohtak-Hissar has reduced from 10.26% in Q2 FY2017 versus around 10.08% in Q1 FY2018 and now in Q2 FY2018 it has got reduced to around 9.84%, so I think with the refinancing of Maharashtra border check post and Bhilwara, so this cost of debt from 9.84% should come down to around 9.18% by the end of this quarter with the completion of the refinancing of both these SPVs, which is a drastic reduction probably as compared to FY2017 also.

The cost of debt in Rohtak-Panipat and Rohtak-Hissar remains high at around 11.7% and the reason we all know because there are certain cash process, but as we just discussed in the opening remarks by Nitin Bhai also that we are in a position that probably the refinancing of Rohtak-Panipat can be completed in Q4 with the increase in the traffic what we have seen in the last six months. So I think in Rohtak-Panipat also we can expect that the cost of debt will come down from 11.75 to around 9.1, 9.15%.

Now coming to the operational performance during the quarter, all the under construction HAM projects that is Rampur-Kathgodam package one, Bhavnagar-Talaja, Una-Kodinar and BRT Tiger

Reserve Forest where we have received the appointed date before the end of Q2, they are progressive very well in fact in Bhavnagar-Talaja, we have also applied for the first grant where we have achieved the first milestone. Now coming to Rampur-Kathgodam package two, this project was basically we were delaying the appointed date because of the tree-cutting issues, but now we have received the appointed date in this package also and the appointed date has been declared as October 28, 2017 so the construction has started in this project also. Then the BRT Tiger Reserve also basically we have applied for the mobilization advance of 100 Crores so probably in this quarter we will receive the mobilization advance and the two new projects that is Waranga-Mahagaon and Udaipur bypass, which we had owned in the month of March 2017, so we have achieved the financial closure for both these projects and the terms and conditions have been announced to the stock exchanges also and for the Udaipur bypass we expect that the appointed date should be available in this month itself and for Waranga-Mahagaon it should come there probably in the month of January or February 2018.

Now coming to the traffic numbers for the SPVs wise in terms of the YOY traffic growth in Q2, Shreenathji-Udaipur has seen a traffic growth of around 5.5%, Hyderabad Yadgiri has seen a growth of around 20%, and I think Hyderabad Yadgiri is consistently growing at this rate since past around six to eight quarters. MBCPNL, we have seen a growth of around 1.5%-2%. In MBCPNL, it is a mixture of various check posts and once basically we complete the balance check post also we see that the amount of leakages, which is happening in the under construction check posts and people who start basically utilizing each and every check post, so I think definitely MBCPNL should see growth as and when we complete the balance check post also. Dhule-Palesner we have seen a traffic growth of around 7.5%, Rohtak-Panipat we have seen a growth of 27% and this is the second consecutive quarters where we have seen more than 20% growth in Rohtak-Panipat. Aurangabad Jalna there is degrowth of around 1%. In Bijapur-Hungund there is a growth of around 1.5%. In Ahmedabad Ring Road, there is degrowth of around 2% and in Bhilwara Rajsamand, there is a growth of around 11%. So I think on a portfolio basis, the entire portfolio, we have seen a growth of around 7% on the traffic on a YOY basis, which looks very promising and on the second half definitely the traffic road should be far-far, better than what we have achieved, which should be more than 7% for the second half.

The toll rate hike in Ahmedabad Ring Road has opened in the month of September and the number is around 3.7% is the toll rate hike on the basis of the WPI for the month of March, so probably with this we sort of complete the opening remarks and thank you very much for listening the opening remarks. Now we may please start the Q&A session.

Moderator:

Thank you. Ladies and gentlemen, we will now begin the question and answer session. We will take the first question from the line of Ankit Fitkariwala from Jefferies. Please go ahead.

Ankit Fitkariwala: Good morning Nitin Bhai. Good morning Vaun Bhai. Just wanted to check one thing so Nitin Bhai in his opening remarks was explaining something on the GST led clarity, can you please expand on that and please explain that once more?

Nitin Patel: Actually so far as annuity income and also the proceeds the whatever is there either it may be mobilization advance so these all are not basically coming under the per view of GST, no deduction will be there from the annuity income also, only the 40% component, which NHAI will release, so there will be a GST component will be there and the same will be eligible for getting the input credit by the EPC contract, against the EPC contract value actually, so as far as SPV is concerned, there will not be any basically addition burden of the tax and it will be set of knocked off actually. Only the operation in maintenance revenue which is there and operation maintenance expenditure will be there, so whatever difference between input and the actual liability of the GST that only will be subjected to the tax rate, so other things as a SPV per se, there will not be any other obligations actually.

Ankit Fitkariwala: Got it and in terms of, so if I understand rightly when SIPL is doing the O&M activities for either the HAM projects or other projects that are in our portfolio, SIPL standalone will have so in that cost increases basically, so where do we recoup those expenses because in the bidding we might not have considered it, right. So for the O&M related GST or is it like so minimal that it does not effect?

Nitin Patel: Ultimately for SIPL per se, whatever expenditure will be incurred by SIPL that also will be eligible for getting the input credit and whatever difference see because SIPL will raise the bill to the SPV along with the GST component, but SPV will be eligible to get a set of the same against its on obligation, so there will be SPV will make the payment to the SIPL to that extent actually.

Ankit Fitkariwala: Got it and Nitin Bhai, just to understand free GST what was the net tax that we were paying on these kind of O&M activities and now post GST how does it look, so what is the difference in the rate?

Nitin Patel: For O&M particularly highways activity operation and maintenance was, service tax was not there, see the VAT component for all the procurement and the excise duty on the B2B and cement, steel, if anything is being purchased for the purpose of operation and maintenance activity, so those we are subjected to, the material procurement was subjected to that tax, so now everything has come under the GST, so because the service tax component was only not there, this was there, but that will be now emerged and according to that it has gone into the completely new reworking of the same.

Ankit Fitkariwala: Okay and secondly on the HAM pipeline that you suggested in the opening remarks, you said the 12th projects are over 30000 Crores and you mentioned one project separately, so that is 12 plus 1, 13 in all of it?

- Nitin Patel:** Actually there are 27 HAM projects, the lands of those projects is 1254 kilometers and value of these 1254 is 30330 Crores and all these to be as of now the due date is before December 30, 2017.
- Ankit Fitkariwala:** Okay and one project that you mentioned separately?
- Nitin Patel:** That is 54 kilometer length of 1324 Crores, we have already submitted the bid we are awaiting the results for the same.
- Ankit Fitkariwala:** Just to understand means there was a lot of thought that lot of bids have got postponed a couple of times as you also suggested, so is it like out of these orders that you are mentioning 27 projects that will be bid before December 30, 2017, is it like most of them are like those projects or is it like fresh projects which again have a chance to get postpone if the land acquisition does not happen?
- Nitin Patel:** Actually the postponement obviously what authority has seen because what has happened after awarding the contract if they are unable to get the appointed date because some of the projects the appointed date has got deferred like in our Rampur-Kathgodam package two, where the appointed date has deferred by almost a year actually, so because the authority could not complete the proceedings, so what they have taken the stands let 80% be 100% very clear so as and when the developer achieves the financial close immediately they will be able to give the appointed date like in the Udaipur bypass all the land is there most probably in this month itself we are coming to take the appointed date, even in Mahagaon-Waranga there is a few balance I think around 74% has been completed, so balance six they are confident to complete by end of this month, so immediately appointed date will happen. So this is their thought process that is why they are deferring basically to complete the percentage numbers as earlier as far as possible.
- Ankit Fitkariwala:** Okay and for Rampur package two, that they have got appointed date, so much land is available there.
- Nitin Patel:** Rampur the land availability is more than 94% actually, but what was there, there was a tree-cutting was pending from the Forest Department so NHAI is deposited the money, but department was because there was almost more than 15000-16000 trees were there and also bigger trees to that has taken more time actually, so now everything is cleared.
- Moderator:** Thank you. The next question is from the line of Ashish Shah from IDFC Securities. Please go ahead.
- Ashish Shah:** Good morning Nitin Bhai, good morning Varun. Sir one question on the GST again, basically we are saying that the SIPL, the SPV of SIPL has to pay GST on the 40% component received by it and it can offset the GST levied on the bill which is raised by SEL, is that understanding right?
- Nitin Patel:** SEL and SIPL both.

Ashish Shah: So they both for O&M as well as for construction whereas the case maybe, when the bill is raised and the GST component included in that bill, can be upset against this 40%, so Sir do you think in this entire math, because we may not be very clear, is there any residual negative impact or these are things which can balance in a very proper manner not causing any adverse impact on SIPL SPVs?

Nitin Patel: I think if you see the math basically for the entire total project cost almost around 90% of the total project cost is belonging to the EPC value so in that basically there is a tax of around 12% and so this is the set of which is available with the SPV and on the liability side if you see that the SPV is supposed to pay the GST on the 40% component, so out of this 90%, 40% basically is being utilized so the balance 50% is still there with the SPV and that 50% will be utilized by the SPV during the operation period against the liability on the O&M payment which has been listed from the NHAI, so I think basically we have done the math for at least our project basically where we have sort of earlier received the bid so I think in that case we have seen that there is no additional burden on the SPV there might be our scenario in certain SPVs there that is additional credit is available but we do not see that the additional cash flow will have to be spent by the SPV because of the GST component and just to add what Varun Bhai has told, Ashish Bhai see ultimately the whatever plus of minus is there it is the pass through under the change in law mechanism. So I think as a business per se there will not be any kind of impact at all.

Ashish Shah: Right got it. So initially I mean we will have an accrued credit which we will utilize, we able to utilize in future against the O&M liability, correct?

Nitin Patel: Yes.

Ashish Shah: Thank you. That is all from my side. Thank you.

Moderator: Thank you. The next question is from the line of Nitin Arora from Aviva Life Insurance. Please go ahead.

Nitin Arora: Good morning. Varun I just wanted to understand what is the cash loss we are having in Rohtak-Panipat and Rohtak-Hissar as of now.

Nitin Patel: On per quarter basis basically, Rohtak-Hissar is having a cash loss of around 13-14 Crores in Rohtak-Hissar and in Rohtak-Panipat the cash loss has reduced drastically what we have seen the jump in the traffic so probably in Q2 basically we had a cash loss of around 4-5 Crores in Rohtak-Panipat but definitely in Q4 we are expecting that this cash loss should be neutralized with the increase in the traffic with the arbitration proceeds and with sort of completing the refinancing, so I think by Q4 we are expecting the Rohtak-Panipat should be very sufficient.

- Nitin Arora:** One if the current toll collection at Rohtak-Panipat will be about 27 lakhs roughly on a daily toll collection basis?
- Nitin Patel:** Currently as if we see basically the average for if say as of now we are collecting almost around 31.5 to 32 lakhs a day.
- Nitin Arora:** Got it and so even if your arbitration does not go through it automatically becomes cash neutral to you there.
- Nitin Patel:** Yes, with out that is become cash.
- Nitin Arora:** Okay and in terms of just a one more number I needed the debt repayment at the SPV levels on a consolidated basis would be how much in FY2018 and FY2019?
- Nitin Patel:** See for the second half of FY2018, the debt repayment which would the extent of around 55 Crores and in FY2019 the debt repayment is around 75 Crores.
- Nitin Arora:** Our bullet payment what we took I think on a standalone basis, would start from FY2020 and 21 onwards is that correct?
- Nitin Patel:** Yes, so the major bullet payment will start. There is some amount of repayment happening in FY2019 also, but the major amount of repayment will start from FY2020-2021 onward and I think most probably sort of it all depends on exactly what is the cash flow availability because if we are basically selling a couple of assets then probably we can utilize the entire proceeds to pay of the debt and do a refinance of that particular SPV.
- Nitin Arora:** Lastly just an update needed on the Maharashtra border check post securitization and is the valuation gap when you are selling let us say two of your assets like Bijapur or Dhule is the valuation gap still on the range of 5% to 10% just updates on these two?
- Nitin Patel:** Yes. See on Maharashtra border check post, so right now we are in discussion with the lenders, so probably the entire proposal is in advance stage and I think that is the only reason why we are saying that we will be able complete the refinancing by the end of this quarter, so probably we are hopeful that more or less the things are done. In relation to the stake sale, so the process is on. Obviously the process was slowed down because of the slowdown in the traffic what we have seen in the Q4 of FY2017 and Q1 of FY2018, but now since now obviously we have seen a good amount of uptake in the traffic in the second quarter also, so I think we will sort of will adhere to the market as and when there is any firm proposal on the stake sale, but as of now there is nothing firm basically, which is there on that front, so I think we will adhere to the market rate.

- Nitin Arora:** Thank you. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Kevin Daftary from KD Capital. Please go ahead.
- Kevin Daftary:** Good morning Sir. I have one question on this derivative instrument there is a note related to the finance cost incurred Rs.17 Crores of loss on fair valuation of derivative instruments, can you please help us to understand what this derivative instrument are and how is it accounted for?
- Nitin Patel:** We have taken the ECB loan in three of the SPVs, so that is Hyderabad, Yadgiri, Bijapur-Hungund, and Rohtak-Panipat and for that we have taken the derivative to hedge the exchange the rate and to hedge the LIBOR, so we have taken both the derivative contracts, but for the Hyderabad-Yadgiri, we have already paid off the ECB in the month of June 2017 and in case of Bijapur-Hungund, we have already paid off the ECB in the month of September 2017, so now the only ECB, which is left is the Rohtak-Panipat, so obviously it is all linked to the M2M valuation and to the exchange rate, which is there and plus this number is a notional number. This is not the cash losses, which is there, so this is a notional M2M value sort of which has been accounted, but from Q3 onwards, we will have the derivative M2M say positive or negative impact we will be there only on the Rohtak-Panipat.
- Kevin Daftary:** So this is not required to be settled per se, it is just a notional entry?
- Nitin Patel:** Yes it is a notional entry because the way the accounting standards are framed, so we have to account for the M2M value on a quarterly basis.
- Kevin Daftary:** Thank you.
- Moderator:** Thank you. The next question is from the line of Kaoundinya N from JM Financial. Please go ahead.
- Kaoundinya N:** Thanks for taking my question.
- Moderator:** Sorry to interrupt Sir. We are not able to hear you.
- Kaoundinya N:** Thanks for taking my question. Sir in one of the notes to SIFL consolidated statement, there is a revenue from construction contracts worth about Rs.5.5 million and so on for each of the quarters, so what is this write up include?
- Nitin Patel:** So this is basically in relation to the under construction SPVs because under the new accounting standard, which is the Ind-AS though the under construction SPV whatever construction cost has been incurred for those SPV, we have to account the amount as the construction revenue and the construction revenue basically the amount of Rs.505.39 million, so this is the construction revenue

incurred by the SPV and this is more so and this is more so after doing the set of the amount for which the construction has been done by SIPL. I can say this is the amount in relation to the work done by the EPC contractor, which in this case is Sadbhav Engineering Limited.

Nitin Patel: Sir but given the EPC contract was done by SEL?

Varun Mehta: The EPC work is done by SEL only. I think that is the only reason why I am saying that the amount of Rs.505.38 million is sort off in relation to the construction of the road for which the work has been done by SEL, which basically what will happen for the accounting the construction amount what has been there, so it will be reflected as the revenue in the P&L and the same amount will be reflected as an expense in the P&L, so on the PVD basis the amount is zero, the amount is sort of nil, but for the purpose of the accounting standards, which is there, so the amount is reflected as construction revenue and the construction expense. It is just a book entry, so there is no cash impact. There is no cash flow happening, so it is just a book entry because of the Ind-AS, which has come through.

Kaoundinya N: Got it. Sir secondly, if we look at a separate standalone the long-term borrowings have come done by about Rs.140 Crores whereas the SIPL consolidated level there has not been any change, can you help me understand this please?

Varun Mehta: See the long-term borrowings has come down because the amount has been shifted to the current maturity because there are certain amounts, which are to be payable in the next one year, so because of that the amount has been shifted from the long term borrowing to the current maturity to these current liabilities.

Kaoundinya N: Got it, but there has been any change on SIPL consolidated basis?

Varun Mehta: So SIPL consolidated because there is a reduction because of the long term borrowing shifting from the long term to the current maturities, but there is an addition of the borrowing as the SIPL standalone because of the under construction SPVs.

Kaoundinya N: So basically effectively we have taken some debt on SPV level and that is compensated at 130 Crores?

Varun Mehta: Yes, that is in the SPV level because of the under construction SPV.

Kaoundinya N: Got it Sir.

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

Prem Khurana: Good morning Sir. Thanks for taking my question. Sir, two questions, one was on how much have we infused as equity in this HAM projects still this time and what is the debt that we have drawn of this SPV?

Varun Mehta: Basically, we have infused around 155 Crores of equity up to the month of September 2017 and the debt drawdown in the SPV is around 1170 Crores.

Prem Khurana: Sure, and what would these numbers look like by March this year, the incremental how much do we intent to come incrementally in this second half?

Varun Mehta: This incremental equity would be required for the new HAM only because the equity what we have infused would be sufficient as the upfront equity what is required, so I think for Waranga-Mahagaon, and Udaipur bypass and Rampur Kathgodam package II which is there, so this three project basically will require an incremental equity and in relation to debt obviously it all depends on the progress of the SPVs, which will happen, so I think on a quarterly basis we will share the numbers basically with you also.

Prem Khurana: And for these three SPVs, how much would be the number for second half?

Varun Mehta: The three SPVs the upfront equity what we have suppose to put in so this is somewhere around 90 Crores to 100 Crores.

Prem Khurana: 90 to 100, sure and second question was on Rohtak-Panipat we have been seeing good growth for this today at least over the last three quarters now it has been excess of 20 odd percent and you also gave us a number almost 30 odd percent kind of number in this month, but basically I wanted to understand how much of this sustainable because I understand a part of it because you have Mukarba Chowk which is under construction you have seen some traffic getting diverted from this Mukarba to our project as well as from Delhi in three point, but how much of this, the growth have you seen in this project, is it sustainable and you do not get to see this traffic going back I mean once the Mukarba Chowk was to come back in operations?

Nitin Patel: Actually the Mukarba Chowk the tolling has been started from October 21, 2107, now the toll is going to continue for 25 years actually as per the concession period. In fact NHAI has delayed this start of the toll by at least three years. Definitely now the numbers and everything is on the card, so now there is one another big case for two larger basically claim on NHAI because of their delay we have suffered in the project. Otherwise rest traffic itself we are showing the number now so now this is the continuous sustainable numbers, actually number is coming on the ground and again according to us this will further go up actually in this project.

Prem Khurana: No, basically I was trying to understand from perspective that some of the traffic would have come to our road because you have construction underway at Mukarba so people can avoid this inconvenience because of construction right away which is where you would have seen some traffic getting diverted to our road, not from toll correction perspective. I understand it has become tollable road?

Nitin Patel: That road is already almost four lane to six lane, six lane road is already there. Now, the road is being converted into the eight lane and somewhere is 10 lane road it is being converted up to Panipat so I do not see basically traffic will have a big problem because the expansion is happening on the both sides somebody if they have traveled basically figured out the construction activity, so this is mainly because of the start of the tolling revenue and this what is going to happen much more earlier.

Prem Khurana: On Maharashtra Border Check Post how much was the comparable growth excluding the three incremental check posts that you would have seen?

Varun Mehta: So it is somewhere around 1.5% in the growth.

Prem Khurana: Comparable right?

Varun Mehta: Yes, comparable.

Prem Khurana: Thank you.

Moderator: Thank you. The next question is from the line of Anupam Gupta from IIFL. Please go ahead.

Anupam Gupta: Sir, just on GST impact on the SPV, so while you have the credit on the payment done for the grant you paid right now, but you did not get the credit over the 15 years when you actually do the ONM, so the set of which you get, let say this is a pass through, is that pass through at every date or is it on the whole it is a pass through, because there will be a cash flow impact on the SPV, so how is that set of coming to you?

Nitin Patel: For the HAM project the GST will be paid by the SPV on the EPC contract during the construction period, so that set of will be available over the operation period also. The 40% payment what the NHAI pay during the construction period so it can be set of again that so if we just discuss could that be in the Indian rupees basically of the EPC contract, which is there so on that basically 12% would be the GST paid by the SPV and that set of will be available.

Anupam Gupta: There would be timing mismatch between the set of it?

- Nitin Patel:** And In fact the set of is available upfront and the liability is available and the liability is over a span of 15 years because the GST will be paid by the SPV during the construction period, which is two to two and half year and the GST liability of the SPV is two part, one is on the 40% with the NHAI will make the payment, so that is during the construction period, so there is no timing mismatch there and the balance GST liabilities over the period of the operation period, which is like 15 years, so the GST set of is available affront to the SPV and the liabilities over a span the next 15 years.
- Anupam Gupta:** No, Sir that is what I am asking, you pay upfront to NHAI on the grant you get right, so there is a outflow of money during the construction period, but you claim that back during the operation period?
- Varun Mehta:** No, I think the way it will work is that the assuming the project is 1000 Crores and the EPC is 900 Crores for the GST paid by the SPV on this EPC contract of 900 Crores, which is the 108 Crores, so this GST is paid by the SPV during the construction period and this is the set of, which is available.
- Anupam Gupta:** Correct, that is what I am also referring, I am saying there is a cash flow mismatch, so you pay the cash affront during construction and you claim it back during the ONM because right because ONM is when you claim back that credit?
- Varun Mehta:** But the GST paid on the EPC contract is basically inclusive of the EPC value right, so we are not paying anything over and above the EPC value, so we are not paying anything over and above the total project cost which is there. So, whatever the EPC value SPL has given to the SPV so that value is inclusive of the GST. There is no additional liability, which is to be paid.
- Anupam Gupta:** Thank you.
- Moderator:** Thank you. We will take the next question from the line of Aditya Mongia from Kotak Securities. Please go ahead.
- Aditya Mongia:** Good morning. Question to both of you, the question is more regarding the recent announcement that you intent to pay a dividend. Just wanted to get a sense from you of the way you see the next one to two spanning out in terms of cash flows and requirements of growth capital that you may be having and in that context how large the dividend can be?
- Varun Mehta:** Nothing has been discussed on that front. It was basically just meeting has been called, so nothing has been basically came on the table as of now. So as and when the bidding and outcome will be there definitely we will basically come to the stock exchanges and in the market.

Aditya Mongia: I understood, let us defer this question for now, the second question was more related to this Bharatmala program, just wanted to get a sense on that in the next six months you are talking about 30000 Crores of tender is happening one day or the other, but beyond those six months, how do you see this announcement of Bharatmala, which otherwise would imply NHAI having to do things a lot quicker than they do today, can this happen or no?

Varun Mehta: First of all this 30000 Crores basically to be before December 31, 2017 and more bunching will be there and historically you might have seen that the maximum number of bidding is happening in the Q4 for so many years actually at NHAI per se because they are also going to complete the target, so what our view is that from now and coming basically say four and half months there will be a bidding activity will be there and this has happened in the past also and Bharatmala basically it is a combination of the various projects, so this is not including the borders and as well as basically connectivity to the districts, costal roads, express is there, all these put together it is called Bharatmala actually, so now the lot of activity at NHAI level also has been started, so we are of the view that the bidding will start actually in the Q4 also even immediately after the Q4 and this is how they have given a clear roadmap that within the five year they want to complete this much bidding and the construction activity.

Aditya Mongia: How much is the relevant capex number for you if Bharatmala talks about Rs.5 trillion or 5 lakh Crores may be a lakh Crores or so is land by itself, if 4 lakh Crores biddable number from your perspective or you would want to take away certain portion of it?

Nitin Patel: Size itself is so huge actually. As of now government put a target for five years by 2022 they want to complete so in earlier case also if you might be seen that the golden quadrilateral, NHDP phase 1, 2, 3, 4, 5 everything they had the target driven because of the various issues there is a target at its own timeline, but intensity of all these projects put together is very huge, what we can say, so as compared to what has happened even per kilometer cost has also gone up and even the size itself is so high, so obviously the road construction companies particularly those who are focused in the execution of highway definitely the advantage is coming to them and now what exact mix is coming, currently they are saying that almost around 65% to 70% will come under the EPC mode, so there will not be much capital will be required from the EPC contractors and remaining is only the either in the high period or whatever structure they are bringing out actually, so this will be mix of, as and when the bid will come definitely we will workout that, currently what is there on the card we are of view that is a good set of numbers are there in the hybrid where companies looking to add at least couple of projects by say if it is coming at our terms and condition within three to four months at our terms that is the whole thing what we can say now.

Aditya Mongia: Sir, that helps and I will get back into queue, thank you.

- Moderator:** Thank you. We will take the next question from the line of Rita Tahilramani from SBICAP Securities. Please go ahead.
- Rita Tahilramani:** Congratulations on good set of numbers. Varun, I wanted to repeat the MMR expense of which you mentioned in the highlight?
- Varun Mehta:** The balance MMR in Dhule-Palesner is around 50 Crores and this 50 Crores will be executed in the current financial year and the MMR in Bijapur-Hungund and Hyderabad-Yadgiri, which is expected in Q4 of FY2018 and the balance in FY2019, the amount is around 120 Crores and this is in relation to the SIPL proportion because of Bijapur-Hungund the minority partner will also do the MMR, but in relation to our portion both put together is around 120 Crores.
- Rita Tahilramani:** And on this currently how much is the revenue from MMR booked in SPIL standalone H1 2018?
- Varun Mehta:** In H1 2018 the revenue has been booked only for Dhule-Palesner in relation to the measure maintenance, the amount is around 36 Crores.
- Rita Tahilramani:** And in this the expect will go to 55 Crores?
- Varun Mehta:** Yes, for the balance H2 of FY2018 the amount is 50 Crores.
- Rita Tahilramani:** 50 Crores, and how much have we booked a profit on this?
- Varun Mehta:** The profitability of the measure maintenance is in the range of around 20% to 22% for Dhule-Palesner we can say.
- Rita Tahilramani:** And how much have we booked from the routine maintenance of operational SPV in H1 2018?
- Varun Mehta:** The operational SPV the amount of revenue is around 16 Crores to 17 Crores both in the first half.
- Rita Tahilramani:** And how will that ship up is FY2018 and FY2019?
- Varun Mehta:** I think in FY2018, for the balance part of FY2018 the amount should be almost similar number. In FY2019, the amount should be somewhere in the range of 40 Crores to 45 Crores.
- Rita Tahilramani:** And again the margins will be somewhere around 20% to 22%?
- Varun Mehta:** Yes.

- Rita Tahilramani:** Two more questions on this, on this routine maintenance of under construction SPV, how much is the revenue we have booked till date?
- Varun Mehta:** In the first half basically we have booked the revenue in the HAM project to the extent of around 103 Crores in the first half and revenue booked basically in FY2017 it was around 99 Crores.
- Rita Tahilramani:** In H2 this will go to 99 Crores?
- Varun Mehta:** In Q4 of FY2017 the revenue number was 99 Crores, in H2 this number should be somewhere around 120 Crores to 125 Crores.
- Rita Tahilramani:** This will increase obviously to almost 150 Crores may be in?
- Varun Mehta:** Yes, I think we have discussed the balance order book from the HAM project, so which is around 360 Crores, basically we will be exhausted in the next 21 months.
- Rita Tahilramani:** On this GST impact, so what I could get basically the first part where the SPV has to pay to SEL for the EPC part will we set of against the payment of NHAI grant basically?
- Varun Mehta:** Yes, so the liability is on the NHAI grand of 40% and the set of available is, is what the SPV has paid on the EPC contract.
- Rita Tahilramani:** This will basically be available to us at the start of the period, which will again help us for offsetting the GST on the O&M?
- Varun Mehta:** Yes.
- Rita Tahilramani:** That is what is my understanding aside. That is from my side and good luck for your future.
- Moderator:** Thank you. We will take the question from the line of Anish Hariprasad from Antique Stock Broking. Please go ahead.
- Anish Hariprasad:** Just my question is on border check post, so basically I just wanted to know what is the progress regarding the remaining check post and when can we see the fully operational project and this is the one and have you seen any traffic improvement in the check post in the last couple months?
- Nitin Patel:** Obviously, because Q2 more perspective as we have discussed their impact of GST in particular in this kind of project, because first is that 100% of revenue is coming from the commercial traffic only, second thing all the revenue is coming only from the loaded vehicles, so even the empty vehicles we

are not collecting the revenue in the border check post project, only loaded vehicle is paying so that means because of this GST implication the impact will be very high and to almost 50% is the impact and it has lasted around first 20 to 22 days, so this is one thing. Second thing the balance check post operation what you have mentioned by March 2018, the 23 will be completed and we are up the view that we will be able the GR for all the projects from the government, only one which is basically we are that some portion is yet to be got cleared, so this may basically have some slippage. Rest of the things will be completed in this year itself.

Varun Mehta: Just to add basically on your question on the last two months so probably in the month of July there was de-growth of around 6% in Maharashtra Border Check Post, in the month of August there is a growth of around 3%, in the month of September there is a growth of around 5.25, so I think with that basically we have told that the growth in Q2 is 1.5%, so I think probably for the month of September we have seen the growth of 5.2%, so we are out of the GST issue, which was there, so now I think probably this project should go definitely far, far better than this.

Anish Hariprasad: So post these 23 projects getting operational we can see a number of 82 to 83 easily on this project right?

Varun Mehta: Currently, we are collecting almost around 51 lakhs to 52 lakhs a day, remaining 8 will definitely had another 20 to 22 lakhs a day and this will be again basically supported by 18% toll rate hike from April 1, 2018, so this is every three basically rate jump, so this will definitely cross the revenue of around 83, 84, 85, lakhs of almost, so that we are very much confident that we will be able to make it.

Anish Hariprasad: Varun, just last question, can you repeat traffic number for SUTPL and BRTPL?

Varun Mehta: So, for SUTPL the traffic growth is around 5.5% and for BRTPL the traffic growth is around 11%.

Anish Hariprasad: 11% and BHTPL is 1.5% right?

Varun Mehta: Yes, BHTPL is 1.5% traffic growth.

Anish Hariprasad: In BHTPL in the last couple quarters we are seeing some kind traffic growth remaining at 1% to 2% what is the reason for that?

Nitin Patel: I think you can see in case of Bijapur-Hungund what we see is sort two folds, because similar to Maharashtra Border Check Post we are the majority of the revenue, so I can say almost around 92% to 93% of the revenue comes from the commercial vehicles and I think because of that we all know that the commercial vehicle has taken a hit in the last couple of quarters and the second reason in this project specific reason is these stretches nearby the Bijapur-Hungund so that is the Solapur-Bijapur,

which is just ahead of Bijapur-Hungund state so that is the two-lane projects so right now the project has been awarded from two lane to four lane to a contractor and again from Solapur to Yedishi and then Yedishi to Aurangabad right now the construction work is going on from two lane to four lane and the project before the Hungund that is Hungund is operational, but again basically it is an under construction project, so I think in the next probably six to nine months we will see out of this four projects three projects will be completed, Solapur-Bijapur will be completed like two to three years down the line, but at least with the completion of this three project also we should see an improvement in the traffic numbers.

Anish Hariprasad: Fair enough, thanks a lot.

Moderator: Thank you. The next question is from the line of Kevin Daftary from KD Capital. Please go ahead.

Kevin Daftary: Just one accounting and tax related question Sir, on this Ind-AS you said there will not be any impact as against revenue and cost being booked, if I am not wrong there has to be some notional margin to be accounted in the books of SPV plus some interest income would be booked during construction for HAM annuity project, which could probably attract the tax, is my understanding correct?

Varun Mehta: For your first question, since the SPV has given a back-to-back EPC contract and the back-to-back maintenance contract to SPL and SIPL respectively and this cope of the work has been the same as the SPV suppose to do in the construction agreement, the same scope of the work has been given to both the contractors, so the SPV do not have any EPC margin during the under construction period, so because of that the PBT is zero, so that is the first question which you had and in relation to the second question so probably we have taken the opinion also from expert and from the auditors basically, so in that what conclusion basically we have come to is during the construction period there is no interest income, which is to be booked from the HAM project so whatever the interest income NHAI will pay during the operation period so way the PNL will look like that the interest on NHAI will be accounted in the PNL and the ONM payment from NHAI will be accounted in the PNL during the operation period so because of that only there is no interest income in the SPVs during the under construction period.

Kevin Daftary: So that is why it cash neutral?

Varun Mehta: Correct.

Kevin Daftary: Sir, thank you, thank you very much and all the best.

Moderator: Thank you. The next question is from the line of Kaoundinya N from JM Financial. Please go ahead.

Kaoundinya N: Thanks again for taking my question, Sir we can see for projects like HYTPL, RHTPL and BRTPL, the traffic roads has been really good, so at what level can we see this sustain?

Varun Mehta: Particularly in Hyderabad-Yadagiri because there are two major aspect earlier once there was a cloud on the separation of two states Telangana and Andhra now everything is cleared, second thing the huge development, which coming between the Hyderabad and Warangal, which is the second largest city of the Telangana. The Yadagirigutta basically which also very holy place so that is under also a very big development actually and the construction of Godavari bridge on the other side of the traffic basically plying around Vijayawada and all these basically is the commercial traffic is also growing, so here in this particular project all segment commercial, noncommercial everything is growing significantly, so here we are going to see some reasonable jump because since last seven to eight quarters consistently this project is showing a decent growth, so now the revenue has crossed almost 18 to 18.5 lakh rupees a day this is one thing, second thing for Bhilwara-Rajsamand and Shreenathji-Udaipur definitely because the construction activity on the Golden quadrilateral with the another basically the few efficient that basically from Udaipur to Kishangarh, which has been awarded recently under the toll, so these construction activity is going to start within the short time, so here also we will continue to see a good growth, second thing if we see the parallel road which is Udaipur, Chittorgarh and Kishangarh almost the average PCU per day travelling almost 50,000 to 55,000 PCUs are travelling there, again our road basically the PCU is almost around say 14000, 15000, 18,000 PCUs actually, so obviously the large number of PCU this traffic this road will also continue to see a good growth over the period of three to four year continuously actually, so this is also is going to see a decent growth and again the third one Rohtak Panipat as we have mentioned because the NHAI has already delayed the tolling of the NH1 now it is already in the play and as I have mentioned the average tolling per day is crossing almost 31, and Rs. 31.5 lakhs a day so this will also give a good growth for the period. In the past basically between the period of 2009 and 2012 when probably the things were happening fantastically well for the economy also so at that point of time we have seen double digit traffic growth for at least I can say at least seven to eight quarters so I think in the past also basically things are happened when the economy picks up we can see double-digit on a sustainable basis, but obviously in this project specific reason we do have the reason that mentioned.

Kaoundinya N: So what about projects where that revenue growth has not been great as this projects so when do we see them picking up?

Nitin Patel: Basically if you see in our four projects the growth is a bit subdue so I think this Maharashtra Border Check Post as I just mentioned we have just given the monthly breakup also, so in the month of September we have seen an uptake of around 5.25 is the growth, so I think definitely Maharashtra Border Check Post I think in the Q3 number once the data is out probably you will see a say around probably more than 5% of growth in that. In case of Ahmedabad Ring Road where the growth is a bit

slow, so I think in that the growth is a bit slow in the passenger car traffic the growth is sort of well in the commercial traffic. I think the commercial traffic is a sort of going on well, so I think we will see the similar growth in Q3 and Q4 also. In case of Bijapur-Hungund as we just mentioned the reason basically which are there, so I think Bijapur-Hungund will take a bit of time to pick in the traffic and in case of Aurangabad-Jalna, so I think in the last couple of years we have seen say more than 15% traffic growth in Aurangabad-Jalna, so I think because of that the base amount is a bit high, so I think because of that only we are seeing some amount of cooling of the traffic growth so I think bearing that other five projects are growing well, so we do not see any reason why the growth in this four projects also cannot pick up this.

Kaoundinya N: Sir, across our portfolio can we see sustainable growth of double digits?

Varun Mehta: I think probably we should see that we cannot pinpoint a particular number, but as we have seen a growth of around 7% in Q2 then definitely we are very much optimistic that the growth should be higher than 7% what we have achieved in Q2.

Kaoundinya N: Sir, the second question with respect to the media release so there an item under construction SPV, this is the same as the accounting item, which you have just mentioned earlier or is this something different?

Varun Mehta: Yes, it is same thing, but the construction, which has done by Sadbhav Infra as we just mentioned that there are two contracts one is the EPC contract and one is the maintenance contract, so the EPC contract, which has been done by Sadbhav Engineering, so the amount as we just discussed that is 505.39 million for the particular quarter or say 250 Crores for the first half, so that is the work which has been done by Sadbhav Engineering Limited and the work, which has been done by Sadbhav Infra so that amount has been netted out, so the gross amount is 381 Crores which you see in the media release and after netting of the work done by Sadbhav Infra the amount comes to 250 Crores.

Kaoundinya N: Thank you.

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

Ashish Shah: Sir, sorry coming back to the same question on GST, you said that the SPV will not pay anything extra beyond the EPC contract, which was earlier awarded, so let us say the value of the contract was 900 Crores at that point of time, now based on the new GST working now, which has got implemented, let say there is an incremental tax impact on SEL then what happens?

Nitin Patel: Then you see, for that SPV is no where responsible because all the contracts are inclusive of all taxes and definitely there is any incremental then that will come under the change in law and that will be on

back-to-back basis it will go to the basically SEL. So this way as far as SPV is concerned there will not be any other basically impact on this.

Ashish Shah: So you are saying Sir, just to conclude this, SPV's EPC contract value is frozen there is an inbuilt GST component which will be available for offset one first from the grant and then from the ONM and in this process if on SEL there is any incremental burden, SEL puts a claim on SIPL or an SIPL puts a claim on NHAI on back to back basis?

Nitin Patel: See because now after reducing the rate from 18% to 12% according to us large number of basically the issues has been over what we understand. Only it may be a specific to the basically items of work in some of the project if the other component is higher then definitely the claim may go little bit higher actually, the structure work and the steel work is higher than then definitely there will not be much gap actually it depends upon the project to project but the significance has now almost gone actually.

Ashish Shah: Okay so by-enlarge you were saying Sir it is immaterial now, it did not have a very big impact.

Nitin Patel: Exactly.

Ashish Shah: Sure Sir. Thank you very much.

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

Parvez Akhtar: Sir, a couple of questions from my side. First I mean based on our current cash flow situation in SIPL what is the kind of HAM project addition that we can see over say next two to three quarters?

Nitin Patel: See again I would like to reiterate here that the cash margin obviously on every quarter-on-quarter is increasing at SIPL level. Now going forward because in Q3 again there will be an impact of the refinancing of the couple of assets what we did in Q2. Third thing in Q4 again there will be say further two assets boarded check post in Bhilwara and thereafter the FY2019 itself so what is our view is that from now onwards there will be a significant jump on the quarter-on-quarter basis in terms of the absolute generation of the cash actually so this will definitely, because of the refinance has been done, so repayment obligation has also been shifted over basically the remaining consistent period barring the two to three year or four year of the tail period actually in each of the SPVs so we are of the clear view that the definitive good set of growth capital will also be available within the system also and then obviously the cars which are there, the things which is there on the table churn up of the assets what which basically company's obviously will continue to explore the opportunity where the proper valuation and everything is there on the table, so definitely that can be also a good set of growth capital for the company for coming period of time.

- Parvez Akhtar:** So Sir would it be let us say fair to assume that will keep on adding three four new HAM projects every year?
- Nitin Patel:** See obviously HAM is our likely model right from the beginning so we are very much comfortable to go for HAM projects, if all the things are remaining within the HAM depending upon what the intensity is there but our inclination to our HAM business will be there so it will continue to keep on adding the projects.
- Parvez Akhtar:** Sure. And the second thing is on the broader check post project you said that by March 2018 will be able to complete 23 project so are we referring to COD of these projects or are we referring to start of toll collection on these projects?
- Nitin Patel:** That is a start of toll revenue.
- Parvez Akhtar:** Okay. So as and now we have COD for how many posts Sir?
- Nitin Patel:** See we have completed obviously see this Kagal given check post large portion of almost they have been completed but because our pressure on the government to issue the GR for the first and now they are basically coming out with the solution that balance check post as and when completed within 15 days the GR will be issued so that process is basically reviewed at government level so our view is that once it is through then we will be able to make it through but as of now as you have mentioned that 23 will be easily we will be able to complete and start the revenue from the FY2019 onwards.
- Parvez Akhtar:** Sure Sir. Thanks and that is it from my side. All the best.
- Moderator:** Thank you. The next question is from the line of Devam Modi. Please go ahead.
- Devam Modi:** So on this incremental growth capital part, so apart from the 445 Crores that you probably returned to Sadbhav Engineering say if you do not churn any assets and if you keep taking hybrid of around 3000 to 4000 a year and it how much cash surplus do we think we can generate because this quarter we understand the cash surplus around 60 Crore so going ahead how would the quarterly cash surplus work out and what would be the understanding on the growth capital that will be available?
- Nitin Patel:** Obviously considering the start of Mysore Bellary and we have mentioned the operationalization of the balance checkposts and way the rates is also getting revised, so the traffic growth which is basically what we are seeing coming period and again every yearly from first April onwards the toll rate will further increase depending upon the inflation and everything what is there actually so what we see that the coming between FY2019-FY2020 and 2021 put together basically the operational SPV itself will be able to generate a cash surplus to the tune of almost 1300 to 1400 Crores where

obviously the repayment obligation will not be more actually hardly it may be around within the range of 300-odd Crores actually so rest will definitely be available for the purpose and that was the real intent of basically going for a complete refinancing so far as the growth capital can be available for coming five years decent rate and we can basically continue to bring the growth without any additional requirement of funding from any other sourcing.

Devam Modi: Sir this quarter we have seen cash finance of 164 Crore now given that obviously total debt relating to this is 7000 Crore is still works out to be a slightly lower number on the interest rate front so was there any finance cost which is sort of deferred or something like that in this quarter?

Nitin Patel: No see in this quarter the amount is around 180 Crores the cash finance cost in evasion to the SPVs and the amount what you are referring to is because in the Q1 quarter basically the amount of the cash finance cost is included the interest paid by the SPVs to SIP also so in this quarter basically we have given the break down even further so the cash finance cost paid to the lenders is one number and then the cash finance cost paid by the SPV to SIPL is within the SIPL company only so because of that we have given the split so the number between Q1 and Q2 is more or less in the range of 181-180 Crores so I think probably in Q3 onwards because we did the refinancing of Shreenathji-Udaipur around 28th of September so probably will see the reduction in Q3 onwards.

Devam Modi: Okay. Sure will take this part on the offline. And on the other thing was with regards to the major maintenance portion so we are seeing in Dhule-Palesner roughly for 89km project we are seeing 86 Crores major maintenance so its almost like One Crore per kilometer is that a correct understanding for a four-lane project?

Nitin Patel: Yes, but this includes the margin of SIPL also this is not the construction cost, which is there so as we just mentioned that SIPL generating around 20-22% of the margin so I think it will be the cost will come down to around 75 to 85 lakhs per kilometer.

Devam Modi: That is it from my side. Thank you.

Moderator: Thank you. As there are no further questions I now hand the conference over to Mr. Nitin Patel for his closing comments.

Nitin Patel: Thank you very much to all the participants taking for your valuable time to understand the overall business of Sadbhav Infrastructure Project Limited. As we have mentioned now the company is coming into the clear cut cash generation mode and going forward as we have again and again basically discussed what we are of the view because large portion of the refinancing activities over, now the traffic growth because as the economic activity has been started the government focus is

largely on the spending on the large number of infrastructure projects, announcement of sizable projects across the country so this will definitely will lead to a further growth and uptick in the overall revenue and the cash generation. So from here onwards what we as we have discussed every quarter-on-quarter, the company will continue to mop up that cash basically from its operational activity and obviously everything in-house everybody knows that Sadbhav per se right from all the activity construction, operation and maintenance even in terms of doing all this financing activity everything it is being done in-house so all the benefit is being going to remain within the organization itself. So this is from my side. Again thank you very much for taking your valuable time.

Moderator:

Thank you. Ladies and gentlemen, with that we conclude this conference. Thank you for joining. You may now disconnect your lines.