"Sadbhav Engineering Limited and Sadbhav Infrastructure Project Limited Results Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Sadbhav Engineering and Sadbhav Infrastructure 4Q FY2016 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 Mr. Modi!

Devam Modi: Very good evening to all of you and we would like to welcome all of you to the call of Sadbhav and its subsidiary Sadbhav Infrastructure. I would now like to hand over the call to Nitin Bhai and Varun to talk about the company's numbers and post that we will have a brief Q&A session. Thanks.

Nitin Patel: Good evening everybody. I, on behalf of Sadbhav Engineering Limited & Sadbhav Infrastructure Project Limited, I warmly welcome all the participants to the earnings call of Q4 FY2016 and for the full financial year 2016. I am sure you must have seen the media release provided on stock exchanges for both the companies. Here I am happy to say that the Sadbhav Engineering and Sadbhav Infrastructure Project Limited both the companies have achieved the highest turnover during FY2016 in its history. We are very confident to scale new highs in the coming financial years. Also we are also proud to say that the obviously we are one of the first declarant of the audited results in the sector actually. So obviously the team of the company has done a phenomenally good job to complete the accounts within the time scale and announce the results.

Now to start with the business activities let me give some brief about the business and how the perspective is going on. Now we will start with the bidding activity and then will discuss the financial numbers and update the company details also. Now NHAI has increased its exposure to the new hybrid annuity model since first quarter of 2016. We shall discuss the hybrid annuity when we discuss Sadbhav Infrastructure numbers.

Now we would like to say here that we have submitted financial bid for two projects worth 1144 Crores in road EPC for which the bids are expected to open in the few days. Also the financial bids are to be submitted for 16 EPC projects worth 18420 Crores in road EPC within a couple of months actually. So this I am discussing only about the EPC business. So in all this hybrid annuity and BOT toll we will discuss during the SIPL discussion part.

Apart from this road EPC in the mining segment we have recently submitted one financial bid for one large size MDO for Dulanga Coal Block actually in the state of Orissa. The client is NTPC and also we have submitted the one overburden removal of contract in the state of Rajasthan. From the Rajasthan State Mines and Minerals Department so apart from these are another five MDO projects, which has been lined up for bidding for which the prequalification has been sort by the client. In two of the projects we have already got the prequalification from the client, another three we are in the process of getting the same. So once the things will happen and the bid dates will be there these processes will continue so far as this mining sector bidding is concerned.

Apart from this we have submitted one financial bid in the state of Punjab for the irrigation project. The total cost of that project is almost close to 1450 Crores. So in a nutshell we continue to be confident on the ordering in road sector while we foresee number of MDO in the fiscal year from various clients. For irrigation we remain to be cautiously optimistic in relation to the timeline of the new orders. So obviously it will take some more time for coming, the new bid so far as irrigation sector is concerned and obviously the competition level is relatively very high in this sector also.

Now the order intake during the FY2016 stands at 2900 Crores excluding the two new HAM projects the EPC value of the same is under process for finalizing but apart from that the two we have already got 2900 Crores of the new projects first half actually and coming back to our business the order book as on March 31, 2016 stands at Rs.7487 Crores. This is excluding the two new HAM EPC orders and if we see the segment wise breakup, we have already provided in the media release. So as discussed in our last couple of calls, we have almost completed the EPC work for the BOT projects and FY2016 mainly we shall see the execution of the major part of the execution will come from the EPC order book or so and obviously during Q3 and Q4 you will see some of the execution from the two new HAM projects because the land acquisition is due to projects has 100% been completed by NHAI so once financial closure will be there.

Post monsoon immediately we will be able to start construction in these two projects and order intake if I say just for the sake of the understanding because there is a large number of bids are there but all put together in SEL in execution business we are seeing minimum bids in 5000 to 7000 Crores worth of the minimum orders in SEL actually so far as EPC business is concerned in FY2017. So obviously every quarter we will have numbers what actually has happened in the ground and what just we have received.

So now let me start with the summary of this quarter's financial as well as the yearly financial numbers. Income from operations for the quarter stands at 857.7 Crores as against Rs.967.4 Crores so obviously there is some reduction in the quarterly numbers. So during our discussion we will also highlight what are the reasons and how we are looking for FY2017 also. So EBITDA for the quarter stands at Rs.81.4 Crores as against Rs.95.7 Crores of the same quarter of the last year and profit after tax for the quarter was 40.7 Crores as against 38.8 Crores of the same quarter of the previous year.

EBITDA margin for the quarter stood at 9.49% against 9.90% in the same period of the previous year. So mainly the EBITDA margin has been reduced during Q4 FY2016 slight reduction almost obviously we are seeing around 40-basis point and there are two reasons mainly we are seeing. One is obviously the Rohtak-Hissar has contributed the major turnover of 126 Crores during last quarter where I also stated there is additional VAT cost actually imposition so that execution has also taken some little bit hit and also the increase in the contribution of the irrigation sector, which is a low margin item for us and some reduction in the mining sectors execution so that has impacted the margin numbers actually.

As far as road sector is concerned all the numbers are intact. So this is mainly because of the change in the actual execution numbers between the sectors. Once when we will see the FY2017 numbers then sector wise this EBITDA according to us will remain the same. We do not see any reduction rather once the road sector will start giving the improvement it will improve further for the coming period of time.

Also as discussed during our last earnings call company wants to quickly execute the smaller sizes irrigation projects, which company took over from the various JV partners and also I have stated in the same last call that because of the service tax credit issue company has stalled execution in the four mines of the Bharat Coking Coal and due to which the contribution from mining sector was reasonably lower.

Obviously two mines we have started the execution from February onwards and another two we have yet to start. So obviously once it will be through that will start showing the additional incremental revenue in the mining sector from the Q1 onwards. The other income during the Q4 of FY2016 includes the interest received or income tax refund amounting to Rs.5.3 Crores and interest received from JV partners due to investments made by the company on their behalf in stuck projects amounting to 12 Crores.

Here actually I would like to state that the during the quarter itself around 12 Crores of the interest has been spend by the company for the purpose of the work taken over from the JV partners mainly in the irrigation sector and so the company has totally decided that we would like to finish off all the job as early as possible and let the client be satisfy and all the payments we will receive during the Q1 or Q2 of the current year. So this will normalize during FY2017 apart from that there is an exceptional item includes the written off of the advances given to the subcontractors amounting to 18.9 Crores and also reversal of the provision of the labour’s cess for the Dhule project amounting to 9.8 Crores, which now no longer required to be paid based on some judgment so this has been reversed now. So this has been treated as exceptional item.

Now the income from operations during FY2016 stood at 3186.2 Crores as compared to 2969 Crores in the FY2015. So even EBITDA during FY2016 stood at 325.4 Crores as compared to 300 Crores in FY2015 and profit after tax during FY2016 stood at 133.7 Crores as against 113.7 Crores. So here, I would like to point out one more number actually when obviously the printed balance sheet will be there actually in the place that everybody will be able to figure out but the most important thing we have seen in the year that the cash flow from the operating activities has substantially increased and in FY2016 it stood at 163.89 Crores as against the negative cash flow of 36.5 Crores in FY2015.

The operational activity has shown reasonably large cash actually and second thing in all these BOT projects we are now fully funded. So there is no fund requirement has been there. So now onwards what we will see that every quarter we will have a very positive operational cash flows from the construction business and also SIPL in its own now first time during the last two quarters has to do the absolute cash profit generation mode actually. So obviously during SIPL numbers we will discuss the figures of the same.

Now on the execution of the transport business top 5 projects were executed during Q4 of FY2016 have been disclosed in the media release. As mentioned you last couple of concall also we reaffirm that we are on a track to complete all the BOT projects well before the schedule and also status of the recently won EPC projects, I would like to highlight here that the five projects, the large one is the Eastern Peripheral Expressway. The work has already been started in the Q4 say for February and March that comes to execution but the total execution does not cross the 10% of the total project cost obviously.

Normally the auditors view was that during the year if it is not crossing. So they are reluctant to book the revenue either in form of the work in progress or whatever mode actually even though some expenditure has been incurred by the company for those projects and mainly what we are seeing the Ambala-Kaithal and this Yamunanagar-Panchkula that has also started.

If we see the gross block for the current year’s number out of the total gross block of almost 100 Crores of equipment around 65 Crores of the gross blocks has been incurred for the purpose of execution of all these five projects. So all the projects are now fully equipped, complete side mobilization is there and from Q1 onwards we will have an absolute turnover from all the five projects where the execution has been starting. So till date we have received obviously the mobilization advance amounting to 206.32 Crores for the seven new EPC projects won by the company in the last calendar year and Rs.160.12 Crores is yet to be received from all these projects.

Let me give some highlight for FY2017 numbers based on the current order book. So if we see the segment wise we are seeing that the road sector means transport sector should contribute almost 2500 to 2600 Crores worth of the topline for FY2017 because execution at all the fronts is now completely on. So every few quarter we will start seeing the number of the same. Even in mining sector obviously we are seeing almost around 350 to 400 Crores worth of the job without start of the two Dhanbad projects actually. Once it will be started we may get incrementally almost around 100 Crores of the additional topline so far as mining business is concerned for the FY2017.

Irrigation, I have discussed in this call also even in past also that the total focus including the top management here even I can share that the key promoter, Mr. Vishnu Bhai is also totally focused on this irrigation business and we are expecting that out of the total order book of irrigation half of it will be executed in FY2017 itself actually. So we expect at least 750 to 800 Crores of the topline in irrigation sector for FY2017. So all put together we are of the view we should end up between 3700 and 3800 Crores of the topline, which may be around 18% to 20% over and above the FY2016 numbers.

Ballpark this is from execution front and also that other order book I would like to mention here in the EPC business that the SIPL has received the order from NHAI for two HAM projects in March 2016. We expect to execute the EPC contract by the end of the quarter one itself and the execution will be started from quarter three and considering all these numbers what I have discussed and apart from the bidding process which is going on in terms of the EPC as well as BOT. So we continue to remain confident of scaling new high in both construction and the BOT business for the coming years actually and this is what I would like to highlight before the floor. Now I would request Mr. Varun Mehta who will take you through the SIPL numbers who is CFO of SIPL for the benefit of all. Thank you very much to all.

Varun Mehta: Thank you very much Nitin Bhai. Good evening to all the participants and welcome to the Q4 FY2016 and full financial year FY2016 earnings call of Sadbhav Infra. I am sure you must have seen the Q4 FY2016 SPV wise full revenue numbers, which was shared with the stock exchanges on April 7 and then the media release for the financial results shared on April 25. I will start with the financial numbers and then we can go to the updates as compared with the last Sadbhav concall, which was held in the month of February, and then we can start the Q&A session.

The breakup between the operation SPVs in the standalone SIPL business for the P&L account has already been provided in the media release. Company’s consolidated total income including the other income for Q4 FY2016 stood at 284.6 Crores in Q4 FY2016 and at Rs.762.4 Crores for FY2016. During the consol total income the total income for the operational SPVs has increased in FY2016 due to three reasons. The first thing because of the consolidation of the financials of DPTL from October 29, 2015 that is post the completion of the acquisition by SIPL from HCC Group and from the JLL Group.

Second is due to the start of the toll collection in Shreenathji-Udaipur project that is SUTPL from December 6, 2015 and third is the normal increase in the traffic volume and the increase in the toll rate which is say ranging from around 3% to 5% depending on the project. The total income for the SIPL standalone increased due to the routine maintenance activity at the various SPVs. We shall discuss this during our call probably there is some line item which is there particularly in this SIPL standalone revenue which we expect going forward also.

The cash EBITDA for Q4 FY2016 stood at 214.6 Crores and for FY2016 it stood at 604 Crores. Cash EBITDA from the operational project stood at 184.4 Crores in Q4 FY2016 and at 569.2 Crores in FY2016. Cash EBITDA margin stood at 79.88% for the operational SPVs in Q4 FY2016 and at 83.6% in FY2016. Cash outflow for the finance cost of the operational project stood at 151.8 Crores for Q4 FY2016 and at 489 Crores for FY2016.

On the basis of this if you minus the cash EBITDA and the cash finance cost the cast profits translates for the operational SPV at around 32.6 Crores in Q4 FY2016 and at 80.2 Crores in FY2016. The cash profit for the operational SPV is expected to increase significantly from Q1 FY2017 onwards due to the increase in the toll rate from April 1, 2016 increase in the traffic volume because we have seen a significant amount of increase in the traffic volume in the last six to eight quarters and the reduction in the finance cost due to the completion of the refinancing of the debt at 5 of the SPV so till now we have completed the refinancing at 4 of the SPVs and one more SPV that is Bijapur-Hungund is expected to be completed in the month of May 2016.

The cash profit in the SIPL standalone is expected to increase because SIPL from Q3 FY2016 has started doing the routing maintenance and the major maintenance activity for all the SPV. We expect SIPL to generate revenue of around Rs.30 Crores in FY2017 from the routine maintenance activity. We shall increase by escalation each year and with addition of the project getting operational. Also we expect SIPL standalone to generate routine maintenance activity in the under construction SPV in FY2017 to the extent of Rs.120 Crores and this is only from the under construction SPV and Rs.70 Crores in FY2018 and FY2019 each for two new hybrid annuity project with the company has won in the month of March.

In all together say roughly around 120 Crores from the routine maintenance or the under construction SPV and around 140 Crores from the two new hybrid annuity project in the financial year FY2018 and 2019. Also the company shall undertake the major maintenance activities of all the operational SPVs estimated amount for the five SPVs for which the major maintenance is expected in the next six to eight quarters that comes to around 280 Crores.

Now let me go to the updates on the company from the last concall AJTL Aurangabad-Jalna Tollway Limited has received the compensation for the loss of toll revenue from car amounting to Rs.1.58 Crores for the period from January 1 to March 31, 2016. As discussed in a last concall we have already received the compensation for the period from June 1 to December 31. So in all we have received the total compensation for the loss of the toll revenue from car for the period from June 1 to March 31, 2016 of Rs.5.3 Crores.

The compensation for the loss of toll revenues from state transport buses and the school buses is yet to be received and we are still in discussion with the government officials to receive this amount of the compensation. In April 2016 we have completed the refinancing of debt for HYTPL and AJTL. Refinancing of Bijapur-Hungund that is BHTPL is in advance stages and we expect it to be completed by the end of May 2016 and with this we would have completed the refinancing of debt at five of the SPVs in the last six months and the refinancing of MBCPNL, RPDPL and ERIL is expected to be completed in say maybe Q2 or may be Q3 of this fiscal year.

So the process of the refinancing for this SPV is under process right now. So we expect it to be completed in the next six to nine months. The construction work for all the three under construction project is in advanced stages we just discussed in the speech of SEL also. So we have applied for the COD in VRTPL and RHTPL. We expect the COD in VRTPL to be received by mid of May and in RHTPL by end of June 2016. So I think eventually all this project will be completed before time on time as per the scheduled COD date. The COD for MBHPL Mysore-Bellary is expected by September 2016 as against the schedule date of June 2017. So this will be like around nine months of early competition for this particular project. So with the completion of Mysore-Bellary our entire current portfolio of 12 assets will be operational and it will be up and running and generating revenues for the entire fiscal year from FY2018 onwards.

We have completed the stake sale in MNEL to Brookfield Advisor for a total concession of Rs.90 Crores. We have received this amount towards the end of February month and SIPL has repaid the loan received from SEL with this amount. Toll rate has increased in Bijapur-Hungund, Hyderabad-Yadgiri, Rohtak-Panipat and Shreenathji-Udaipur between 2.5% to 3% from April 1, 2016. This is the normal toll rate of 3% fixed plus 40% WPI which is applicable from April 1 every year.

The toll rate for AJTL has increased by 18% to 20% from April 1, 2016 because in this SPV the toll rate increases by 5% per annum and for the effect is to be given three years. Toll rate for Dhule-Palasner has increased by approximately 14% due to the addition of the tolling land of the development from April 1, 2016 and along with the normal increase in the toll rate. Toll revenue in Rohtak-Panipat was impacted by around 10 days particularly due to the agitation, which was going in the month of February 2016, and we already intimated this to the stock exchanges.

Company has won two HAM projects worth Rs.1395 Crores. Company has received the letter of award for this both the project on March 31, 2016 and the concession agreement to be signed in the first week of May 2016. As per the prebid replies and as per our communication with the NHAI all the approval for these projects are in place and the land is also available with the 3D completed for the 100% of the entire land. So I think definitely once we achieve the financial closure of this project and post the monsoon season we can start the construction of this particular project and the construction period for this project is two years and the operational period is 15 years from the date of the COD.

Traffic growth during the quarter stood as follows: For AJTL SPV and MAV because there is no toll collection happening for the cars and the buses the traffic growth stood at 20.6%. For Bijapur-Hungund it stood at 6.2%, for HYTPL is stood at 21.9%, for DPTL at 8.3%, ERIL at 5.9%. Traffic growth for the 9 check posts which were also operational during Q4 FY2016 and also which were operational in Q4 FY2015 stood at approximately 20%. This includes some of the sort of plugging of the leakages and the regular traffic growth which is happening in this particular SPV and here I would like to emphasize in this project we are collecting revenue from only commercial traffic. In almost all the projects we have seen that the commercial traffic is growing by more than 10% and obviously in Maharasthra Border Checkpost we have seen the impact because this project is sort of touching the boundaries of seven states in a particular location.

Traffic growth in Rohtak-Panipat is not comparable particularly due to the impact of the Jat agitation in the month of February so obviously we will have the comparable numbers particularly in Q1 FY2017. Just to add we have filed various claims in this six SPVs namely NSCL, RPTPL, MNEL, DPTL, AJTL and MBCPNL with the various clients amounting to Rs.1500 Crores and this various lying at sort of different stages and definitely we are processing this claims aggressively with the client because I think say most of the claims in this particular amounts are genuine claims which probably we are working with the NHAI and with other state agencies to get the amounts. Post the start of the new HAM order we will discuss the bidding process of the SIPL also. SIPL has submitted bids for 15 projects worth 10207 Crores out of which bids have been opened for 10 projects worth 7273 Crores and out of this 10 projects SIPL has won two projects worth 1187 Crores. Five projects worth 2439 Crores for which the financial bids have already been submitted are expected to open before March 15, 2016. All these numbers are on the basis of the NHAI cost.

Now coming to the toll project and on the new hybrid project for which the bid are to be submitted. There are 17 projects under the new HAM model worth 17752 Crores for which the bids have been called by NHAI before May 31, 2016 and there are seven projects in the BOT toll space worth 6966 Crores for which the RFQ has been submitted and we await the financial bid submission dates from the NHAI. So in all we are expecting roughly around 24,000 to 25,000 Crores of bids to be awarded by NHAI in the new hybrid model and the BOT toll model put together. I think there are enough new orders available from the NHAI, which is available for the most of the private concessioners. So with this probably I complete my opening remarks and now we can open up the Q&A session. Thank you.

Moderator: Thank you very much. We will now begin with the question and answer session. Our first question is from the line of Amit Sinha from Macquarie Capital. Please go ahead.

Amit Sinha: Thanks for the opportunity. My first question is on the working capital of the standalone company. I understand that there have been certain changes mainly because of higher EPC execution. Just wanted to understand from you how would our balance sheet look like at the end of FY2017 and the EPC contribution would have gone a much higher than the current one?

Nitin Patel: Two things here I would like to emphasize that first the amount in which it by the company for completion of the various irrigation project where we have to step in because Sadbhav was the lead member in all these projects actually. So we expect that the out of the total funds which has been stalled almost to the tune of 150 Crores all will be received during the FY2017 itself and probably we are trying to get it through before end of Q2 itself. So large number of execution will be over by that period of time. So this is one thing. Second thing obviously the SIPL has obviously started paying back to SEL as a MNEL sale proceeds has been written back apart from that the various maintenance activity with SIPL is going to carry forward as Varun as mentioned that the almost 600 Crores worth of the maintenance activity is going to be carried out by SIPL during FY2017 and FY2018 so there is some reasonable margin which higher than the normal EPC business. So all this cash flow will be utilized as well as the cash surplus at SIPL level will be utilized for the purpose of payment to SEL and that will further reduce the working capital requirement actually. So more or less what we are seeing that these two aspects will bring down the usage level very substantially low and also recovery proceeds from SEL angle that will be further because if we see normally in this EPC projects of this NHAI what we have started this actually there are the percentage payment is there. So as I have mentioned that the certain percentage work has not been completed till then NHAI will not release the funds. So we have mobilization and work has been started in such a way that we should get the payment as early as possible. So all put together we are of the view that the yearend these two will come down drastically. The receivables will come down to the extent of at least 200 to 250 Crores by the end of FY2016 what we are seeing now.

Amit Sinha: That is very helpful. Based on my estimate the working capital days at this point of time looks like 90 days odd. So would you say that this level of working capital will be maintained at the end of FY2017 roughly?

Nitin Patel: As I have mentioned that because of these irrigation projects payment has been stalled but according to me it will come down to between 60 and 70 days actually by the end of FY2017.

Amit Sinha: Secondly Sir when you give out your order intake guidance for the next year I mean your expectation for the next year what is the sector wise breakup?

Nitin Patel: Broadly we are looking for minimum as I have mentioned 5000 to 7000 Crores worth largely from the road sector obviously but I have mentioned the MDO bids we have started actually one bid has already been submitted and there are another are there in the pipeline but obviously we have to see because these all are the very substantially large project actually. So when it will come it will have a complete different configuration itself but broadly from the conventional irrigation roads and mining as what we are doing now so between say 5000 and 7000 is the minimum what we can expect considering the current environment of the bidding as well as the new opportunities which is coming for the business.

Amit Sinha: So largely you are expecting in the road segment okay. Sir on the mining our client Bharat Coking Coal project issue I mean last quarter earnings call also you explained the issue. So where what is the status of the case now and why do we feel that rest of the issue will also get resolved?

Nitin Patel: Obviously, it is the government client ultimately but there are certain things they need and now they are figuring out with the other Coal India subsidiaries also. So what we have been intimated that all the heads of the Coal India subsidiaries will sit together and they will take some universal decision in terms of the service tax matter actually. So once it is there then obviously we will start taking up the other two things. Two of clients regularly working actually obviously there is an issue but the equipment and manpower has been utilized so far as to avoid the idling and any other costings.

Amit Sinha: So does that mean that I mean if they do not allow the service tax pass through then will it obviously it will impact our margin right in the mining segment?

Nitin Patel: Yes definitely if it is not done then, then obviously to that extent it will have but overall what we have we are seeing that the execution from the road front is now going to pick up actually further again as compared to what was there in Q4 but even half yearly the irrigation this is not high margin numbers but that we intend to complete as early as possible.

Amit Sinha: How much of work of GKC project which we took over in FY2015 is left now or everything is completed?

Nitin Patel: The GKC all irrigation outstanding is around close to 1500 Crores actually by the yearend. So out of this there are projects which we have taken over are to the tune of almost we have taken over are to the tune of almost around 850 to 900 Crores. Rest is all our regular projects. So these projects we intend to complete as early as possible because everything has been now utilized all our resources have been blocked there actually. So we would like to come out before the Q2 end.

Amit Sinha: Lastly, from my side what kind of margin range are you expecting for FY2017 and how much could this mining business if in the case in the hypothetical case that the service tax pass through does not happen through the client. How much of margin hit will that impact?

Nitin Patel: Broadly we can say that we should stand again close to 10.5% of the EBITDA for the FY2017 actually because if you see the impact of the mining is not more than 100 Crores we are seeing actually all put together. So where the road sector where all the fresh new projects are going to be executed with the these project has some different obviously the its own margin requirement calculations and these are the fresh projects and obviously at a certain stages there are the different, different margin but here all put together we can comfortably can end up with 10.5 we can guide right now.

Amit Sinha: Thank you very much Sir.

Moderator: Thank you. The next question is from the line of Nitin Arora from Emkay Global. Please go ahead.

Nitin Arora: Thank you very much. Sir just wanted to understand because no doubt that we have been bidding for the HAM and the BOT projects. Now what sort of debt levels you see at for the company in FY2017 rather I would say going forward because it seems like if we go more towards the BOT and the HAM the balance sheet correction seems difficult here. So just want to understand from your perspective that what sort of balance sheet debt level you see it for FY2017.

Nitin Patel: You mean to say for SIPL?

Nitin Arora: Sir for SEL.

Nitin Patel: SEL actually when this HAM and all these BOT toll is coming so now onwards there is no any support is required to be given from SEL actually. Even in fact I can tell here in this forum also during last seven months not a single rupee support has been given by SEL to SIPL because now the entire portfolio is fully funded. Second thing as I have mentioned that there is operation and maintenance contract at SIPL level which are going to generate the reasonable margin plus the cash flow from the operational activity operational projects that are also because post this refinance we will have a sufficient cash flow to cater the growth requirement for super, BOT and HAM projects are concerned and for execution working capital we do not require any other arrangement rather we are seeing this will gradually come down as I mentioned this money which has lend by SEL to SIPL when it is coming back then SEL itself will come at almost 0.3 to 0.35 leveraging ratio and again the money which has blocked for the irrigation project if it is coming back that will help back you to further comfort actually. So at these all level we will see on the contrary rather more strength and the requirement of the growth capital will not be assessed though some of the external sources.

Varun Mehta: So just to add for the new hybrid annuity model the equity requirement is only to the extent of 12% to 15% of the entire project cost. So definitely equity in this particular project is very less and plus still now at SIPL level we have not use any of the means like the securitization of any of the assets or say may be taken any of the assets. So definitely we have the internal accruals in place particularly to take the future growth at SIPL.

Nitin Arora: Sir actually my question was more from the perspective that let us say the guidance which was given by you on the transport is about 2000 Crores which means a 52% execution of my existing transport order book, mining was 500 Crores and irrigation of 750 Crores, which means around 3300 kind of a revenue number we are looking for FY2017?

Nitin Patel: No, no let me again for the benefit of all, I am again repeating now. The transportation business it is 2500 to 2550 Crores what we have mentioned. Even we had a half yearly internal we are having the project wise what can be done that can be also available. Second thing for mining we are seeing 350 to 400 Crores without operationalization of the two Dhanbad mines actually if it become operational it will further go up by 100 Crores. So for the mining and for irrigation as I have mentioned 750 Crores is easily achievable because lot of focus has been given, the large number of mobilization activity has been done to complete this project as early as possible. So all put together if we see that it is coming in the range of say 3700 to 3800 Crores actually. So that is the guidance what we are taking going forward for FY2017.

Nitin Arora: Sir so assuming that revenue space as a guidance and if I take out your money which you have given it to SIPL which might be standing correct me if I am wrong roughly around 530 Crores. How do you see the debt level to move it from here with respect to your working capital utilization for that revenue figure?

Nitin Patel: Rather it will come down. As I as have mentioned that the SIPL is now in a position to start paying back. Second thing for irrigation projects the money, which has been invested already, hauled actually that money will come back actually in FY2017 itself. So initially what has happened when we have taken over so we have started pumping the money. So all the work has been taken care of. So even client has also started figuring out that the yes the work has come to certain mark so now they may start also releasing the payment which was hold earlier time. So this is the thing we are seeing. Third thing as we have mentioned there is a certain almost around 160 Crores worth of the mobilization interest free advance is yet to be taken from the under construction project plus this two HAM project when it will come for execution this will give the additional advance of almost to the tune of 110 Crores for SEL for execution. So we do not see any other incremental requirement rather this will go down actually and we are seeing that for the FY2017 the finance cost should go down at least to the extent of between 20% to 30% from the current level.

Nitin Arora: Sir in your bid submission, which you shared with us, Lucknow-Ballia is included in that?

Nitin Patel: Submitted bid you mean to say no that has not been included there, submitted bids.

Nitin Arora: Our guidance of 5000 to 7000 Crores is rather not taking into account the Lucknow-Ballia project?

Nitin Patel: No, no that is separate. All put together we are seeing the Lucknow-Ballia is one of the projects where total land has been divided into the five, six projects. So we are actively looking into the same but apart from that all other projects in terms of the EPC is also large number of projects are there even if HAM and the BOT. So all put together we are seeing that almost more than 45000 Crores worth of the bids are visible just within a two to three months from now. So there we can see the significant. If you see the past also as Varun has mentioned out of the 10 HAM submissions we won two projects and number of bidders are substantially low actually as compared to we have seen in the past. So this will give further venue strategy for the company and that we are quite position going forward we are going towards very activity in this road sector bidding.

Nitin Arora: Sir you mentioned about the exceptional item related to Dhule, could you explain a little bit on that?

Nitin Patel: Normally, there is a law that the labour cess of 1% of the contract value is to be collected and paid today various state government actually so this money was deducted and kept as a hold and the provision has been made by the company as an expenditure since last two, three years actually. Finally, we got certain judgment that the before September 2010, need not require to be paid the labour cess. So after getting this judgment we have reversed this time actually. Otherwise we were supposed to make the payment. Settlement was not made it was hold cess.

Nitin Arora: Sir last question from my side what is your capex expectation for FY2017 and 2018?

Nitin Patel: Here, I would like to mention that during the FY2016 if you see almost 102 Crores worth of the capex has been done by the company out of that almost 64 Crores has been done for the road sector and mainly because of the road sector there is a change we have seen that the majority of the roads almost all the roads what we won actually that is all the concrete roads actually, which was earlier it was a bituminous pavement road. So because of that we have to purchase the concrete batching plants, pavers and the related other machineries actually for execution of the same. So now onwards what we are of this around same numbers of the capex will be required for FY2017. For FY2018 we have to see what the new orders we are winning further in FY2017.

Nitin Arora: Thank you very much Sir and all the best.

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

Ashish Shah: Good evening Nitin Bhai and Varun. Sir my first question is on the O&M revenue figures that was mentioned for SIPL so there we are saying that from the operational projects we are expecting 30 Crores and 120 Crores from the under construction SPVs which in FY2017 they will contribute 120 Crores. So how will be the accounting be done. Will this be eliminated upon consolidation since it is an O&M income from SPVs or this will be reflected on consolidation?

Varun Mehta: for the operational SPV so this is will be counted as revenue for the SIPL standalone and expense for the SPV. So net-net it will be sort of knocked out of the consolidation but for the under construction SPV it will be counted as revenue under the consolidation also because for the SPV this will be counted as the project cost as part of the project cost and for SIPL standalone it will be counted as a revenue. So eventually this will come as revenue for the SIPL standalone also under the consolidation.

Ashish Shah: 120 Crores.

Varun Mehta: Yes the 120 Crores and the 140 Crores which we have specified for the two hybrid annuity project.

Ashish Shah: So 140 is over FY2018 and FY2019.

Varun Mehta: Right.

Ashish Shah: So FY2017-2018 and FY2018-2019.

Varun Mehta: Effectively what we are talking about is 120 Crores in FY2017 for the existing under construction project and the two new hybrid annuity project that is 140 Crores in FY2018 and FY2019.

Ashish Shah: But just Varun one question why would we have any routine maintenance in under construction SPV.

Varun Mehta: Normally this is the requirement of the concession agreement only. Do I have to maintain the road also during the construction period so this is the requirement, which has been specified in the concession agreement for all the BOT toll project.

Ashish Shah: In terms of major maintenance you said some 280 Crores of major maintenance is to be done.

Varun Mehta: Yes 280 Crores is to be expanded out over five SPV and this needs to be done over the next six to eight quarters.

Ashish Shah: So broadly let us say two years. So again this will pass through your P&L.

Varun Mehta: Right

Ashish Shah: But will be eliminated or it will be capitalized.

Varun Mehta: Yes so this will be in the SIPL standalone this has been shown as revenue and in the SPV financial this will be shown in the balance sheet because we normally provide for the provision for MMR. Provision for MMR has been shown in the provisions in the balance sheet. So when we explain out the amount will be deducted from the provision.

Ashish Shah: So what you are saying is only the O&M income of 30 Crores is what will get eliminated. This will reflect in your P&L.

Varun Mehta: SIPL will retain in the SIPL consol.

Ashish Shah: Varun what is the reasonable margin to expect on these revenues?

Varun Mehta: In the normalized margin would be somewhere in the range of around 15% to 20%.

Ashish Shah: Secondly what is the outstanding debt from SEL to SIPL as on March 2016?

Varun Mehta: As on March 2016 it is around 530 Crores.

Ashish Shah: 530 have this come down from December or gone up.

Varun Mehta: As on December this number was 610 Crores so there is a reduction of broadly 80 Crores and this is obviously due to the sick sale of MNEL the cess we have received the proceeds to the stick sale.

Ashish Shah: For the irrigation we are looking at a big jump in revenues. What is sort of margin you are looking at on these revenues?

Nitin Patel: Irrigation normally historically we are making almost ranging 6% to 8% depending upon the project. So I think it will be within the same range actually for the balance work also.

Ashish Shah: So right now this is contributing very low margins, which you expect should at least normalize to 6% to 8% in FY2017.

Nitin Patel: 6% to 8% normally it will come initial phase obviously some large expenditure level and everything but overall now the projects are working full fledged manners actually. So we can easily achieve this numbers.

Ashish Shah: In fourth quarter this would have been a similar range or lower.

Nitin Patel: It was little bit lower. We have seen that it was around closed to 5% it was there actually.

Ashish Shah: Thank you. I will come back in the queue.

Moderator: Thank you. Our next question is from the line of Utsav Mehta from Ambit Capital. Please go ahead.

Utsav Mehta: Thanks for taking my question. How many sites you are currently operating in each segment.

Nitin Patel: Now for mining we are operating at around 9 locations actually and for irrigation because we are considering say for the 13 project in the state of Andhra Pradesh that we are considering as one project actually and MP there are different, different locations and Gujarat also different but all put together irrigation we are working for almost around 14 locations actually and road projects all put together around 15 locations.

Utsav Mehta: How would this compare to probably let us say same point of time last year or a couple of quarters ago. Has it come down or has it increase.

Nitin Patel: It is more or less only two locations we have been increased actually in the road because some of the projects have already been completed also. So around last year it was in a road project the two locations we have added actually. Irrigation it is the same, mining also it is the same actually.

Utsav Mehta: Just a followup on that order book question. So I understand that there are lot of projects coming up and you are expecting to take around 5000 to 7000 Crores of inflows next year but at what level will you tell yourself okay not need to take more orders here forth I mean what is the order book quantum that you are comfortable with.

Nitin Patel: For a road sector we are quite okay because we have to add additional 50,000 Crores of the orders there is no matter actually. So we can very large team, large fleet of equipments actually and even in terms of the execution so we can manage the whole things actually. Obviously the mining and irrigation because this all mining is capex specific, so we will have some relatively calculated call but road sector we are quite comfortable.

Utsav Mehta: I just did not get the road sector number that you mentioned earlier.

Nitin Patel: Total we are expecting around say, as I mentioned 5000 to 7000 so we can go up to even 10,000 also.

Utsav Mehta: Any cap in terms of number of sites or anything.

Nitin Patel: Sites actually if you see the bids are coming they are ranging from say 400 to maximum up to 1800 Crores of the project actually. So beyond those projects beyond that there are no projects for bidding except for the MDO mining actually rest all are within these.

Utsav Mehta: Just for my understanding based on what are scattered about the working capital cycle the operating cash flow should be much better next year right.

Nitin Patel: Naturally we are expecting a drastic change over the FY2016 in FY2017 because as I have mentioned operating cash profits for the year has significantly gone up mainly because of there was no now support is required for the SIPL rather we have started getting the money from down to top actually. So once it will continue to come up then we will continue to every quarter we will have the reasonable improvement over the operating cash flow.

Utsav Mehta: I mean this year there was no increment to the cash or the cash balance of the company so next year I am guessing if working capital improves and operating cash flow improves further there will be supple of cash. So what at the standalone level at least what you are planned to do with the cash.

Nitin Patel: That will start we will start reducing the debt position actually continuously.

Utsav Mehta: Thank you so much Nitin Sir and thank you so much Varun.

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

Parvez Akhtar: Good afternoon Sir, just a couple of questions; one what is the gross net in both SEL and SIPL at FY2016 including the current maturity of long-term debt.

Nitin Patel: The gross debt at SIPL level is 8080 Crores.

Parvez Akhtar: SIPL standalone.

Nitin Patel: SIPL standalone is 1150 Crores.

Parvez Akhtar: At SEL standalone.

Nitin Patel: SEL also it is the same 1150 Crores.

Parvez Akhtar: Sir I missed the tariff hike numbers for the various BOT projects if it is not too much of trouble can you please repeat.

Nitin Patel: So for Bijapur-Hungund, Hyderabad-Yadgiri, Rohtak-Panipat there we have seen a tariff hike of in the range of 2.5% to 3%. For Aurangabad-Jalna we have seen a tariff hike of 18% to 20% because here the tariff hike is 5% per annum and probably the effect is to given every three years and this is the year probably where we have seen the tariff hike and for Dhule-Palasner the tariff hike has increased by roughly around 14% and this is due to the addition of the tolling length of the developed section because there was a particular developed section of 14 kilometers where the tolling was not started. So from April 1 we have started the tolling of that also. So here we have seen a tariff hike of 14.

Parvez Akhtar: Thanks that is from my side.

Moderator: Thank you. Our next question is from the line of Kapil Agarwal from Max Life Insurance. Please go ahead.

Kapil Agarwal: Good afternoon Sir. Sir, if were to understand the margins more minutely I see in FY2016 the cost of bitumen has come down significantly. So in spite of that our margins have not increased much. So could you explain bit more minutely segment wise how the margins have been?

Nitin Patel: I agree that the cost of bitumen as compared to FY2015 and 2016 the change was hardly around say 10% to 15% in between. It was not that much significant change. Obviously but I say that the completion if you see the completion what we did actually so quarter one and quarter two there was absolutely no issue because the large number of projects which we were executing where it was back ended Shreenathji-Udaipur, Bhilwara-Rajsamanad where the bitumen consumption was consistently high and the BOT segment revenue was also very high in both the quarters if you see that. Post completion of the Q3 when we completed Shreenathji, Bhilwara Rajsamanad has been substantially completed. So in Q4 only Rohtak-Hissar remains actually and the Mysore-Bellary large part of the execution of the bituminous work was taken in quarter one actually of FY2017. So all put together we have seen the first half the EBITDA was 10.8% actually from the operational activities only and now the major shift what we are seeing it is mainly because of the irrigation which has gone up substantially naturally as compared to rather road has also come down because the turnover from the five projects where we have already deployed the manpower machineries work has been started but Accounting Standard- 7 auditor was very clear while we were finalizing the accounts he was very clear that the as per the AS-7 when we cross in the year 10% of the work then only we should start considering the revenue for each quarter. So Q1 onwards, we will have the reasonable revenue from all these projects where the margins were freshly worked out margins and the whole cycle of the margin will come into the numbers from quarter-to-quarter basis.

Kapil Agarwal: Sir for the hybrid projects what we bid, what kind of provisions we factor in for raw material, what kind of cost increases or what kind of calculations we make while bidding for hybrid annuity model?

Nitin Patel: While working out the bids, we are considering say, if you see the provisions of the concession agreement the NHAI is giving the price escalation of all the component 80% of the cost NHAI is giving the price escalation and it has linked to the WPI and CPI as well as the various components. Formula has already been given in the concession agreement. Over and above that earlier in all the BOT projects we were considering between 6% and 7% per annum for the construction period price escalation. Now we are over and above these escalation we are considering between 2% and 2.5% additional as a safety factor so long as in one item the cost goes up or one item cost goes here and there so there should not be any impact in the construction activities rather we should have some reasonable savings, we can get at least 1% extra because of this provision by what we understand.

Varun Mehta: Just to add both these projects are rigid payment roads so here there is no bituminous work but we have to complete the work on a cement basis only.

Kapil Agarwal: Sir, in the later part of the hybrid annuity awards we see more players emerging so how do you see the competition in the 2015-2016 bids what you have submitted?

Nitin Patel: What we are understanding from NHAI that NHAI definitely will encourage these model in a much bigger way actually because for all kind of sectors sometimes what will happen sector will set down actually, so this seven to eight people what we have seen but if you see technically the size and the names of the companies they are largely at least 50% to 60% are the local players and with a immediate price they can take one two maximum or three and if you see the people those who have taken the two three projects earlier now they are coming with very much higher bid actually so they want to remain in the game but they want to take a higher number, they can get actually so obviously everybody will have a chance. But from company specific we are very clear that we will have a very large presence for the number of bids. If you see all the hybrid annuity we have submitted the bids actually. Obviously at our own numbers when it will come definitely we will continue to take but the number of projects are relatively very, very large and what we understand that there are still there the bidders are very less as compared to what we have seen even in the toll projects earlier times.

Kapil Agarwal: Sir, last question from my side, what kind of interest the rate you expect on this hybrid projects the bank will charge you, so what kind of interest rate you see there?

Nitin Patel: As of now we have not obviously closed any of the term sheet or sanctions with the lenders because we received the LOA on March 31, so we are yet to sign the concession agreement, so we do not have any fixed numbers as such for this particular question, but I think definitely it should be less than the toll projects because there is no traffic risk as such and I think definitely it will be a bit higher than the operational project because of the under construction, in which it is involved but I think definitely it will be far, far lesser than the toll project.

Kapil Agarwal: The interest rate for all the other projects stands as of December itself what was the interest?

Nitin Patel: For the operational SPV post the December we have completed the refinancing of two of the SPVs that is Hyderabad-Yadgiri and Aurangabad-Janna. In Hyderabad-Yadgiri our cost of funds has come down to around 9.8% and in Aurangabad-Janna it has come down to around 10.25%.

Kapil Agarwal: Thank you so much.

Moderator: Thank you. We have the next question from the line of Devang Patel from IL&FS. Please go ahead.

Devang Patel: Nitin, few questions from my side. Irrigation you mentioned 6% to 8% EBITDA margins now that has passed and you are bidding for an order in Punjab so for new orders can we expect 10% margins and if not does it make sense to chase these orders when there is enough opportunity in the road side?

Nitin Patel: Naturally, in Punjab there are only three bidders actually. We will see less competition because the tender condition itself was so stringent so there were lots of people have gone out, but what we are seeing is I would like to state that the large number of states are coming with the condition particularly the state government and the irrigation business is coming from the state government that they are not allowing the CDR players for putting the bids. So what we are seeing that the this will further eliminate the visible number of players from the competition so every time we have to see what is the competitive intensity and accordingly we will figure up but road sector obviously in historical also even now also even for hybrid annuity what we have taken we are quite confident that it is a fairly reasonable very good EBITDA margins business what we are seeing now.

Devang Patel: So Sir for both this Punjab irrigation and HAM projects should we expect double digit EBITDA margin?

Nitin Patel: Sure 100%.

Devang Patel: The IRR at SIPL level because for the equity that it puts in?

Nitin Patel: The IRR at the SIPL level would be somewhere around 16% to 17%.

Devang Patel: When you were talking of 5000 to 7000 and you have not mentioned on the mining side what are you expecting, previous calls you mentioned sizes as big as 25000 Crores so this first few projects tenders that are coming out what are the sizes Sir?

Nitin Patel: Devang, just 5000 to 7000 what we were mentioning that the three sectors by the normal business activity what we are carrying now actually the roads, irrigation and mining and mining per se they are pure contract mining like what we are doing now actually, all put together we are seeing this is fairly reasonable. We are intended to take it further but hybrid annuity is completely ball game actually if you see the bid what we have submitted that itself is size of 25000 Crores so to be exhibited over the period of 25 years so yearly 1000 Crores clear execution is there. So it is, when it will come it will have a completely different issue so that is why we have segregated all the bids which are there in pipeline in the MDOs these are the minimum bid itself is for 25000 rest all are the larger size.

Devang Patel: Okay so any project that we get in the MDO space our current revenue in the mining is 400-500 Crores the next order that you get in the MDO will easily double this revenue?

Nitin Patel: Naturally, it will substantially even it will be three times than this actually.

Devang Patel: Sir on this HAM projects is this again with a six months window for financial closure?

Nitin Patel: The time period is 150 days from the signing of the concession agreement.

Devang Patel: Lastly, on Rohtak project when the peripheral roads in Delhi get built out will that something that will help the traffic?

Varun Mehta: Mukarba Chowk to Panipat which is NH-1 so that has gone to SL, we have achieved the financial close what had from the market but once the construction will start and the tolling for that currently that road is not under toll so people have advantage to go there actually and eliminate the toll of Rohtak-Panipat so once that road will come under the toll definitely the advantage to Rohtak-Panipat will increase further actually.

Devang Patel: Sir that should happen in a next quarter or two?

Varun Mehta: Construction activity when it will start definitely some traffic will start moving on this road because it will be very difficult for the large trucks or large vehicles or long distance vehicles will start thinking that let us go on a smoother way, they will pay but the those are state way calculating and saving the trying to save that toll for them it will take at least two and half years from now.

Devang Patel: Sir and on the FY2017 revenue guidance the previous quarters call you were saying something like flattish to 10% growth and now we are looking at 18%-20% growth so anything else has changed other than that two HAM projects that we got in the last quarter?

Nitin Patel: Two things I would like to mention here that, one thing the HAM bill contribute here we are seeing almost around a minimum 250 to 300 Crores worth of the topline from HAM because in the project what we have done has a 100% land available and what we have taken a call from Q3 we will start actual execution in the field itself so this is one part. Apart from that as I have mentioned that the current order book so all these five projects has now taken off in a substantial way actually what we are seeing in the field even we are planning to organize at least some of this site visits also for a analysts put together, some group of the analyst we can plan there so we can have a complete clear idea of the how these projects are has been taken off so here we are seeing that almost 3500 Crores which is at least 10% above than there what we achieved for the current year so I think what we have mentioned that we are in line with the same and we will achieve the same now.

Devang Patel: That is all from my side. Thank you and all the best.

Moderator: The next question that is from the line of Pranshant Tiwari from Religare Capital Market. Please go ahead.

Pranshant Tiwari: Varun can you please tell me the traffic growth in the project in Q4?

Varun Mehta: For Aurangabad-Janna particularly for the SPV and the MAV categories there is no tolling for the cars and buses today at 20.6%. For Bijapur-Hungud it is 6.2%, HYDPL at 21.9%, BPTL at 8.3% and for ERIL at 5.9%. The traffic road for the nine check posts in Maharashtra broader check post, which was also operation in Q4 FY2015 there, the traffic was stood at 20%.

Pranshant Tiwari: Yes. Thanks.

Moderator: Thank you. Next question is from the line of Kamlesh Kotak from Asian Market Securities. Please go ahead.

Kamlesh Kotak: I just wanted to have on perspective out of the total orders I do not know I missed it how many of our projects are in cement and how many of them are in bitumen?

Nitin Patel: Now all the new EPC as well as two HAM projects so 2900 Crores worth of the EPC project and this HAM I think we will finalize between say 1130 or 1140 Crores so all this will be completely in a concrete road now and rest of the basically road sector projects will be under the bituminous road.

Kamlesh Kotak: That is BOT right?

Nitin Patel: BOT plus EPC also so we are executing the BOT-1, which is a balance is a Mysore-Bellary, which is under BOT and obviously the Managuli to Devapara so that is EPC. That is in the again state of Karnataka so around 320 Crores worth of the job is balance there. Jhodpur to Pachpatra that is also EPC it is between a bituminous pavement again then Tapa to Bhatinda and also couple of projects in the state of Orissa so all put together all are the bituminous pavement projects.

Kamlesh Kotak: Sir, structurally going forward as you say that there are 40000-odd Crores of projects what would be the structure there also you will have more of a concrete cement road or it would be a mix of both how is it going to be there?

Nitin Patel: What we are seeing that in EPC there is a mix of bitumen and the concrete but we have seen the ratio currently it is almost 60% to 65% is the concrete roads. Second thing basically BOT toll all the BOT toll are coming under the bituminous road now and a third the hybrid annuity so as of now majority of the hybrid annuity are there in the concrete roads.

Kamlesh Kotak: So is it safe to say that overall the proportion of concrete roads will be higher compared to bitumen roads?

Nitin Patel: Yes, it will be significantly higher.

Kamlesh Kotak: Does it also significantly increase? What is the typical difference in the costing between bitumen vis-à-vis a cement road from our perspective or from the overall, some rough ballpark estimate if you can share?

Nitin Patel: Broadly it ranges from say 20% to 25% maximum per kilometer depending upon the how much structure work and how much plain road is there actually in the vicinity of the highways.

Kamlesh Kotak: Great Sir. Thank you very much Sir, that is all from my side.

Moderator: Thank you. The next question is from the line of Vaibhav Shah from ICICI Direct. Please go ahead.

Vaibhav Shah: Good evening Sir. Sir just wanted to check it out I mean since you were looking out the huge opportunity in the MDO division and this is going to be the relatively new area for us what would be the challenges in terms of executing this kind of orders and what would be the equity investment of something of that sort and financing would be required for executing this kind of project and what could be the risk in executing this kind of projects since it's a completely new feel for the industry?

Nitin Patel: Here I would like to emphasize here that the major part of this MDO execution is a carrying out the mining activity so if I divide the of the total revenue of almost around 75% to 80% is a pure mining activity actually and because the washing and everything is a relatively less activity because not 100% of the coal is required to be washed because there is some if all the seems what is the upper layer or the lower layer is basically hitting the soil so those portion only required to be washed actually rest we have to so 32% has content more or less basically in India we have seen between say 30% to around 45% has content coal which are basically coming for the opening of the mines as of now actually, so not much requirement there. Third is the transportation so not all the road basically we have to carry the transportation so all these projects if you see some of the projects we have to only carry out the obviously certain rehabilitation and resettlement work actually so we have to complete the construct on township also construct the large office spaces for the mining work actually because all these are 25 – 30 years of the contract plus we have to carry out some of the internal infrastructure like roads even providing some hospital facilities and everything actually for the rehabilitated areas because these activity will be shifting of people is to be mainly the clients job actually so it is not coming in our kitty, even land acquisition and everything getting the environmental clearance and everything is a client's job. So we do not see much difference here, just initial infrastructure for that the client is giving from 0 to 2, 2.5 to 3 years also for constructing all these arrangements actually so actually hitting of the coal bill may take depending upon the mine area but according to us it takes almost 0 to 4 years to come at the peak level of the production and the investment whatever is required normally so it is mainly in the form of the margin money for the equipment so majority of the equipment will basically almost come under the operating lease model actually so historically worldwide also for such kind of large projects these kind of resin model is only working. Second thing for normal working capital requirement that again will be arranged through the special purpose vehicle arrangement, it will not be directly on the balance sheet of the company so there we have to provide some equity but on a ballpark basis we are seeing that the bid we have submitted as of now which where we have to carryout 1000 Crores worth of mining every year so we are seeing the working capital will be initially first three years will be ranging from 400 to 450 Crores and the margin money for the operating lease will be in a range of 80 Crores to 100 Crores so that also to be arranged over the period of four years. So we do not see the large amount required for these activities. Only the thing is that why it is tempting because this mining activities Sadbhav Engineering is carrying out since last 22 years, India we are doing for 13-14 years and as of now almost company as if I see the size so around 9 to 10 locations what we are operating almost 65 to 70 million cubic meter of the work we are carrying out at different, different locations, here at a one location we have to carryout 100 million cubic meter so that is the only difference which is there.

Vaibhav Shah: Sir secondly what kind of margin can we make in this business EBITDA margin?

Nitin Patel: Obviously it depends project to project but naturally it will be higher than the what we are carrying now because as of now we are doing only some kind of arrangement and removing the major work is only removal of the overburden so rest other things is not being there so every investment suppose say for example we have to carry out the capex of say 250 Crores for this colony, hospital and everything so for that we have to see the returns should come over the period of 20-25 years and for that we should take reasonably higher margin as compared to, it is like how we are taking the margin in BOT, so every investment suppose say for example we have to carry out the capex of say 250 Crores for the colony and this hospital and everything actually. So for that we have to see the return should come over the period of 20 to 25 years and for that we should take basically reasonably higher margins as compared to the it is like how we are taking the margin in BOT. Similarly for operating activity because we are linked to the per tonne price of the coal actually. So working capital arrangement and everything is on our kitty so naturally the margin will go up actually. The safety of factor at every stage will continue to add.

Vaibhav Shah: Sir would that be fair to assume that this would generate a higher margin than over burden which we used to do and we do the margin of 18% to 20% there?

Nitin Patel: It will be higher than that as of now we are looking more than that actually.

Vaibhav Shah: Thanks a lot Sir.

Moderator: Thank you. Our next question is from the line of Puneet Garg from Axis Capital. Please go ahead.

Puneet Garg: Good evening. Sir just wanted to ask about this new project that you won in SIPL, does that include the HAM project 1200 Crores?

Nitin Patel: Order book.

Puneet Garg: Varun Bhai was mentioning right on these new orders?

Nitin Patel: Order book does not include two new HAM project.

Puneet Garg: That is it.

Moderator: Thank you. We have the next question from the line of Utsav Mehta from Ambit Capital. Please go ahead.

Utsav Mehta: Thanks for the followup. Just one very quick question on the cement consumption, earlier for the bitumen road for a Rs.100 worth of project it used to consume let us say Rs.5 of cement how much would that number now go to for a completely cement road?

Nitin Patel: Basically of the total cost what we are seeing say for example for 1000 Crores worth of the project so we are seeing that concrete work which is coming ranging between say almost 350 to 450 Crores so that is the range we are seeing now.

Utsav Mehta: How much would typically a kilometer of road consume in terms of cement I mean just roughly if you can?

Nitin Patel: It is not but here normally on PQC we have to carry out the M35 grade of concrete actually. M35 grade concrete requires almost around 7 to 8 bags per cubic meter of the concrete. So we have to work out per kilometer how much cubic meter will go but of hand it is not available with me now.

Utsav Mehta: Thank you so much.

Moderator: Thank you. We have a next question from the line of Ankita Bora from B&K Securities. Please go ahead.

Ankita Bora: Sir my question was on the road projects there are three or four road projects where the traffic is below our expectations and we are expecting extension in concession period going forward. So what could be the upsides in the value from that project given this extension in concession period that could happen?

Varun Mehta: Just to correct the traffic is not lower in those projects but the target traffic, which so the great traffic which NHAI specified in the concession agreement is very high. I think that is the reason why there is a gap between the target traffic and the actual traffic. Probably in terms of valuation we have not work out the impact on the valuation but definitely the impact would be very much high because in that extended period we would not have any debt repayment also because debt by that time would have been paid off to lenders. Definitely the entire cash flow the revenue minus the operating expenditure of 10% to 15% so broadly around 85% to 90% of the revenue would be considered into free cash flow to the equity.

Ankita Bora: Would you be also eligible for toll rate hike annual during that period as well?

Varun Mehta: Yes it is a normal concession period, which will be counted as per the concession agreement.

Ankita Bora: Just one quick question, on your interest expense that you incurred for this quarter although the debt has remained largely flattish but your gross interest paid during the quarter has increased significantly, the reason for the same?

Nitin Patel: Two, three things basically one thing is large number of bidding activity has started. So in SIPL the cost pertaining to the bank guarantees and everything has been worked out there actually in the quarter. Second thing, as I have mentioned that the money what we have invested basically for the GKC Project Limited so that has been considered and we have charged the interest of Rs.12 Crores he has agreed because as per the agreement with them whatever investment we have to make basically to complete the project he has to pay the interest as per what working capital cost we are incurring. So 12 Crores is not adjusted in the interest expense and it has been booked in the other income actually. So if you adjust the same practically the interest cost is lower than the previous quarters actually and going forward what we are of the view it will continue to come down because this money we will now start getting because initially it has picked up basically. Now it has started coming down because every month we are getting back the money from the client now.

Ankita Bora: Quantum of the NTPC project the MDO project that won financial bid that we have submitted from in the MDO space. What is the quantum of that project size?

Nitin Patel: It is around 25,000 Crores is the bid size actually and almost ballpark it is coming around 1000 Crores execution per annum.

Ankita Bora: Thank you so much and all the best.

Moderator: Thank you. The next question is from the line of Devam Modi from Equirus Securities. Please go ahead.

Devam Modi: Sir just wanted an update on the NTPC project in terms of now how many check posts are we looking at and what is the status in terms of number of check posts that we are tolling and where we will be tolling now going ahead and what is it that sort of going slow over there in terms of let us say not able to toll at further check posts?

Nitin Patel: Unlike if you see in the past also once we got the COD and then after Government of Maharashtra is taking little bit higher time, because the procedure what they have set it is a relatively longer procedure but now I can say that there are three COD what we have received because 13 are already operational three COD what we have already achieved for that the obviously the file has reached to the government level at a top at a minister level. So once I think within a couple of weeks it should be through. Then these three will be operational so it will become 16 and apart from this another three we have already applied for COD. So we are expecting that the COD we will get by the end of May we should get. Independent consultant will issue the same, so it will take us to 19. So what we are seeing that these three will become operational if we take all the factor of safety another three will become operational from Q3. In Q1 three will be operational. Q3 will be again another three will be operational. So by the end of Q3 we will have 19 check posts operational and before December only one check post will remain incomplete that is the Insuli before December another four will be completed so there are the 24 check-posts as of now as against 22, two has been added by the government. Government had issued the GR also that they have added another two check-posts basically. So, on a ballpark by the end of FY2017, 23 will be there under the revenue.

Devam Modi: Sir probably most of the pending BOT projects order book, which we are seeing at the end of March 2015 all of that belongs to MBCPNL right now?

Nitin Patel: It basically covers some part of Rohtak-Hissar, and some part of Mysore-Bellary also, basically the Maharasthra Border Checkpost.

Devam Modi: Yes but so basically what we are trying to understand is that with almost 13 check-post done and other Checkposts semi completed so around 11 Checkposts so physically probably have two more Checkposts to go still an amount of what remaining is very low in terms of value?

Nitin Patel: I think in terms of value the amount outstanding is roughly around 80 Crores.

Devam Modi: Another thing I understand that probably your working capital will not deteriorate on a year-on-year basis but from a share requirement of inventory and debtors EPC jobs will require more were WIP days then BOT job so typically compared to BOT how much more WIP days in EPC jobs take?

Nitin Patel: As of now what basically we are seeing that even currently if you see that the even after infusing the GKCs requirement for the irrigation practically working capital utilization is hardly 500 Crores in Sadbhav Engineering actually, rates everything because 530 Crores has been given to SIPL actually and again around a 150 Crores which is outstanding that is the SPL has increased its stake into the SIPL at least three years back because of that that money is outstanding and remaining is basically equipment loan. The equipment mainly it is a say around 60%, 65% was for the mining and remaining is for the road sector and one basically that wind project the outstanding loan is almost around 40 Crores so if we practically see the working capital is 500 so once the SIPL will pay back so practically working capital usage in the SPL will drastically will come down actually given the regular basis because all these mining and all these equipment repayment will be over within just two or two and a half years from time it is a structural repayment as per the pre agreed terms and conditions.

Devam Modi: But Sir so compared to normal BOT projects how much more EPC job will require more WIP days for EPC work versus BOT how much more WIP based will EPC require?

Nitin Patel: Incrementally, I can say that as compared to the pure item rate contract here we will have at least 10% to 15% additional working capital requirement but as I have mentioned Sadbhav per se because once the mobilization advance will come and all the money when it will come plus the operational cash flow because there is no any other commitment is pending at a SCL level now actually every time, every month cash surplus position will continue to happen, so incremental requirement will rather it will come down actually rather than going up.

Devam Modi: Sir we are seeing some leakage happening on ground in Rohtak-Panipet and recently we have seen like that L&T Ashoka project wherein they have invoked a state support agreement so what is the situation right now and is there any chance that we invoke that the state support over there in Rohtak-Panipet?

Nitin Patel: Notice we have obviously we have issued to NHAI and basically for because this Jat agitation when it has happened it is completely political activity and government could not give a required support. That notice has already been issued but we have to figure out actually with the government so if they are compensating the loss because we understand that they are now trying to compensating some way actually and they also basically understood our problem and rather if they can allow us to even plug at least two, three other surrounding roads to the toll plaza that will be much, much helpful for us but if the situation will continue like this so definitely we will go for the stringent action against it.

Devam Modi: Sir finally what is the starting toll we are expecting at Rajsamanad-Bhilwara and Rohtak-Hissar now that we are very close to completion?

Nitin Patel: Based on our internal estimates the toll in Bhilwara-Rajsamanad we are expecting somewhere around 12 lakhs per day and in Rohtak-Hissar we are expecting somewhere around 24 lakhs per day.

Devam Modi: So Rohtak-Hissar would it be in any way sort of linked to the Rohtak-Panipet project in terms of the through traffic and anything like that?

Nitin Patel: Both these sections are different if you see the map on the Rohtak-Panipet that project is going towards the Amritsar region and this Rohtak-Hissar is on the left of Rohtak-Panipet so it is totally different traffic dynamics for both the projects.

Devam Modi: There is no through traffic; I mean there is no traffic, which is going point-to-point towards this side.

Nitin Patel: No.

Devam Modi: Thanks a lot. That is it from my side.

Moderator: Thank you. Ladies and gentlemen as there are no further questions, I would now like to hand the conference over to Mr. Nitin Patel for the closing remarks. Thank you and over to you Sir!

Nitin Patel: Once again I am very much thankful to all the participants who have taken their valued time for understanding the business of the company and obviously the company is continuously growing sizes come up in a relatively obviously we can say mid-capped size like that actually and more important thing that the operational BOT projects has come in such a way that every quarter now company will have a continuous additional cash surplus basically for the purpose for which the money has been invested actually. So here I would like to emphasize that Sadbhav Engineering per se during its last ten years journey almost 1000 Crores has been invested by Sadbhav Engineering in SIPL so if you see the 460 Crores by way of the pure equity currently Sadbhav owns almost around a 69% of ownership in SIPL and apart from that 530 Crores the loan what Sadbhav Engineering has granted to SIPL actually. With this, this loan will definitely will come back within the couple of years and the company is now in a completely deleveraged mode actually in both the balance sheets actually and that we will see every quarter-to quarter in terms of the finance cost will reflect what we are saying now actually. Naturally when the company has grown the fruit will come to all the stakeholders of the company and the management is quite committed and we are hope the management even I can share that they are totally focused in the sector where we are having the presence and obviously this MDO what we are seeing it is a one of the good opportunity which is coming over the period of time but company wants to be there with their strong presence if the company can get the project at their own commercial dynamics definitely we will continue to have a more growth in these sector over the period of time. That is it from my side and again thank you very much for taking the time.

Moderator: Thank you very much. Ladies and gentlemen on behalf of Equirus Securities that concludes this conference. Thank you for joining us. You may now disconnect your lines.