



“Sadbhav Infrastructure Project Limited  
Q1 FY2019 Earnings Conference Call”

August 09, 2018



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**Moderator:** Good day ladies and gentlemen, and a very warm welcome to Sadbhav Infrastructure Project Limited Q1 FY2019 Earnings Conference Call hosted by Edelweiss Investment Research. As a reminder, all participant lines will be in the listen-only mode. 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. Debashish Mazumdar from Edelweiss Investment Research. Thank you and over to you Sir!

**Debashish Mazumdar:** Thank you very much Ali. On behalf of Edelweiss Investment Research I welcome you all for Q1 FY19 Sadbhav Infrastructure Project conference call. On behalf of management we have Mr. Nitin Patel – Non Executive Director and Mr. Varun Mehta – CFO of the company. Without wasting much of time I will handover the call to Mr. Nitin Patel and please take it forward.

**Nitin Patel:** Thank you very much Debashish Bhai. First of all good afternoon to all the participants who have taken the valuable time for understanding the quarterly numbers of the company. Now on behalf of Sadbhav Infrastructure Project Limited, I warmly welcome all the participants to the earning call for the quarter ended June 30, 2018. I would take you through the bidding scenario initially along with updates on SIPL post last conference call and then for financial numbers and operational performance. Mr. Varun Mehta will take you through the same.

The bidding has slowed down obviously especially after bumper bidding completed in Q4 of FY2018 by NHAI. Now as per the NHAI website there are 34 hybrid annuity projects of length 1778 kilometers worth Rs.36612 Crores for which bids are to be submitted before end of September 2018, this is what the NHAI website tells.

Now as against this if you see the competition, we expect it not to be very high for coming period also it can be within the range of hardly four to five bidders. The number of bidders during Q4 of FY2018 was around five to six only this is in relation to the bidding. We expect the bidding to start in full force from the end of September. There have been various discussions between MoRTH, Ministry of Finance, Reserve Bank of India and lenders so that the lenders can start participating in a big way as power free financial close of hybrid annuity project. We expect some progress basically on this front in next couple of months, now at SIPL during second half of FY2018 we had win five hybrid annuity projects, out of five, we have completed financial closure of one hybrid annuity project that is Jodhpur Ring Road and for balance HAM projects we are in discussion with the various lenders and expected to be HU by end of September.

The construction agreement for all these projects has been signed basically in the month of March and April itself and as per the schedule basically we have to achieve the closure for remaining four projects in the month of October. Now with these I think this is what the initial I would like to update regarding the bidding and hybrid annuity financial closure later part we will discuss the Q&A.

So I will handover now the call to Mr. Varun Mehta to discuss the financial numbers and operational performance of SIPL. So thank you very much to all for listening to me for this initial remarks.

**Varun Mehta:**

Thank you Nitin Bhai for giving the useful updates on SIPL. Good afternoon to all the participants and I once again thank you for taking a valuable time to attend the earnings call of Q1 FY2019. I am sure you must have seen the financial results along with the media release shared yesterday and also the SPVwise toll revenue data, which was shared on July 9.

I will just start with the financial numbers first. The break up between the operational SPVs, under construction SPVs and the standalone business has been provided in the media release, which was shared yesterday. The total cash income for all the operational SPVs during Q1 FY2019 has increased by 12.05% to Rs.293.51 Crores, from Rs.261.94 Crores during Q1 of FY2018. This number also includes the Nagpur–Seoni annuity. This translates to daily toll revenue of Rs.3.22 Crores during Q1 of FY2019 versus Rs.2.88 Crores in Q1 of FY2018.

The cash EBITDA from operational SPVs during Q1 FY19 has increased by 12.75% to Rs.250.24 Crores from Rs.221.93 Crores during Q1 of FY2018. The EBITDA margin in Q1 FY2019 stood at 85.26% versus 84.72% during Q1 of FY2018. We expect this EBITDA margin to sort of remain at the same level during the balance part of FY2019 also.

As mentioned in our various calls probably we have discussed that the cash profit is bound to increase on a quarter-to-quarter basis and probably what we have seen the trend in the last eight quarters also and probably this quarter is showing a much stronger trend in terms of the cash profit, especially after the reduction in the finance cost because of refinancing now translating into the reduction of the finance cost, right from the April 1, that is the start of the financial year so because of that the cash profit in the operational SPVs during Q1 of FY2019 has increased by 223.54% to Rs.85.83 Crores from Rs.26.53 Crores in Q1 of FY2018. We anticipate this cash profit from the operational SPVs to increase further in the second half of FY2019 which is obviously due to stronger traffic growth expected in the second half of FY2019. For FY2019 we maintain the same revenue guidance which we have provided in a last concall from the operational SPVs the revenue guidance was around 1200 Crore and a cash EBTIDA margin of around 85% and the Q1 is sort of more or less one of the indicators for that.

Now coming to the standalone business, the total cash income for this standalone business during Q1 of FY2019 has reduced by 14.07% to Rs.78.75 Crores from Rs.91.64 Crores in Q1 of FY2018, this reduction is mainly because in last year we had a major maintenance income from Dhule–Palesner but right now the work is almost completed. However, this revenue shall increase from Q2 with the booking of the maintenance revenue from the newly won five HAM projects because in Q1 we have not book any revenue from the newly won five HAM projects and this will start from Q2 of FY2019.

The cash EBITDA during FY2019 has increased by 22.47% to Rs.61.91 Crores from Rs.50.55 Crores in Q1 of FY2018. EBITDA margin during Q1 of FY2019 stood at 78.62% versus 55.16% during Q1 of FY2018 the increase in EBITDA margin is due to the higher proportion of the maintenance revenue from the HAM project and probably we have discussed in the earlier calls also that with the increase in the HAM maintenance revenue probably the EBITDA margin will also increase further from here onwards.

The cash profit from the standalone business stood at around 11.83 Crores in Q1 of FY2019. For this standalone business, we maintain the same revenue guidance of Rs.400 Crores which was given in the last call also, the revenue increase in the standalone business shall happen due to the maintenance revenue from the new five HAM projects which will start contributing from Q2 of FY2019.

With all this probably, I am happy to say that and obviously with the entire support of all the stakeholders the cash profit has been more than double in the Q1 of FY2019 now it has increased to around Rs.99.06 Crores in Q1 of FY2019 as compared to Rs.47.66 Crores in Q1 of FY2018 and probably if you see the trend on a Q-o-Q basis there has been a doubling of cash profit what it was in fact there in Q1 of FY2017 also. Probably for this cash profit also we are maintaining the same cash profit guidance which we provided in the last call so it was around 450 Crores of cash profit, which we are expecting in the full year of FY2019, this is as compared to 280 Crores which we have achieved in the last financial year so there is almost a 60% jump basically in terms of the cash profit.

Probably this is the result of four factors if you see in terms of the cash flows the one of the major factor is the refinancing of the debt because right now we have completed the refinancing of the debt in the nine operational SPVs out of the 11, obviously the last one which was Maharashtra broader check-post that we did in the last week of March. The second factor is the commencement of the construction in the seven HAM projects and plus the five more projects which will start from the second half so obviously that will add to the revenue and the cash profit of the standalone business. The toll rate increased because we have seen a almost 4.2%-4.3% of toll rate increase in the seven NHAI project and plus 18% toll rate increase in the Maharashtra broader check-post and plus strong growth in the traffic volume also especially from the month of September, which we have discussed in the past call also that after the GST and after the demonetization hiccup, the traffic is now back on

the road and we have seen a strong number of volume growth also. So I think with this probably we are seeing a good amount of traction in terms of the cash profit.

Now coming to the order book of SIPL, we have an outstanding order book of 720 Crores towards the maintenance of the 12 HAM projects, which is to be executed to over a period of next 24 to 30 months and this was including the L1 for this five newly won HAM projects also. The MMR of Dhule–Palesner is almost complete only 16 Crores of work is outstanding. The major maintenance in Bijapur–Hungund and Hyderabad–Yadgiri shall commence in the second half of FY2019 and the total value for the SIPL proportion is expected to be around 120 Crores so the total outstanding order book considering all of the above comes to around 850 Crores, which shall be executed in the next 24 to 30 months.

Now coming to the debt position, the consolidated debt of the operational SPVs as on June 30, 2018 is around 6944 Crores the consolidated debt for the under construction HAM project basically is around 709 Crores and the standalone debt is around 1473 Crores. Here I would like to state that we have drawn Rs.150 Crores out of the total sanction of Rs.520 Crores available in the Maharashtra Border Check Post in the month of July and out of this money around 130 Crores have been repaid to Sadbhav Engineering Limited and so because of that, the loan from Sadbhav Engineering Limited as of now currently stands at around 425 Crores.

Now coming to the operational performance during the quarter the update on the seven under construction HAM projects is as follows. The first package is the Rampur–Kathgodam package one so here we have completed the work to the extent of 45% and we have also applied for the second grant on July 31, 2018. The second package is the Rampur–Kathgodam package two so we have completed around 14% of the work in this package we got the appointed date in the last week of October for this package. But in this project there are certain areas where probably the clear ROW, the land is not available for the construction in sort of a certain portion of the project length and hence we have proposed to dealing this portion and to obtain the PCOD, the completion certificate for only those portion where the land is available as per the terms of the concession agreement, so probably we have proposed this to NHAI and probably we expect a favourable sort of decision from NHAI so that then probably the land, which is available as per the terms of the concession agreement we will get that COD on that particular portion.

The third package is the Bhavnagar–Talaja, there we have completed the work to the extent of 44% work is completed we have got the second grant also in that particular project. The fourth package is Una–Kodinar we have completed the work to the extent of 32%. Again in this package also there are certain areas where probably the ROW is not available for construction and hence we have again proposed to NHAI to sort of dealing certain portion and to provide COD only those portion where the

land is available as per the terms of the CA and now we are sort of working with the NHAI on that also.

The fifth package is the BRT Tiger Reserve Boundary to Bengaluru section, here we have completed around 27% of the work is completed. The sixth package is Udaipur bypass, so around 27% again is completed in this particular package. The seventh package is Waranga-Mahagaon, so we have got the appointed date in this project during Q1 FY2019 only so the appointed date has been declared as May 31, 2018 and probably till the month of June we have completed the work to the extent of almost 7.5% of the work has been completed in this particular project. And in the above seven HAM projects we have infused till now the equity of around Rs.321 Crores as on June 30, 2018 and probably the balance equity requirement for this 12 HAM project is around 12 Crores on a gross basis but obviously on a net basis it is somewhere around 470 Crores.

Now coming to the operational updates of the various operational SPVs talking about the Y-o-Y traffic growth during the quarter the traffic growth is as follows. Maharashtra Border Check Post we have seen a traffic growth of 5.1% Bijapur-Hungund around 2%, Dhule-Palesner 3%, Rohtak-Panipat 16.4% again if you see Rohtak-Panipat last year also we have seen more than 25% traffic growth still it is growing at sort of more than double digit. Rohtak-Hissar we have seen a growth of 15.6%, Hyderabad- Yadgiri we have seen a growth of 11.2%, Ahmedabad Ring Road 6%, Aurangabad-Jalna 9.8%, Shreenathji-Udaipur 1.5%. There has been some de-growth in BRTPL where there is a degrowth of around 2.9% in BRTPL but still on an overall traffic basis on a overall portfolio level basis, we have seen a traffic volume growth of around 6.5% during Q1 of FY2019 and obviously this is on a stronger growth which we have seen in Q3 and Q4 of FY18 also and this time also that the growth has been led by Rohtak-Panipat and Rohtak-Hissar and this probably the momentum has continued and probably we also see that it will continue in the near future also on a back of recovery in the economy.

I think with this we complete our opening remarks and I once again thank you to for listening us to the opening remarks and now we may please start the Q&A session.

**Moderator:** Thank you very much. Ladies and gentlemen we will now begin the question and answers session. The first question is from the line of Ankita Shah from Elara Capital. Please go ahead.

**Ankita Shah:** Sir my question was on the equity requirement that we have, how do we plan to fund the same, do you plans to monetize that you have operational assets?

**Varun Mehta:** Ankita, if you see in the first quarter also we have mentioned that we sort of generated a cash profit of 99 Crores and now that we have repaid that of 34 Crores and the balance has been utilized towards the

equity investment so I think the way the cash flows now has been lined up especially after the refinancing so probably the first source of the equity investment what we look for is that it is sufficient from the internal accruals itself that is in the financial year 2019-2020 and 2021 this three year should generate sufficient amount of the free cash flow, which can be utilized for the purpose of equity investment in this 12 HAM projects. But on the back of that also if you see we have got the sanctioned in the Maharashtra Border Check Post where we have currently drawn 150 Crores so the balance 350 crores is still available, 370 Crores in fact is still available for the purpose of the equity investment and I think we have been saying also which probably which is what the plan of the company is that the third option is obviously to do a monetization of the assets because now the assets are generating a good amount of cash that is visible from the cash numbers also so I think obviously the strategy of the company would be to sort of monetize certain of the assets and which can be then obviously be sort of deployed in the new HAM project because we are seeing a good amount of sort of bidding activity also from NHAI and plus the returns also lucrative in the HAM projects.

**Ankita Shah:** And Sir how is the progress on balance HAM projects, which are pending financial closure?

**Nitin Patel:** Yes, so I think as I just mentioned in the opening remark so we have achieved the financial closure for sort of one of the project, which is Jodhpur Ring Road. And for the four of the projects we are in sort of discussion with the lenders so I think by this month we should be there in terms of the sanctions and probably by next month probably we should submit the documents to NHAI because as I just mentioned that the deadline is probably in the month of October but the way it is going on right now we are estimated that we should submit the documents by the end of September.

**Ankita Shah:** Probably we should start getting there?

**Nitin Patel:** See basically yes so the appointed date obviously the financial closure is one of the conditions. There are many other conditions basically from the NHAI front be it land acquisition or be it the forest clearances or be it shifting so I think we will have to see exactly what is the status of those condition so I think post that only we will be able to see that when the appointed date will be there but at least there are couple of projects, which we discussed in the last con call also where the land availability is there so one was the Oragadam–Mumbai Expressway and the second one was the Visakhapatnam so that probably we are expecting that as soon as we achieve the appointed date the financial closure the financial date should be there but I think the more clarity will be able to give atleast in the next couple of months only.

**Ankita Shah:** Just one last thing this two projects where you said planning to where the write off is not available. I mean if we get that approval the EPC portion of that portion of work will come down?

**Nitin Patel:** Yes, see what will happen actually the first of all the hybrid annuity project what our first intent is to basically ensure that on scheduled date we should have the pre-COD for the lands which has been made available as per the contractual terms and conditions so the land which has not been made available by the authority so definitely basically we should not wait for the same it should be delinked so the meaning of delinking is something different so for delinking NHAI can give the suitable extension of time so without hurting us for the PCOD and also basically for payment of the annuity requirement for the balance portion of work also so this is completely separate mechanism is being proposed by us basically to authority so it is under review once it will be there but the portion if I can say that it is not so much because in any case 80% of the land is already made available so that whatever is there that may be in that 20% of the area but idea is to complete the project on the scheduled four-laning date for almost all the hybrid annuity.

**Ankita Shah:** Got it. Sure thank you and all the best.

**Nitin Patel:** Thanks.

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

**Prem Khurana:** Yes, good evening Sir. Thanks for taking my question. Sir my question was with I mean concerned more on debt so basically the idea was to understand when I look at our media release we see that we could generate enough to be able to meet our prepayment obligations as well as equity requirement but the numbers that you gave us in terms of standalone debt seems to be higher or almost Rs.100-odd Crore on a sequential basis so would be able to share I mean why this go up by Rs.100-odd Crore in a quarters' time and we could do decent cash generation in the operational SPVs and then in the standalone entity? And the second thing and related to this only the interest that we paid to the Sadhbav Engineering this quarter is higher again I mean on a Q-o-Q basis does it mean I mean we saw some help during the quarter?

**Varun Mehta:** Yes, so I think on the first question Prem basically see what we have done in this quarter is as we have discussed in the last concall also we have done a refinancing of the debt in the SIPL standalone so if you see the SIPL standalone the NCD is what we have they are almost 0% coupon with an IRR structure so the principal amount basically because of that has increased because whatever refinance what we have to do is the principal amount plus the accrued interest so the board was basically we are supposed to pay at the time of the repayment or at the time of payment so because of that if you see that the principal amount has increased basically in the debt component.

**Prem Khurana:** The entire RR has been accrued now only and it will get amortized over a period of time or is it I mean you would accrue it over a period of time?



**Varun Mehta:** Yes so if you see we have done the prepayment in one of the NCDs and there were two NCDs where there was repayment so probably around three NCDs, which were there were probably a principal repayment has been done and now the accrual of interest happen from past because if you see the P&L we have been providing the breakup between the cash finance cost and the non-cash finance cost, which is there so this non-cash finance cost is more so basically in relation to this accrual of the IRR so the time of the repayment or the time of pre-payment the entire principal plus the accrual interest will go towards the payment obviously we will have to sort of take the new financing cost sort of both the number that is the principal plus the accrual and because of that the principal number of the NCDs have increased. So I think that is the answer to your first question. In relation to your second question so I think if you see in the last half of FY2018 there was a certain amount of increase in the debt from SEL so I think we have discussed the reason why it had increased so because of that only if you see there has been an increase in the finance cost on a Y-o-Y basis and on a Q-o-Q basis obviously because the debt which we have repaid from the drawdown from Maharashtra Border Check Post so that has happened after the end of the quarter so we have done in the month of July so probably in Q2 you will see a reduction in the finance cost to SEL and probably now it will come down to sort of the level which was there in the earlier point of time.

**Prem Khurana:** Sure and the remaining drawdown which was pending on Maharashtra Border Check Post, is it linked to any kind of milestone you need to achieve in terms of toll fee collection or user fee collection?

**Varun Mehta:** Yes, out of the balance 370 Crores the 70 Crore amount is not linked to anything so that the drawdown is available at any point of time but the 300 Crores of the balance is there so there are three tranches of 100 Crores each so the 100 Crores of tranches are linked to a particular revenue number but I think what the revenue numbers have been sort of stack up with basically in this particular SPV especially after the increase in the toll rate and plus sort of we expecting couple of checkposts to also get operational in the next month so I think post that we should be eligible to get the balance number also so I think it is a matter of time once the check post get operation then probably the 100 Crores of the transits for the three transits so it will get sort of activated on that front.

**Prem Khurana:** Any sort of mobilization how much is already received and how much is pending from NHAI on these hybrid annuities now?

**Varun Mehta:** Yes, so we have received the mobilization advance in the earlier seven projects in the earlier six projects in fact so we have not received any in Warangal as of now, okay so as of now the mobilization advance outstanding in the books of the SPV is around 400 Crores and which is from the six HAM project which is there in Waranga Madgaon.

**Prem Khurana:** Okay and how much is due for this Waranga Madgaon

**Varun Mehta:** Yes, so on the Waranga Madgaon we have submitted our request to NHAI basically for the mobilization advance and I think we should expect it probably within next few days we should expect that the mobilization advance should come on this particular project.

**Prem Khurana:** Sure. And just one last was there any premium payment that you required to make during the quarter the deferred premium? And how much could that be?

**Varun Mehta:** During this quarter there was no premium payment because there are couple of projects where there is a zero payment basically in this particular financial year so there is only one project where there is a premium payment but that will happen only at the end of financial year.

**Prem Khurana:** Okay. Sure thank you.

**Moderator:** Thank you. Next question is from the line of Ritwik Sheth from Deep Financial. Please go ahead.

**Ritwik Sheth:** Good evening Sir. Sir few questions, first in a rising interest rate scenario do we face any risk of higher finance cost or everything is fixed cost as of now?

**Varun Mehta:** Yes, see basically out of the total debt in the operational SPV what we have which is 6944 Crores so of that the debt of around 1800 Crores is by way of the NCD so in that we have a fixed rate for three years so the three years is sort of different for each and every SPV but atleast for the next couple of years it is fixed and for the balance amount of debt it is linked to the base rate of the MCLR of the respect to banks but in that again for the MCLR the formula is in annual reset which is not that the reset basically will happen sort of which used to happen in the base rate scenario that on a daily basis that the once the base rate change then the MCLR will also change but it is in annual reset so I think during this quarter we have not seen sort of a major increase basically in terms of the finance cost and if you see our results also on a Q-o-Q basis that the finance cost is reduced and on a Y-o-Y basis also finance cost is reduced so I think as of now we are not expecting a major sort of increase in the finance cost but obviously the MCLR of the banks sort of changes to a large extent then probably it will sort of lead to an increase in the finance cost but obviously the increase in the finance cost also the increase in the MCLR can be because of the higher inflation and the higher inflation will then contribute to a higher toll rate increase also. So I think more or less if you see the tolling business, which is, there it is more or less sort of protect basically in terms of the interest rate scenario, which would be there.

**Ritwik Sheth:** Okay and what about the standalone debt and the HAM which is 2200 Crores?

**Varun Mehta:** Yes so for the standalone debt, which is there, so the external debt, which is there so it is fixed because this is all NCDs because there is no sort of variable interest rate there the other debt is

obviously from SEL so it is not linked to any external market rate. For the HAM project definitely it is linked to the MCLR of the banks but it is again linked to the annual rest but if you see in the HAM project in the last six months that the bank rate what the NHAI will pay to us so that rate also been increased by 50 basis point so earlier it was 6.25 now it has increased to 6.75. So I think we have not seen probably a 50 basis point increase in the MCLR because we have done the refinancing in the last round and also now we are doing the refinancing so I think even if the increase is up to 50 basis point so I think we have protected because the income also for us is increased.

**Ritwik Sheth:**

Right, fair enough. Sir my next question is related to strategy so last year we are talking about the benefits coming from higher traffic growth once all the projects are operation BOT and annuity projects are operational so now that they have operationalized and stabilized in last three to six months and we are seeing traffic growth coming in some price increase as well so now we are looking to sell stake either entire or some part however the offer is on the table so what has changed in last six months or nine months because as I interacted it seems that SIPL now wants to be asset like so you know if you can throw some light, because there is some confusion on that part?

**Nitin Patel:**

See let me tell you regarding the operational assets obviously we are not a fund everybody because we always tell that the that our intent is to stabilize the asset and once it reach to a certain cash generation obviously whatever value the equity what we infused plus the whatever value over the same so we will be there in a process to monetize. The process has already been started now and we reached to almost in a midway now and we have seen the good amount of traction globally from the almost large set of global investors because we have seen that the TOT has how has emerged in India after the first TOT so that is why the interest level is very high and we are now very quite confident that the things will happen at appropriate terms and within a reasonable timeframe.

**Ritwik Sheth:**

Okay. So should we expect by this financial year-end we should be able to sell the entire BOT portfolio?

**Nitin Patel:**

Our endeavour is to complete the transaction as timely as possible actually obviously it is having its own process so the process we are moved as I mentioned we reach to midway so obviously certain time is there actually so once things will there definitely will come to the same platform and now we come with everything black and white there.

**Ritwik Sheth:**

Okay so my question was Sir regarding strategy so if we sell this BOT assets best case we are assuming one year down the line so we will be left with the HAM projects, under construction and the new projects that we will be bidding for so and then those also will be churning out as and when they mature and they are completed so is the way forward that we will be very asset light in terms of a SIPL level?

**Nitin Patel:** See obviously it depends upon the which kind of transaction we are entering into for the first phase as of now No.1 and obviously the opportunity in highways sector is currently it is in the hybrid annuity only so our focus will be there to get a good set of project with the decent terms actually so obviously SIPL will continue to take it forward and then everything depends upon which transaction actually happens so that is way how we would like to take it forward but suppose if it is not happen then definitely the company will have the enough cash to take the further growth and also to grow the company in altogether different manner.

**Ritwik Sheth:** Okay fine Sir. Thank you and all the best.

**Moderator:** Thank you. Next question is from the line of Parvez Akhtar from Edelweiss. Please go ahead.//35.56

**Parvez Akhtar:** Good afternoon Nitin Bhai and Varun. Congratulations for a good set of numbers. Just a couple of questions, one looking at the bidding scenario now and the expected lower competition for HAM project what would be our bidding strategy. I mean how many HAM projects do we expect to when in the current fiscal?

**Nitin Patel:** See first of all Parvez Bhai our intention is there to be there in the hybrid annuity bids because the competitive intensity if it is less so definitely the probability of winning the projects at lucrative terms is very high. Second thing parallel the biggest thing which is required to be done it is a say for example show the visibility of the equity as well as the further tie-up also so right so we are in a process so what we are thinking that the first phase we will complete just within a short time now for the visibility of the equity, No.1. I think will be able to give the clarity within a short time in the market itself and the second thing the idea is to have a tie-up in such a way that some kind of the pre-bid tie-up with the either a couple of lenders or anything so once we have some kind of arrangement this will give further optic in terms of the bidding for going forward so definitely HAM we will continue to put the bid and obviously at the terms and conditions what we will feel better actually.

**Parvez Akhtar:** So can we expect will maintain at least the levels of project that we have shown over last two years?

**Nitin Patel:** Obviously the intensity it depends upon how much projects are coming for bidding because this year we are going to see a good set of numbers will be there so definitely and thereafter there will be some lean period so it may have some longer time also it may take so obviously we are seeing coming eight ten months will be a period where we have to determine all the strategy but the idea is that to be there actually for the bidding activity in a large number of projects.

**Parvez Akhtar:** Sir if you could give us the land acquisition status on the five new HAM projects?

**Nitin Patel:** Out of this five Jodhpur Ring Road the land is completely available as of now except for some utility shifting work where the estimate needs to be completed by NHAI so we are waiting for the same so mostly we are expecting by end of this month, NHAI will be ready to give the complete the appointed date for the project. Regarding this another four the Vadodara scheme waiting for the same so mostly we are expecting by end of this month NHAI will be ready to give the complete the appointed date for their project. Regarding this another four the Vadodara the package five would be our supposed to execute and the Visakhapatnam Port Road as Varun Bhai has mentioned so there is no challenge of the land more than 80%-85%-90% land is available almost in this two projects and particularly Vadodara-Mumbai package five is a 100% Greenfield so there is no any other utility kind of shifting and anything so it is just starting of the work in the entire area so we will see that the appointed date will be faster. Regarding Tumkur-Shivamogga see almost around 80% of the land where the three denotification has happened actually so our intention is that once the 3G almost we crossed 3G so it will take another four to five months according to our estimation so to complete the to reach that 80% level so definitely it will have a some delay for taking the appointed date and similarly this Bhimasar to Bhuj so there is also the project almost all the land is under 3D stage so once the NHAI cross 3G notification for at least 80% then we will be going forward to take the appointed date in the project.

**Parvez Akhtar:** Sure Sir. Thanks that is it from my side and all the best for future.

**Moderator:** Thank you. The next question is from the line of Riddhesh Gandhi from Discovery Capital. Please go ahead.

**Riddhesh Gandhi:** I just wanted to ask you in terms of the equity IRR executions from your HAM project how do you think of that including and excluding the O&M contract?

**Varun Mehta:** Yes so I think the HAM project which are there so that is like the equity IRR has been generated at sort of two level one is at the project level and the other is at the SIPL level also, so I think both put together the equity IRR what we are seeing is sort of hovering around in the range of probably I can say in the range of 19% to 20% so I think and probably if you see the numbers also which are there in the public domain, so I think on that basis also if you see this number is basically sort of a very good number for a project, which is annuity project and since the competition was less at the time of bidding and the rate what we have quoted at the NHAI is almost around 16.9% higher than the NHAI costing so I think because of that this IRR which is 19%-20% has been there basically in the HAM project where we have achieved the financial closure.

**Riddhesh Gandhi:** Got it. So I think strategically then I guess what our aspiration is to continue to do project with actually high early 20 IRR and as this stabilize look owners who got lower cost capital who will in turn then effectively speaking acquire our assets and is invested equity and then reinvest the equity

into additional project and sort of continue to make a split on that is that how you are all looking on it?

**Nitin Patel:** See obviously because post the completion basically the obligation remains only towards the operation and maintenance obviously this can also be done by now the lot of agencies are available in the market but according to our assessment obviously we will be looking to churning the projects that will be the strategy going forward but first the commitment is to basically complete the project in all respect upfront but here the advantage is that we need not have to wait for more time once the COD is there actually because the revenue stability is there from the day one.

**Riddhesh Gandhi:** Correct. So effectively speaking what this allows us to do it because of a expertise and infrastructure effectively develop projects where we all have high equity IRR and then split them out to people who got lower cost of capital requirement so that they can make a split on that?

**Nitin Patel:** It is more or less same kind of scenario but obviously depends whether we will go basically on the bunch basis or the project basis that depends upon the once we complete the project actually.

**Riddhesh Gandhi:** Correct. Just a last actually, given effectively speaking the equity IRRs how much equity has been invested in your existing project, which are already operational?

**Varun Mehta:** See overall put together we have invested almost around 2700 Crores of the money which is by in the nature of pure equity plus a subordinate debt and there is a short term loan which is there so the eleven operational project what we have we have invested in this three nature the amount to the extent of 2500 Crores.

**Riddhesh Gandhi:** Correct. And because the actual EPC in a margin that you have maintained on this is reasonable you would expect this ultimately to have a reasonably high premium to equity invested because I know other players have taken very high PPA margins we have been reasonable about it therefore we would expect reasonable amount of equity premium as we look to clock this out? Would that be an absolute understanding?

**Varun Mehta:** Yes, so I think if you see the amount of cash generation which is also happening so I think obviously this the output of that particular decision, which was taken we sort of need to have a third party EPC margin also between the Sadbhav Engineering and Sadbhav Infra and probably the cash flows, which is happening may be output of that and now if you see the credit also of the SPV the operational SPV out of the 11, 9 SPVs were rating of so I think obviously on the basis of this definitely there will be a premium to sort of equity what we have invested but we sort of need to seek exactly what is the range

of the premium but I think definitely on the amount of cash flow which has been generated I think anyone can figure out there will be a premium to the equity invested.

**Riddhesh Gandhi:** That makes lot of sense. Thank you that is all from me. Thanks.

**Varun Mehta:** Thanks.

**Moderator:** Thank you. The next question is from the line of Debashish Mazumdar from Edelweiss Investment Research. Please go ahead.

**Debashish Mazumdar:** Thank you very much for the opportunity Sir. So I wanted to understand that in the HAM market today as we all know that financial closure is little bit difficult for majority of the players especially the players who have more number of HAM and in your opening remarks you mentioned about around 35000-40000 Crores of incremental pipeline to be coming in by September so I just wanted to understand that as because existing HAM projects are not getting financial closure or facing difficulty in doing the financial project do you think that incremental 35000-40000 Crores of HAM pipeline would actually materialize?

**Nitin Patel:** See ultimately what will happen Debashish bhai ultimately the companies who will be able to demonstrate obviously the arrangement of equity No.1 also deployment the resources for completing the project in all the spirit so they will continue to take the project and or what we can understand that there is some factor of safety in terms of the either the interest rate either the arranging the financing all put together so this will also be start before it start loading into the overall bidding criteria what we can generally figure out but even in past also we have seen that obviously the competitive intensity is coming back but it cannot be that there will be a bidder actually so definitely and this is the real time what we understand that real spirit is struck and get at least some reasonable projects if possible.

**Debashish Mazumdar:** Okay so my next question is again around that the financial closure that you were getting or may be closure to getting in what is the kind of rate you are getting?

**Nitin Patel:** See the last project Jodhpur ring road what we have basically we have close at 9.45% interest rate linked to the MCLR right, so I think the range is just within as of now we can say that the range is between 9.4 to 9.6 I think maximum it may go up to 9.75 but I do not see beyond that there will be a rate actually.

**Debashish Mazumdar:** Okay. So as you mentioned few minutes back that equity IRR is upwards of 19% - 20% so for any 25 BPS interest rate what is the kind of impact normally the HAM project gets during construction and what is the impact of IRR?

**Varun Mehta:** Yes during the construction period if you see that is 25 basis point increase sort of would not impact much as I just mentioned in the earlier question also that since the rates are sort of linked to the MCLR where the reset happens on a annual basis and especially in under construction project the disbursement of the debt will happen in a phase wise manner so there would not be any major impact basically the 25-basis point increase and also the project cost what we quote generally they do have a certain percentage for the contingencies also so I think probably we do not see there are 25 or say even 50-basis point increase in the interest rate would sort of impact to a large extent on the IRR as such.

**Debashish Mazumdar:** One last question Sir if let say that any company or any constructor not able to get the financial closure within a stipulated time period of let us say October so what normally happens to the project it goes back to NHAI with the penalty to constructor how it happens?

**Nitin Patel:** It will lead to termination so there is a clear position in the construction agreement so if you does not achieve the closure and obviously it depends upon the condition precedent also so suppose if the authority fulfills this all the condition precedent and the concessionaire could not get it so obviously it will go for a termination and if there is a gap actually so definitely the concessionaire can also ask the authority for giving some more time actually. Obviously the mechanism has been mentioned there actually in this construction agreement to work out the amount of the penalty for the delayed achievement of financial close.

**Debashish Mazumdar:** Okay I understood Sir. Thank you very much for answering my question I will come back.

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

**Ritwik Sheth:** Thanks for the follow up. Just one question Sir even we sell portfolio of 1.5X or 1.6X whatever premium on the equity we have invested so if I do some math we will be able to bear down our entire debt so the standalone and the HAM debt which is currently around 2200 Crores and we will still be available with some surplus so that suites us well for the next stage of HAM project is that understanding right that is what we are looking to do over next couple of one two years down the line?

**Nitin Patel:** See once the transaction happens and the 2700 Crores is the basic equity has been invested in 11 projects so definitely once the premium is coming over the same so everything will be completely zeroed down, completely not only here and the company will sitting on the decent cash actually for the growth potential so that is and say at certain point of time as we have mentioned that we have not fund, so our role is to complete the project develop it in proper way stabilize the same and start continue to churn it.



- Ritwik Sheth:** So we will be left with cash for HAM project bidding right?
- Nitin Patel:** Obviously so there is be decent cash if transaction happens then things will be completely in a different line itself.
- Ritwik Sheth:** Okay Sir. Thank you.
- Moderator:** Thank you. Next question is from the line of Debashish Mazumdar from Edelweiss Investment Research. Please go ahead.
- Debashish Mazumdar:** Thank you very much Sir. Sir two questions on the operational assets Shreenathji-Udaipur and Bijapur-Hungund these are the two assets which is like kind of a little lagging growth over the last two to three quarters so any specific guidance around that any specific reason when you will see the revival is expected to happen?
- Varun Mehta:** Yes, Debashish if you see both SPV the common factor if you see is that there is a very high proportion of the commercial traffic which is plying on this road and I think within the commercial traffic we have seen say there is a good amount of shift which is happening from a three axle to four axle vehicle even say sort of four axle vehicle and if you see in these two projects the category which is there so there is no separate category for three axle, four axle, five axle so any vehicle basically from say three axle is in the same category. So I think because of that conversion which is still happening so I think because of that we have seen that the traffic growth is a bit subdued basically in sort of these two projects and especially in Bijapur-Hungund if you see almost around 90% of the vehicle plying on the road is a commercial vehicle so probably there is an impact because of that and in case of Bijapur there is one more project specific reason that the stretches nearby to this particular project be it Solapur-Bijapur or be it Solapur-Yedishi and then Yedishi to Aurangabad so probably these stretches which are still basically in a two laning mode probably the projects have been awarded from Solapur to Bijapur and probably the construction is also going on between Solapur to Aurangabad so I think once the construction sort of completes and once the two laning is converted into a four lane then definitely we are expecting there will be a sort of good amount of traffic increase basically in this particular project as well. But other than that probably if you see both this projects are sort of catering to the traffic, which is long distance in meter so I think it is almost sort of it is not dependent on any particular development happening in this particular project area so I think it is more so a factor of the macro things which are happening and which is sort of leading to some amount of slower growth in this particular project.
- Debashish Mazumdar:** In case of Maharashtra Border Check Post we have the rate revision of 18% that we got?

**Varun Mehta:** Yes, so we have got that 18% hike from April 1, 2018.

**Debashish Mazumdar:** Okay. Thank you very much for answering my question.

**Moderator:** Thank you. That was the last question, I now hand the conference over to Nitin Bhai for closing comments.

**Nitin Patel:** Thank you very much to all the participants for taking the interest in the business of Sadbhav Infrastructure Projects Limited and as we have seen the complete numbers from the operational SPVs also so the numbers are now coming into the very decent terms and also the repayment is happening at each and every quarter so the trajectory for clear cash generation has been started in the entire portfolio so our commitment for the last the ten year what the company did actually so it clearly reflects that the whatever commitment the company has taken the project basically properly developed it also stabilize it and now bring it in to the clear cash generation now so obviously the next step is coming to completely churning of the asset as we have discussed so I think we will be able to complete within a reasonable time as we have indicated and for the hybrid annuity we are also quite confident because of the India there is a huge potential and under the Bharatmala is there so where the highway construction is there we would like to keep committed in terms of the execution so that is why we will continue to see and focus for the hybrid annuity also for the coming period of time. That is from my side and again thank you very much to Edelweiss also for organizing this. Thank you so much to all.

**Moderator:** Thank you. Ladies and gentlemen, on behalf of Edelweiss Investment Research that concludes this conference call for today thank you for joining us. You may now disconnect your lines.