



“ITD Cementation India Limited Q1 FY2019 Earnings Conference Call”

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Moderator: Good morning ladies and gentlemen, welcome to the ITD Cementation India Limited Q1 FY2019 Earnings Conference Call hosted by ICICI Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rushad Kapadia from ICICI Securities. Thank you and over to you Sir!

Rushad Kapadia: Thank you. Good morning everybody and welcome to the Q1 FY2019 results earning call for ITD Cementation. The management is represented by Mr. Prasad Patwardhan, Chief Financial Officer, Mr. Jayanta Basu, Chief Operating Officer and Mr. B. Vijaykumar, Senior Vice President. I would now like to hand over the floor to the management. Thank you and over to you Sir!

Prasad Patwardhan: Thank you Rushad. Good morning everyone and thank you for joining us on this Q1 FY2019 earnings call. Apart from my colleagues, Mr. Basu and Mr. Vijaykumar, my colleague, Mr. Kamlesh Vishwakarma, who heads the accounts team, is also with us on the call.

Our results for the Q1 were declared yesterday and I am sure you would have had a chance to look at it. I will just summarize the highlights of our performance in Q1. On a consolidated basis, our overall income from operations was 654 Crores this quarter as compared to 575 Crores in the quarter ending December 2017 and on a year-on-year basis the turnover has gone up from 523 Crores in the quarter ending March 2017.

As far as our EBITDA margins are concerned, we are reporting an EBITDA of about 70 Crores this quarter as compared to 72 Crores in the previous quarter ending December and 66 Crores a year back. The profit after tax for the quarter is 28 Crores as compared to 17.6 Crores in the quarter ending December 2017, which represents a roughly 15% increase and the profitability in the quarter ending March 2017 was about 15 Crores, so our profit has jumped nearly two times in this quarter as compared to a year back.

A few other developments, which I would like to mention here is we ended December 2017 with an order book of 7500 Crores. In this quarter, we have received fresh orders worth about 2400 Crores. One large order, which was sitting as L1 we have been talking about that on our earlier calls as well, which, is the Udangudi project has finally been awarded to us in the month of February 2018 and overall the order book has grown by about 2400 Crores, new orders coming in this quarter.

As of March, our order book stands at about 9100 Crores. In addition to this, we are L1 on two other orders worth about 400 Crores. As you are aware, we did a QIP also in this quarter and we have mobilized about 337 Crores. One more positive development subsequent to that has been that our credit rating has been upgraded by March 1, 2018 and it has gone up from A- to A. The rating is assigned to us by ICRA. These are the financial highlights that I wanted to share with you. I will now hand over to Mr. Jayanta Basu, who will brief everyone on our operating performance in this quarter.

Jayanta Basu:

Good morning everyone. This is Jayanta Basu, The existing jobs what we have now, the major jobs, I will highlight on them. The first one is Bengaluru Metro we are doing four elevated corridor contracts worth around 2400 Crores and we are progressing well. The foundation we have almost completed 40% in terms of number, we have done close to 4000 numbers of pile, which are the good achievement considering the ground condition there. Followed by we have already started the erection of the beams at the segment launching has started.

We have got some issues related to two of the jobs where the front availability is little delayed, but we can see clearly by end of this month or end of May or middle of June most of the fronts will be available, so we can progress well there.

In connection to the other job in Mumbai Metro as you know we are doing the tunnel work, which is around 3000 Crores jobs with joint venture with Tata and CEC and you must have seen in the newspaper day before yesterday that total 2 km tunnel has been completed in Mumbai Metro in seven packages and out of 2 km 1 km is done by our company, so we are well ahead in terms of the progress compared to what we have considered in our schedule in Mumbai Metro.

Similarly Nagpur Metro also we are doing three jobs and one job with elevated corridor, one is station buildings, another is also part of station buildings. Almost 95% piling completed. Then we have commenced the erection work of beam segments. This Udangudi job as Mr. Prasad said we have got the job in the month of February. It is a big job in marine around 1900 Crores plus and we have started investigation, soil investigations or site setup is already there as because say design and build job, we have recruited our designer, in fact the first set of designer has already been submitted to client, so it is going well so far.

Apart from that we have got a small job with NPCIL that is for the nuclear power project. The first time our company has entered nuclear power field and we have started the job two months back going on well. So these are the couple of highlights about the existing ongoing jobs and there are some prospects as well also. There are long list like for roads we are

pursuing three jobs in HAM model around Solapur area and in a bridge sector we are trying to get associated with company called China Harbour of China. They have already secured the job, they want to do the bridge over Ganga by us, and so we are talking to them. Bengaluru Metro, Nagpur Metro, Mumbai Metro, we have already submitted our bid for the track work and we are already L1 in one job in Andaman for this marine job 300 Crores, we are expecting the order, we are pursuing a big job at project Seabird in Karwar around 1500 Crores.

Vizhinjam breakwater, which was initiated long time back again it has come back in for tender, so we are working with the client, something will come out. In terms of the airport, Patna airport and Bengaluru airport are in pipeline. Patna airport we have already submitted the bid, Bengaluru airport are yet to be submitted and we are quite keen for that and there are some hydro tunnel job, one in Bhutan, Kholongchu, one in Uttarakhand Silkyara, one in Teesta in North Bengal, so all these three jobs we are pursuing.

In terms of building we have submitted our bid for IIT Ropar, already we are working there. This is the second phase of development of IIT Ropar. We are there and one school building in Kolkata. So these are the major prospect what we are pursuing now. Then I will give it to Prasad for the further discussion on the results.

Prasad Patwardhan: Thank you Jayanta. We will be happy to answer any questions that you may have on our results.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Aditya Bhartia from Investec. Please go ahead.

Aditya Bhartia: Sir EBITDA margins this quarter have been slightly lower, so what would you attribute this to, are there any contracts in which margin reorganization threshold is yet to be achieved and how should we look at margins going forward?

Prasad Patwardhan: Aditya the margins are in line with what we have been indicating, last year we had marine contracts, which were under execution are getting completed and that is why the margins were slightly higher than what we are reporting this time, so they are in line with our expectations, and there is nothing out of the ordinary.

Aditya Bhartia: If you look at this year and even going forward, should we be looking at 19% kind of EBITDA margins or is it possible to have 12% to 13% kind of EBITDA margins?

- Prasad Patwardhan:** No, we have been indicating, we will stick to that Aditya, we are looking at double digit margins, and we will continue to see double digit margins that is what we are hopeful of.
- Aditya Bhartia:** Marine contracts like Udangudi, our margins better compared to some of the elevated metro contracts that we have?
- Prasad Patwardhan:** Yes, as compared to the elevated metro contract, that is what we have been saying all along that the marine contracts typically the margins tend to be better than the elevated metro projects.
- Aditya Bhartia:** Sir how much investment has already been made in the Mumbai Metro JV?
- Prasad Patwardhan:** There is no investment in Mumbai Metro JV, it is a standalone project and it is being funded from the advances that we got from the client and there are separate bank facilities available for that project, so there is no investment from ITD Cementation going into that project.
- Aditya Bhartia:** Understood Sir and Sir you mentioned about the three jobs that are being pursued under HAM model, could you indicate rough value of those projects and is it in a JV with any developer like MEP or how that we chose?
- Prasad Patwardhan:** No, we are pursuing these on our own and the value would be upwards of 1000 Crores.
- Aditya Bhartia:** All these three put together or individually?
- Prasad Patwardhan:** No, each one.
- Aditya Bhartia:** Individually.
- Prasad Patwardhan:** Each one will be in excess of 1000 Crores.
- Aditya Bhartia:** Understood Sir and funding for these projects, we will only be the developer also for these projects?
- Prasad Patwardhan:** That is correct.
- Aditya Bhartia:** I understood Sir. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

- Parikshit Kandpal:** Sir I just wanted to know, if I try to reconcile standalone and consolidated numbers whatever has been the incremental revenue, which has come, so that has come in at EBITDA margin of close to 5%, so is it that these projects, which are, I think largely it would be Bengaluru Metro, the substantial EBITDA margin recognition has still not happened we are still not booking that much of margins there?
- Prasad Patwardhan:** No, proportionate EBITDA margins based on the percentage of completion have been recorded, but we would be a little conservative because as you know this is an elevated project, so we are being conservative on recognition of the margins over this, but we are recognizing whatever margins we feel are appropriate based on the percentage of completion.
- Parikshit Kandpal:** But lastly the difference between standalone and consolidated will be because of Bengaluru Metro only?
- Prasad Patwardhan:** See what is getting consolidated in Bengaluru Metro and the irrigation project, these are largely the two contracts that are getting consolidated.
- Parikshit Kandpal:** But irrigation is it like the work has really picked up there in irrigation because I think there was some change in scope and order?
- Prasad Patwardhan:** It is a bit slow because probably largely on account of the political turmoil in the state at the moment, so it is a bit slow at the moment.
- Parikshit Kandpal:** This share of profit from associates, which we have recorded of around 90 lakhs odd, what will be the corresponding revenue recognized against the associate order book for this quarter?
- Prasad Patwardhan:** See the corresponding revenue on the associate order book would be largely from the Bengaluru Metro and the irrigation project. The difference between the standalone and consolidated topline that you have seen, which is of 350 odd Crores.
- Parikshit Kandpal:** No, not that, I am talking about underground metro, so what will be the contribution of revenue from that?
- Prasad Patwardhan:** No, I do not have that number right now because since that is not getting consolidated I would not be able to tell you that.
- Parikshit Kandpal:** Because the share of profit will be coming from large part of that as part of the associate order books, Kolkata metro and the underground metro?

- Prasad Patwardhan:** That is correct.
- Parikshit Kandpal:** You do not have that number?
- Prasad Patwardhan:** I do not have that number right now and we can share that with you separately.
- Parikshit Kandpal:** Because the thing is that I think the execution has picked up, but still not getting reflected in profitability that was the only issue, which I wanted to have.
- Prasad Patwardhan:** Parikshit look at our margins as compared to the previous quarter end one year ago, you are still saying that the margins are not picked up.
- Parikshit Kandpal:** No. I am only talking about profit and associate contribution, I am saying, that is only, but the numbers you do not have right now, so we cannot compare, but I am saying still it is not picked up in terms of the profit this year and just lasting Sir this annual report on page number 197 there is one ITD-ITD Cem JV, the debtors have gone up from 126 to 359 Crores, so any specific reason because what I understand is that largely only one project this Kolkata Metro is getting executed?
- Prasad Patwardhan:** No, the Delhi Metro project was also under that same JV.
- Parikshit Kandpal:** Yes, but why this year the debtors have gone, I mean CY16 and 17 there is almost very sharp increase like 126 to 359 Crores has been the debtor increase so just wanted some colour on that?
- Prasad Patwardhan:** This is a funding support that has been provided for that joint venture during the year and that will get recovered from the final payments and the claims that get realized on the Delhi Metro Project.
- Parikshit Kandpal:** What will be the quantum of the claims still pending there?
- Prasad Patwardhan:** It is a large number Parikshit I do not have the exact number with me right now, but if these numbers are being discussed and debated with the client every day. Even if I give you some numbers just now that will still undergo change based on the discussion that we have with the client.
- Parikshit Kandpal:** This unbuild revenue of in page number 179 452 Crores it has increased to 653, what will be this like largely pertaining to?

- Prasad Patwardhan:** You see last year we got 3500 Crores worth of orders, now the execution on these orders have commenced, but the billing to the client is not still happened as of December, so you have Bengaluru Metro, we have Nagpur Metro contracts, that the initial investment for mobilization and for creation of the infrastructure at these project sites. This is all the expenditure that is being incurred and will get progressively recovered over the execution period of the project.
- Parikshit Kandpal:** But the revenue has not come sir.
- Prasad Patwardhan:** It has not come to December; it will come, see initial expenditure that we incur that does not get build immediately it will get recovered over the duration of the project.
- Parikshit Kandpal:** It is kind of inventory right now?
- Prasad Patwardhan:** WIP is basically inventory.
- Parikshit Kandpal:** I will have some more questions I will join in the queue. Thank you.
- Moderator:** Thank you. The next question is from the line of Nitin Arora from Axis Mutual Fund. Please go ahead.
- Nitin Arora:** Sir just the debtors, which have come up from the Delhi Metro, the funding which we have supported them, if you can tell us I understand the claim would be big, but can you just give us a sense that is largely over or you will be funding it, you will be supporting the funding?
- Prasad Patwardhan:** No, the project is over, the project is complete, but the physical work is over, but the commercial aspects of the project, the settlement of the final bill and the claims, all that is still under discussion with the client.
- Nitin Arora:** Because Sir the project got over almost like three to four months back, only the large small portion was left, but why the funding was supported at the last, so I just wanted to understand the nature of the transaction?
- Prasad Patwardhan:** This funding happened over the course of the year, the funding has not happened in the last quarter or in the last couple of months, it has happened over the duration of the project and you can get recovered from the variation orders and the claims that we get from the client.
- Nitin Arora:** Great and Sir the second thing, can you give us the breakup of Bengaluru, Kolkata, Jaipur and Nagpur Metro in the backlog?

- Prasad Patwardhan:** It is there in our presentation that we have put on our website. See the Bengaluru order was about 2400 Crores.
- Nitin Arora:** That was the initial I think?
- Prasad Patwardhan:** Yes.
- Nitin Arora:** I am talking about as for now and you're 4300 Crores urban transportation backlog, how much is your Bengaluru, Kolkata and Nagpur?
- Prasad Patwardhan:** I will just hand over to Mr. Basu he will give you a brief.
- Jayanta Basu:** We do not have the figure right now in front of us, but from my memory I can tell Bengaluru total 2400 Crores, I think the backlog will be around 2150 now roughly and Kolkata Metro I think the backlog would be now around 550 to 600 Crores. These two figures and Mumbai Metro I think our portion of share is around 1200 Crores, out of that I think we might have executed around 25% so far, so around 750 Crores in the backlog. This is the more or less figure, if you want current picture I will ask Prasad to give.
- Nitin Arora:** It is helpful Sir and lastly on the HAM projects, which we were talking about, this largely, would be road?
- Prasad Patwardhan:** Yes.
- Nitin Arora:** Now is that a stance got changed because we were earlier roping in one listed company already, is it the stance changed and now we will be going on our own, and the second question related to that is the Udangudi, has there been a revised project cost because this project was there for a quite sometime even the vendor, which awarded to you, so I just wanted to understand have the project cost revised there and how much would be outsourcing of Udangudi that would happen in your project, Thank you.
- Jayanta Basu:** I will reply the last question first, the Udangudi, yes you are right, Udangudi 2014 we have submitted our first offer and then now you got the order now, so there has been a substantial time lag between the submitted offer and we got the order, but what we have done, we have provided our cost in the escalations in our costing, so there is no revised cost, only there is a marginal adjustment in terms of the GST. While submitted the bid that time there was no GST, when we received the order GST has implemented, so there is a change in the value considering the GST report that is as far as Udangudi is concerned and outsourcing coming to that. Udangudi has got one electromechanical part, which is the pipe conveyor, supply upgrade and electrical, which would be around considering the job value which will be

around close to 22% to 25%, and coming to your HAM, yes, we feel comfortable if we can fund on our own we feel much comfortable because otherwise we do not have to depend on somebody else as financial closure does not happen, which could be a very difficult situation to handle, so when we are confident then we will be able to fund that is the idea we are going alone in the HAM project in the road.

Nitin Arora: Got it. Thank you very much.

Moderator: Thank you. The next question is from the line of Ravi Naredi from Naredi Investment. Please go ahead.

Ravi Naredi: Any progress so far for Andhra debtors in this quarter, any recovery process?

Prasad Patwardhan: No, the project is under execution, the irrigation project is under execution right now, with respect of the projects, which we were executing about 10 years back we have already provided for those receivables in the previous financial year, although we are pursuing the matters legally in the books of accounts we have already made a provision for those receivables.

Ravi Naredi: Right, but now progressing in this quarter?

Prasad Patwardhan: No, there is no progress. It is in court now.

B Vijaykumar: I am taking forward that question that Sripadsagar is a subjudice matter at the lower court in Karimnagar, now to fast track the case is likely to move to Hyderabad, so that is the development is happening now. Earlier it was at the lower court as I said, so hopefully things should move faster.

Ravi Naredi: How much topline growth we are expecting in current calendar year?

Prasad Patwardhan: Sir we do not give any forward looking statements, but you have seen we have a healthy order book and we are seeing the growth in our topline in this quarter as compared to the December quarter and one year ago, so we are hopeful that this trend will continue going forward.

Ravi Naredi: I want to listen from you. Thank you very much Sir.

Moderator: Thank you. The next question is from the line of Vibhor Singhal from PhillipCapital. Please go ahead.

- Vibhor Singhal:** Good afternoon Sir, thanks for taking my question and congrats on a great set of numbers. Sir furthering a bit on the Udangudi power project, so given that we have started this all investigation part and all, when do you expect that some construction can be started on this project in terms of booking revenues in our P&L?
- Jayanta Basu:** We have started some investigations and all the temporary setup like office and the concrete batching plant things like that, these are now progressed. We think that the revenue booking will start from this month, end of May; we will be starting our permanent work from the month of May.
- Vibhor Singhal:** From may we be able to start the revenue?
- Jayanta Basu:** Yes.
- Vibhor Singhal:** Just on the question that Nitin earlier asked so basically you mean to say that despite a four year rate on this project since it has been we were L1 in this project, so we do not have any cost revision in terms of the project cost, so you mean to say what, in three years whatever escalation would have happened we are already build that into our numbers when we have bid for this project three years back?
- Jayanta Basu:** Not really, it is not correct. I think we have built up for one-and-a-half to two years, but then we have absorbed this cost, we have to reduce cost somewhere else because this was a big tender, we do not want to let it go and we have to do some value engineering in the design to take care of this additional cost, which is expected from the escalation.
- Vibhor Singhal:** Sir because of that, could it be that we would probably be getting lower margins on this project than the remaining part of the order book?
- Jayanta Basu:** No I do not foresee that because already we have checked it and we find that there could be some value engineering in the design, which can substantially save the money, yes.
- Vibhor Singhal:** So because 25% of project cost as you mentioned anyways we outsourced and on the remaining 75% of the project we have to absorb some cost, which we have not been able to escalate despite that you believe you will be able to make margins on this project in line with the company average?
- Jayanta Basu:** Yes.
- Vibhor Singhal:** Sure Sir that is helpful. Also Sir on the overall margin numbers that we are looking, just to be clear in this quarter if we include other income then the margins that we reported was

10.5% and if we exclude the other income, then our margins were at 9.3%, so your guidance remains that we will do double digit margins including the other income right?

Prasad Patwardhan Sorry, come again.

Vibhor Singhal: Sir in this quarter at the consolidated level if I look at the EBITDA margins including other income then my EBITDA margin is 10.5%, and if I exclude the other income from both revenue and EBITDA then my margin is 9.3%?

Prasad Patwardhan: Other income is part of our operating income.

Vibhor Singhal: Correct absolutely, so our guidance is that including other income our margins will be double digit, right?

Prasad Patwardhan: Yes, things that we will continue to report double digit margins and there is no change in our method of accounting or basis of accounting, we are continuing to follow the same accounting now.

Vibhor Singhal: Okay, so because last year in all the four quarters we reported significantly higher margins even excluding other income?

Prasad Patwardhan: But you only remember our margins every quarter I have been telling everyone that we are not going to be reporting such high numbers.

Vibhor Singhal: Correct absolutely. So that is what I am just wanted a clarification on that part, sure, so we will have a double digit margin in terms of the way we have been calculating before.

Prasad Patwardhan: Yes.

Vibhor Singhal: Great Sir. Also Sir just one last question in terms of the HAM project that you mentioned that we are now looking to go forward on our own, so just want to understand a strategy, is our bidding on the HAM projects contingent maybe not getting enough orders from other projects and then only going for HAM or are we anyways going for HAM projects and if yes then is there amount of project cost that we kind of kept as a target for us because these HAM projects would also require at least 12% to 15% kind of an equity commitment from our side, so what is the amount of equity that we are willing to invest in this business to grab those orders?

Prasad Patwardhan: As the bidding for HAM project is independent of the other projects in other segments that we bid for we just do not want to go overboard and get to bid for more number of projects,

which could strain our balance sheet in terms of leverage, so we are being careful and we are being very conservative in our bidding for the HAM project.

Vibhor Singhal: Sure Sir. Sir, lastly if I can just squeeze in one more question. Regarding the Vizhinjam breakwater project that you mentioned that it is back for bidding, so could you just take us through quickly short synapses of what the scope of the project is and what could be the project cost that it could entail for us?

Jayanta Basu: It has got a long history actually we bid for this job as around two years back. As because in Kerala the breakwater is a function of getting stone from quarry and dumping in the sea that is the basic thing, but in Kerala availability of the huge quantity of stone was in question, so we submitted an alternative offer by still pile we will do the better quarter, but the cost was coming high in terms of what budget is by the client, so they finally gave up this proposal, they said no we will go ahead with the stone only. So when it is coming to the stone breakwater, we say we cannot do because we are not very confident to source this stone in Kerala. So we backed out, but now client has come with option that stone they will supply whatever stones are required, they have already because they have got good presence there, so they have sourced some quarry and they have built some temporary jetty and they are supplying us stone because stone is now available we have said okay we will go ahead with the construction of breakwater and we are submitting our tenders. So if you see in terms of the value, what our value was originally now, it has come to almost half because stone will be supplied free by the clients.

Vibhor Singhal: What would that cost be Sir if I can have a broad idea?

Jayanta Basu: It is under tender so I do not think it is fair enough for me to answer.

Vibhor Singhal: Sure definitely and Sir the other project on Vizhinjam, which was awarded to a company called Afcons that stands right that they are already working on?

Jayanta Basu: That they are working, yes.

Vibhor Singhal: That is working, cool. Great Sir. Thank you so much. Thanks for answering my questions and I will get back in the queue if I have anything more.

Jayanta Basu: Thank you.

Moderator: Thank you. The next question is from line of Viral Shah from Emkay Global. Please go ahead.

Viral Shah: Good morning Sir. Sir just one question. We had L1 been declared in package for Bengaluru Metro right?

Prasad Patwardhan: Yes.

Viral Shah: What is the status on the same?

Jayanta Basu: Actually this tender all the bidder including us has quoted price, which is quite higher than their departmental estimate and we are hoping that they will be awarding the job, but finally they have cancelled all the tenders. They have disposed the tenders. They are going ahead with the fresh tenders for this.

Viral Shah: Has the bidding started for this tender?

Jayanta Basu: No not yet.

Viral Shah: Not yet, so basically Rs.1800 Crores of project has been canceled that was L1 right?

Jayanta Basu: Yes.

Viral Shah: Secondly in terms of capex what are we looking at for FY2019 as a whole?

Prasad Patwardhan: If you look at the trend over the last year or so, the replacement capex that we are doing is about Rs.70 Crores to Rs.80 Crores a year, so we are hopeful of continuing to do that. Of course if there is any new project that comes our way and that requires us to invest in additional capex we will do that as well, so that may be some additional capex that we will incur in the current year.

Viral Shah: In terms of any guidance in terms of order inflow if you would like for the year as a whole?

Prasad Patwardhan: No guidance. There is a lot of work coming up all over India, which we will be looking at and we will be bidding for these projects. In fact Mr. Basu mentioned that initially. He gave you what sort of projects are coming up in different segments, so those are we are going to focus on those projects.

Viral Shah: Fair enough Sir. Thank you and all the best for the future.

Moderator: Thank you. The next question is from the line of Divyata Dalal from Systematix Shares. Please go ahead.

- Divyata Dalal:** Good morning Sir. Congratulations on a good set of numbers. Sir my question pertains to the ITD-Cemindia JV last quarter their outstanding book was somewhere around 21672 million, which has now increased to 25238 million so this particular JV, which project does it comprise of?
- Prasad Patwardhan:** Actually ITD-ITD Cem JV is doing the Kolkata metro, they are doing the Nagpur Metro, and they did the Delhi Metro earlier.
- Divyata Dalal:** ITD-Cemindia JV.
- Prasad Patwardhan:** ITD-Cemindia JV is doing the Bengaluru Metro project and they have got a couple of projects in Kolkata as well microtunneling projects in Kolkata.
- Divyata Dalal:** Which was bagged in this particular quarter?
- Prasad Patwardhan:** One of them was bagged in this quarter.
- Divyata Dalal:** Sir in terms of the tax rate for this particular quarter, it has come at a bit lower rate at around 13% effective rate, so what would be the reason for the same and what kind of rate can we expect going forward?
- Prasad Patwardhan:** Going forward the rate we can expect it to be a normal rate 30% to 34% is the rate that we are looking at. This quarter it has been low because the share of profit that we are booking from the joint ventures that is already after considering the tax liability arising on the joint ventures.
- Divyata Dalal:** Which is 9 million profit, which we have booked?
- Prasad Patwardhan:** Sorry.
- Divyata Dalal:** Which is the 9 million profit, which we have booked in JV?
- Prasad Patwardhan:** Yes whatever that number. On Bengaluru Metro also, the Bengaluru Metro profit on a consolidated basis the tax liability also booked in the project that is one and secondly March being the year end for tax purposes, relook at our tax provisioning that we have done till December and whatever adjustments arose out of that were made in the March quarter that is why you see the tax provision in this quarter is slightly lower than what it was generally.
- Divyata Dalal:** Sir in terms of interest cost this has marginally gone up on a year-on-year basis if you can provide the debt numbers at the end of the quarter?

- Prasad Patwardhan:** I am surprised that the interest costs have not gone up. In fact they have actually gone down a bit in this quarter.
- Divyata Dalal:** Around Rs.23 Crores versus Rs. 20 Crores in the same period last year?
- Prasad Patwardhan:** That includes the finance cost is not just the interest cost. It includes the cost of our bank guarantees, so in absolute numbers the interest cost has gone down. It is because of the new projects we have to provide guarantees, etc., so overall number looks high. As far as the debt number is concerned, the consolidated net debt on the books as of March 31, 2018 is about Rs.155 Crores.
- Divyata Dalal:** Consolidated net debt?
- Prasad Patwardhan:** Yes.
- Divyata Dalal:** Fine all the best. That is it from my side. Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Ajit Shah, an Individual Investor. Please go ahead.
- Ajit Shah:** It was nice meeting you yesterday at the AGM. I had one question on royalty. You have mentioned that we are paying royalty as 0.5% of the total revenue, but when we are working on 8% to 10% margin it comes down to around 50% of the net profit, so in that way I think it is a little bit higher can we reconsider to set some royalty margin on net profit percentages?
- Prasad Patwardhan:** We are only considering the cost that is being in the balance sheet. Look at the benefit that we are deriving. All these contracts that we are doing in the metro space, urban infrastructure, airports we would not have qualified for these projects without the support of ITD. We try to take a balanced view. The royalty payment 0.5% is nothing compared to the benefits and orders that we are getting on a continuous basis year-on-year.
- Ajit Shah:** Sir it is like 50% of the net profit half and half of the net profit is in royalty?
- Prasad Patwardhan:** But look at the profit that we declared last year. Our profit was Rs.70 Crores and the royalty payment is only Rs.9 Crores, so how is it 50% of the profit. It is much less than that. Anyway as I explained to you the benefit that we get out of our association with ITD far outweigh this royalty that we are paying them.

- Ajit Shah:** Another question is out of this Rs.9000 odd Crore order books we have in this quarter how much we are planning to complete is there any ballpark figure?
- Prasad Patwardhan:** In this quarter, we have done Rs.650 Crores of turnover. The order book of Rs.9000 Crores is after booking, revenue of Rs.650 Crores in the quarter ending March.
- Ajit Shah:** No, I am talking about the second quarter how much we are planning to?
- Prasad Patwardhan:** Second quarter I would not be able to tell you right now. You will have to wait for our second quarter.
- Ajit Shah:** Thank you. That is all from my side. Congratulations for good numbers.
- Moderator:** Thank you. The next question is from the line of Prem Khurana from Anand Rathi. Please go ahead.
- Prem Khurana:** Good morning Sir. Thanks for taking my question. Sir just wanted to understand a little bit on the DMRC exposure that we have. It has increased during the year I understand because you want to support this entity, but just want to understand given the fact that we won 49% and there is a partner, so is it fair to assume that at least you will get part of this back because the partner would fund a part of this support that you will extend it for the time being?
- Prasad Patwardhan:** Getting the whole amount back only the difference is that it is the timing difference. We are yet to fund the project at this stage. We will realize the money out of the claims, etc., that we are yet to get from Delhi Metro. It is just a timing difference.
- Prem Khurana:** If I may ask how much is the payment due in normal course of business in this entity apart from the claims that we file for there will be some pending dues, some final bill or settlement.
- Prasad Patwardhan:** That is hardly anything now because the project the physical work is completed, it would just be the final bill that they will need to settle and the claims part of it.
- Prem Khurana:** Sir in your opening remarks you spoke about the prospects that you have in site, how much could be the value of these prospects that you have today?
- Prasad Patwardhan:** Which prospects are you talking about?

- Prem Khurana:** The number of projects that Jayanta sir spoke about in the initial remarks. He gave us the projects, but then how much could be the value of these projects that you are looking at wherein we or he placed bids?
- Jayanta Basu:** Exact amount is difficult because all futuristic number. It will be close to Rs.10000 Crores odd.
- Prem Khurana:** Rs.10000 odd Crores?
- Jayanta Basu:** That is the pipeline.
- Prem Khurana:** Where is this QIP money lying, have we repaid the debt or is it still in the form of cash available with us?
- Prasad Patwardhan:** Just to add further to what Mr. Basu said Rs.10000 Crores of the order that we are looking at probably in the next few months. There are many more orders, which are going to come up some of which we have not mentioned here is for example the Mumbai-Ahmedabad high speed rail, that is a very large contract and we are seriously looking at that project as well. There are many more such projects, which are in the pipeline that we are going to consider. Rs.10000 Crores is just an immediate number that we indicated to you just now. What was your other question?
- Prem Khurana:** Sir the QIP money has it been used or is it still lying with us as in the form of bank?
- Prasad Patwardhan:** What we have done is we have used it to repay our debt. Once you look at our debt numbers as compared to December 2017 the debt levels have gone down significantly. Some of it is deployed in liquid mutual funds at the moment and we will need this funding for investment in capex for execution of this Rs.9000 Crores order book. The Rs.300 Crores cannot get used up in a month or two, gradually over a period of time we will use it for the execution of the projects.
- Prem Khurana:** Sure and how much is the gross debt number now?
- Prasad Patwardhan:** The gross debt number on a consolidated basis about Rs.440 Crores.
- Prem Khurana:** Rs.440 Crores, which is not significantly different from the number that we had ended up last?
- Prasad Patwardhan:** The net debt is about Rs.150 Crores.

- Prem Khurana:** The net debt I understand sure. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Abhijith Vara from Sundaram Mutual Fund. Please go ahead.
- Abhijith Vara:** Thanks for taking my question. I wanted to check if you have given any guidance sorry I missed some portion?
- Prasad Patwardhan:** No we do not give any guidance. We will not give any guidance.
- Abhijith Vara:** On order flows Sir?
- Prasad Patwardhan:** Order flows you have seen first three months have been very good. We are not giving any target. There is so much work coming up in India now that we have not really given any targets.
- Abhijith Vara:** Second if you could help us with the working capital position how has it moved since the time your balance sheet has come out, has it increased or come down some flavour?
- Prasad Patwardhan:** Well if you look at our inventory days it continues to be about 25 to 26 days. The working progress actually has improved marginally, it was at about 100 days in December, and it is down to about 75 days to 80 days. The receivable days are also hovering between 40 and 50 days, so more or less it is the same working capital cycle. There will be no major shift or change in the working capital.
- Abhijith Vara:** Sure Sir. Just one last question. The projects, which you are handling in the subsidiaries how is the margin recognition have they reached the threshold level where you will start recognizing much?
- Prasad Patwardhan:** Yes. They have started. Some of the projects have reached the margin threshold in this quarter in March.
- Abhijith Vara:** In March quarter is it?
- Prasad Patwardhan:** Yes.
- Abhijith Vara:** Because I was just looking the consolidated margins is slightly lower, but it should pick up right?
- Prasad Patwardhan:** We are hopeful that it will pick up. You are right.

- Abhijit Vara:** Sure Sir. Those are my questions. Thank you.
- Moderator:** Thank you. The next question is from the line of Vinay Jain from Karma Capital. Please go ahead.
- Vinay Jain:** Sir just one question. I was just looking at the annual report and in that if you see the financials of ITD, ITD Cementation JV, I see your finance cost of Rs.31 Crores and Rs.55 Crores for calendar year 2017 and 2016, so just wanted some clarity on that?
- Prasad Patwardhan:** There was some project specific debt that we had taken in ITD Cementation JV for the Delhi Metro project, so the finance cost would include that the cost of debt and there were some customer advances as well. Delhi Metro had given us some advances, which was interest bearing advances, so that would have also been factored in P&L.
- Vinay Jain:** As of calendar year 2017 what would be the debt in that particular JV?
- Prasad Patwardhan:** For the Delhi Metro project there has been no debt at the moment. It was paid off in December itself. I do not have the debt figures as of December right now. What I can indicate to you is for the Kolkata Metro project the debt is about Rs.90 odd Crores.
- Vinay Jain:** That was the only question from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Jatin Nayak from ICICI Mutual Fund. Please go ahead.
- Jatin Nayak:** Thanks for taking my question. Sir my question was you spoke about Mumbai-Ahmedabad bullet train also and earlier also you were keen on Maharashtra Trans Harbour Link and Bandra-Versova Sea Link given that such large orders how competitive are our bids when we compare with somebody, which is a bigger player like say L&T or Reliance Infra or the other big guys who are actually going ahead and bidding?
- Jayanta Basu:** Let me answer this. This is Jayanta Basu. If you see the Trans Harbour Link and Varsova they are all one single job. Varsova is one job, MTHL was two jobs, but in this high speed we have got seven packages and each packages would be around Rs.15000 Crores and that too also those packages has to be done in joint venture either with Japanese or Indian Joint Ventures, so the kitty is very big and I do not think only one or two companies can do that. The opportunities are much bigger compared to Versova Sea Link and MTHL, so that is a little difference in this high speed segment.

- Jatin Nayak:** Sir my second question is going forward also we will be executing projects in a similar manner that a few projects will get consolidated, a few projects will be in JV, a few projects will be in standalone because now we have got QIP done and have our net worth very strong, so are we going to be taking all projects in our standalone balance sheet or how is it going to be going forward?
- Prasad Patwardhan:** The decision whether to bid for a project in joint venture or on our own depends on the prequalification criteria, which are prescribed in the tender documents. If we qualify for a particular project on our own, which like we do for any marine project for example, you will not see us entering into any joint venture project for any marine contract because we qualify for the project on our own basis. It is only when the prequalification criteria structured in such a way that we need to join hands with somebody else that we need to form a joint venture for the execution of that project, so it will be driven by these requirements.
- Jatin Nayak:** Sir just lastly like how in your annual report at the end of the year we had details regarding your associate order book in terms of what was executed and what was the margin profile there, is it possible for us to get a similar kind of a data on a quarterly basis to understand the margin profile say in the Mumbai Metro project?
- Prasad Patwardhan:** The quarterly basis that would be difficult because Mumbai Metro is not getting consolidated, it is only the margin that is getting escalated. It is not possible to share all this information because it will only confuse the investors because we will be reporting something, which the numbers are not getting consolidated, but we will be reporting some numbers, so it will end up confusing the investors even more.
- Jatin Nayak:** At the year end and the annual report these details will continue to be there?
- Prasad Patwardhan:** Yes. That is the mandatory requirement and we are providing it, but on a quarter-and-quarter basis it becomes difficult because of what I mentioned earlier.
- Jatin Nayak:** Thank you Sir and all the best.
- Moderator:** Thank you. The next question is from the line of Shreyansh Mehta from Emkay Global. Please go ahead.
- Shreyansh Mehta:** Thank you for the opportunity. Sir just wanted to understand between the two quarters Q4 and 1Q our Mumbai Metro project the order book is down from say 25740 to 24502 million

so basically have we booked revenues of roughly 20% because in that JV, assuming as you said we have executed work roughly of Rs.550 Crores to Rs.600 odd Crores?

Prasad Patwardhan: No that is from the award of the project to date it is not in this quarter.

Shreyansh Mehta: Basically this is year to date and if I remove Q4 that will give me this quarter's number right?

Prasad Patwardhan: Yes that is it.

Shreyansh Mehta: Sir any colour on the margins would it be similar to the Bengaluru Metro or would be better than that?

Prasad Patwardhan: We expect margins on the metro contracts to be similar. That is all I can tell you at this stage.

Shreyansh Mehta: That is it from my side. Thank you.

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

Ankush Mahajan: I will come in queue later.

Moderator: Thank you. The next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal: I am just touching about the interest cost, so the interest cost will stabilize like current levels or like we can see because you mentioned about that you are bidding for large projects where you require funding support in terms of non-fund base limits and interest cost on that, so since so much of cash is there on the balance sheet and still the debt levels are maintained, so we are looking at similar kind of quarterly interest cost?

Prasad Patwardhan: When we are bidding for new projects we do not incur any interest cost. What we are incurring is only guarantee commission, so that continues because we continue to bid for projects regularly, so that would not change. It is the borrowing cost, which will be lower because if you see the debt figure, which we had in December and the debt numbers that we have now. The debt is significantly lower, so the interest cost on the debt that we have will reduce.

Parikshit Kandpal: But we have the same gross debt levels as of now?

- Prasad Patwardhan:** But there is cash also on the books.
- Parikshit Kandpal:** Yes so you will earn the yield on that and started come in part of other income, but I am saying the gross interest cost may remain at the current levels right?
- Prasad Patwardhan:** It may remain at the current level or if we reduce the debt then it could reduce as well.
- Parikshit Kandpal:** But as of now we are holding on to the debt and we are basically parked our excess funds in the yield?
- Prasad Patwardhan:** Partly we have done that. We have done both. We have used it to straightaway retire the debt as well and some of it is parked in mutual funds. What you are seeing is some of these projects that have come up in joint ventures like Kolkata Metro or Bengaluru Metro we have tied up separate banking facilities for these projects, so on one hand there is a reduction in the standalone debt on the books, but the consolidated debt is going up because of the funding arranged for Bengaluru Metro the projects in joint venture.
- Parikshit Kandpal:** Jayanta Sir I just wanted to touch upon one point with regards to the competitive intensity in the segment, so the last three to four quarters has not been really great for ITD in terms of winning some big orders, we have missed some of the large marine projects I think a couple of days back again in Cochin Shipyard L&T has won one order of Rs.1800 Crores, so just if you can highlight like in terms of competitive intensity how is the scenario in the marine segment and why we have not been able to reasonably win and what could be according to you the reasons whether there is very high competitive intensity or why we have not been able to capture one of these big orders basically?
- Jayanta Basu:** Let me answer one by one. This MTHL and Versova Sea Link unfortunately we were not able to qualify on our own, so we had to take help of foreign companies like Hyundai and like Sumitomo and the big companies and they were controlling the cost. I strongly believe that say 25% to 30% was our share, our price was very competitive, but it was dominated by the price, which was not under our control and that was the main reason why we have lost both the jobs. Coming to Cochin if you see we are very competitive. If you see the number we were L2. There is a very marginal difference between ours and L&T hardly even less than 2% where if you see the simplex also was quite higher than us, so I do not think we have lost the competitive edge provided we can bid standalone in marine.
- Parikshit Kandpal:** So you think for your scope of jobs in all these projects you have been quite competitive only the foreign partners, which you have chosen has basically added that high difference and the 2% is very good number pretty close and this high speed bullet train you said seven

packages of Rs.15000 Crores each, so our scope of work will be in the elevated section or like this again we will be going for a JV, so what will be our scope of work in each package suppose if you win a package?

Jayanta Basu: If you see there are four types of jobs in these. One is your stations. Another is there is under sea tunnel and then elevated and there also specialized bridge under theelevated, so definitely focus on theelevated, which you can be done by us though the value of each elevated will be very big, so we have to find may be suitable Indian partner, so that is we do not know today. Apart from that the tunnel of course it is not cup of our tea, so again it has to go to some foreign party or you have to have joint venture with some foreign party if you want to bid for that.

Parikshit Kandpal: So you are saying out of these four segments elevated will be where we will bring our expertise piling related and elevatedrelated jobs?

Jayanta Basu: Yes exactly.

Parikshit Kandpal: Sir lastly in marine I think the large project, which is there left right now on the bid plate is that Seabird project and probably a small portion would be Vizhinjam breakwater, so besides that is there any other big opportunity, which like there is some visibility on and if there is not much visibility then probably we will divert towards more like MRTS and roads now?

Jayanta Basu: Visibility in the sense apart from this Seabird and Vizhinjam we are already lowest bidder in their job in Andaman, which is around Rs.300 Crores plus you know that. One more job, which in Vizag Port also Rs.200 Crores we are L1. In addition to that definitely some more jobs will come like Port of Singapore second phase. We have done it for JNPT you know the big job the second phase would come, so those things will keep on coming and then in marine is one sector where we want to focus outside India also like we tried one in Egypt we lost it, but there could be some more.

Parikshit Kandpal: Roads you are pretty much confident that at least this year we should be like these three projects, which you have targeted, so is it like any region specific you are focusing like you said in and around Sholapur where you may have executed a project are you open to bid across India and what could be like at least one project this year you can win or something like you have some target in mind?

Jayanta Basu: Definitely region wise we focus wherever the hindrance are less and all those factors we will definitely consider and so it depends upon like Sholapur area and there will be some

area where we can work with less hindrances. As far as focus is concerned, we have got lot of inventory of the plant and machinery for road sector given the people also, so we will definitely intend to get one job.

Parikshit Kandpal: This irrigation in Telangana, I came to understand that there is some Rs.12000 Crores to Rs.13000 Crores of new projects are coming up, so are we bidding there for any projects?

Jayanta Basu: Not really because lot of political issues are there, we are already doing one big job, so unless that is under control we do not want to pursue further in that region.

Parikshit Kandpal: Sir you did not mention the coastal road project in Mumbai Sir I was a little bit wondering whether that BMC project, so what is your view on that?

Jayanta Basu: We are working on that.

Parikshit Kandpal: You are bidding for that right? It is one of the projects in the pipeline?

Jayanta Basu: Yes.

Parikshit Kandpal: This will be how big and what would be your share in this JV?

Jayanta Basu: It will be close to 50%. I do not know the total number. We will be close to 50%.

Parikshit Kandpal: Thank you and all the best.

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

Ankush Mahajan: Sir my question is what is your capex plan for this year?

Prasad Patwardhan: Ankush last year we have spent about Rs.70 Crores to Rs.80 Crores on capex and we are likely to spend a similar amount because this is largely for replacement and renewal of existing assets. If there is any new project that requires us to incur any more on capex then we will certainly do that. That will add on to the expenditure that is planned.

Ankush Mahajan: Last three months how much capex we have done Sir?

Prasad Patwardhan: In this quarter the end to March quarter, it has been about Rs.30 odd Crores was in the capex.

- Ankush Mahajan:** Thank you Sir. That is it from my side.
- Moderator:** Thank you. The next question is from the line of Siddharty Raj from JHP Securities. Please go ahead.
- Siddharty Raj:** Sir all the three TBMs has been deployed in Mumbai Metro projects?
- Prasad Patwardhan:** Two projects are already working in operational. The third one should be operational may be in a couple of months.
- Siddharty Raj:** Couple of months. Thank you.
- Moderator:** Thank you. The next question is from the line of Vipul Shah, an Individual Investor. Please go ahead.
- Vipul Shah:** All my questions have been answered, but I just wanted to know Sir you made the comment that in Mumbai Metro we do not incur any capex, but we are utilizing this tunnel boring machines so that should be a big capex, so how it works if you can explain?
- Prasad Patwardhan:** I did not say that we have not incurred any capex. We have acquired tunnel boring machines, but these are acquired by the joint ventures. These are not sitting on the balance sheet of the standalone company ITD Cementation. These assets are on the books of the joint venture, which is executing the Mumbai Metro project and these have expired last year.
- Vipul Shah:** Thank you.
- Moderator:** Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Rushad Kapadia for his closing comments.
- Rushad Kapadia:** Thank you everybody for being a part of the call today. Thank you very much.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of ICICI Securities Limited that concludes today's conference. Thank you for joining us. You may now disconnect your lines.