



“Sadbhav Engineering Limited & Sadbhav Infrastructure Project Limited Q1 FY2020 Earnings Conference Call”

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ANALYST:

MR. ALOK DEORA - YES SECURITIES

MANAGEMENT:

MR. VASISTHA PATEL - EXECUTIVE DIRECTOR OF SADBHAV ENGINEERING LIMITED & MANAGING DIRECTOR OF SADBHAV INFRASTRUCTURE PROJECT LIMITED

MR. NITIN PATEL - EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER - SADBHAV ENGINEERING LIMITED

MR. VARUN MEHTA - CHIEF FINANCIAL OFFICER - SADBHAV INFRASTRUCTURE PROJECT LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Sadbhav Engineering Limited and Sadbhav Infrastructure Project Limited Q1 FY2020 Earnings Conference Call, hosted by Yes Securities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Alok Deora from Yes Securities. Thank you and over to you Sir!

Alok Deora: Thank you. Good afternoon every one. On behalf of Yes Securities, I welcome you all for the Q1 FY2020 earnings conference call of Sadbhav Engineering and Sadbhav Infra Projects Limited. We have with us today, Mr. Vasistha Patel, Executive Director of Sadbhav Engineering and Managing Director of Sadbhav Infra Projects. Mr. Nitin Patel, Executive Director and CFO of Sadbhav Engineering Limited and Mr. Varun Mehta, CFO of Sadbhav Infra Project Limited. I would now hand over the call to Mr. Nitin Patel to take us through the results and then we shall begin with the Q&A session. Thank you and over to you Nitin Bhai!

Nitin Patel: Thank you very much. Good afternoon everyone. On behalf of Sadbhav Engineering Limited and Sadbhav Infrastructure Project Limited, I warmly welcome all the participants and thank you for taking your valuable time for the earnings call for the quarter ended June 30, 2019. I am sure you must have seen the media release provided to the stock exchanges along with the results for both the companies.

I will first start with the financial numbers and bidding pipeline, then after Mr. Vasistha Patel will take you through the status of under construction projects and lastly Mr. Varun Mehta will take you through the SIPL numbers.

So far as Sadbhav Engineering is concerned, income from operations for the quarter stood at Rs.838 Crores as against Rs. 911 Crores last year. EBITDA for the quarter stood at Rs. 105 Crores as against Rs.107 Crores of the last year. Profit before tax for the quarter stood at Rs.53.40 Crores against Rs.68.05 Crores of the last year and profit after tax stood at Rs.39.46 Crores as against Rs. 63.41 Crores of the last year. The EBITDA margin for the quarter stood at 12.49% as against 11.74% in the same period of the previous year.

During the Q1 of FY2020, 51% of the total revenue is contributed by EPC projects in transport segment while during Q1 of FY2019, 60% of the total revenue was contributed by HAM projects. Debt as on June 30, 2019 stood at Rs.1530 Crores. Order book as on June 30, 2019 stands at Rs. 10810 Crores which translates to an order book to sales ratio of three times of FY2019 revenue.

Now on the bidding activity, it is expected to start in full swing from September as per the NHAI website till date, NHAI has called for 43 EPC projects worth Rs. 2952 Crores for which bids are

to be submitted before September 30, 2019. NHAI has also called bids for 28 HAM projects worth Rs.31532 Crores for which bids are to be submitted before September 30, 2019. Apart from that during the quarter Dhule Palesner Tollway Limited one of these subsidiaries of SIPL also won the arbitration award to the tune of 56.39 Crores. Out of this amount, the SIPL itself received 22.54 Crores and the balance needs to be paid to the joint venture partners.

In addition to this, based on the current order book, and without adding any new orders, we provide a revenue guidance of Rs. 3600 Crores for FY2020 out of which projects where the appointed date is yet to be received or expected to contribute around Rs. 350 Crores. For new orders, we expect based on the discussion within the organization to receive almost around Rs.3000 to Rs. 4000 Crores of the new business during the FY2020 and majority of these orders we are expected to come from the road EPC project segment.

In addition to this I would like to give you some brief about the status of the assets monetization transaction. What we did in infra trust for eight Sadbhav Infra and one is from the Sadbhav Engineering. So the current status is that the authority approval for all the NHAI projects, the project director and regional offices as well as the technical division of NHAI headquarter they were given the approval and it is now lined with the finance division of the NHAI headquarter, so we are expecting that this should go for the EC approval very soon. So all the six in the NHAI approval we are on the advanced stage. Second thing with regard to the approval for Aurangabad Jalna, the recommendation has already come to the government level here in Mantralaya, Maharashtra. So that also we are expecting that the, it should be through in line with the NHAI asset approval also.

With regard to Ahmedabad Ring Road already Aura Board has decided to take the legal opinion and then after they are going to give the final approval of the same. So we are expecting that the approval for the same should come by the end of September and for the Mysore-Bellary, one the of the annuity project, so it already went to the government level obviously because of there is some change at the state government level in Karnataka, so we are expecting that the further communication from them should come very fast but that also we are targeting to complete before end of September. In addition to that the second measure is a lenders approval. So for as the lenders approval is concerned, the first consortium meeting for all the nine SPV has been completed. The intimation to lenders has already been given and we are also expecting because no objection certificate from the lenders, we are expecting that this should come before the mid of September. Once it is through both these two measures basically CPs are over, and then after we will be starting further closing of the transaction. So in nutshell, we can say that in Q3, we are expecting to get the entire payment of the entire transaction. So that is what I can with regard to the status of the deal.

So with this now I would like request, Mr. Vasistha Patel to update the status of the under construction projects and I will hand over the call to him. Thank you very much.

Vasistha Patel:

Good afternoon everyone. On the execution front, top projects by execution during Q1 FY2020 have been disclosed in the media release. Status of under construction project is as follows. Rampur-Kathgodam Package 1 based on the available land, 95% of work is completed, have received the approval of the delink and expected to receive a POCOD of the land of 31 km out of 44 km in the month of September 2019. In Rampur-Kathgodam Package 2, based on the available land and post receipt of a descoping approval 50% work is completed. In Bhavnagar-Talaja based on the available land, 85% of work is completed and POCOD expected in Q3 FY2020. Una-Kodinar based on the available land 57% work is completed. In BRT Tiger Reserve Boundary to Bengaluru section 83% work is completed and expected to apply for pre-POCOD in Q3 FY2020. Udaipur Bypass 75% work is completed and expected to apply POCOD in Q4. Waranga-Mahagaon 48% work is completed. In Jodhpur Ring Road 12% work is completed.

Regarding Kim Ankleshwar the financial closure has already achieved and approximate 76% of encumbrance land is already available, so we expect to start the construction from September 2019 end. Regarding Bhimasar Bhuj 60% land is available and balance land is expected in Q4 FY2020. In Tumkur-Shivamogga 50% land is available and balance land is expected in Q4 FY2020. Vizag Port Road we have signed a supplementary agreement with NHAI because of 80% land was not available and hence the project is terminated mutually with NHAI. Ahmedabad Rajkot project 34% project is completed. Lucknow Ring Road 27% project is completed. In Mumbai-Nagpur Expressway 14% work project is completed.

With this now I will hand over to Mr. Varun Mehta to discuss the financial numbers and operation performance of SIPL. Thank you very much everyone to listening out to me.

Varun Mehta:

Thank you Nitin Bhai and Vasistha Bhai for giving useful updates on the company. And good afternoon to all the participants and thank you for taking your valuable time to attend the earnings call especially in the long weekend season. I am sure you must have seen the financial results along with the media release which was shared on August 12, 2019 and also the SPV wise toll revenue data, which was shared on July 16, 2019.

Now let me start with the financial numbers first. Breakup between operational SPVs, under construction SPVs and SIPL standalone has been provided in the media release. Total cash income for all operational SPVs during Q1 FY2020 has increased by 4% to Rs.305.3 Crores from Rs.293.5 Crores during Q1 FY2019. This number includes NSEL annuity receipt also. Cash EBITDA from operational SPVs during Q1 FY2020 has increased by 1.6% to Rs.254.1 Crores from Rs.250.2 Crores during Q1 FY2019. EBITDA margin in Q1 FY2020 stood at 83.24% versus 85.26% during Q1 FY2019. Cash profits in the operational SPVs during Q1 FY2020 stood at Rs. 80.7 Crores versus Rs. 85.8 Crores last year. Our bank balance in the operational SPVs along with the current investments has increased to Rs. 188.8 Crores as on June 30, 2019 against Rs. 151 Crores as on March 31, 2019.

Now coming to the SIPL standalone business, total cash income from the standalone business during Q1 FY2020 stood at around Rs. 54.9 Crores versus Rs. 64.4 Crores last year. Cash EBITDA during Q1 FY2020 stood at around Rs. 38.2 Crores as against Rs. 46.6 Crores in last year. EBITDA margin stood at 69.54% versus 73.84% during Q1 of FY2020. Revenues and margins in the SIPL standalone business has reduced due to a lower HAM projects related income because the new projects are yet to receive the appointed date. Cash profits on the standalone business stood at around Rs. 8 Crores and the combined cash profit of the operational SPVs and SIPL standalone stood at Rs. 88.7 Crores during Q1 FY2020 versus Rs. 97.7 Crores during Q1 FY2019.

SIPL has a current outstanding order book of Rs. 446 Crores towards maintenance of 11 HAM projects, which are to be executed over the next 24 months and we have already commenced major maintenance activity in Bijapur-Hungund and HYTPL. In case of Bijapur-Hungund we have done the work of around Rs.15 Crores and in case of Hyderabad-Yadgiri we have done work of around Rs. 9 Crores. The consolidated debt of operational SPVs as on June 30, 2019 stood at Rs. 6843 Crores. The consolidated debt for the under construction and SPV stood at around Rs. 1663 Crores and the standalone debt of SIPL stood at around Rs. 1550 Crores. In the HAM project, we have infused Rs. 548 Crores of equity up to June 30, 2019.

Now coming to the status of the various operational SPVs, the traffic growth stood as follows. In case of Rajsamand Bhilwara we have seen a growth of around 23%. In case of Srinathji-Udaipur, we have seen a growth of around 17.6%. In case of Rohtak-Hissar we have seen a growth of around 10%. In case of Aurangabad-Jalna, we have seen a growth of around 6.5%. In case of Hyderabad-Yadgiri, there was a growth of 6%. For Dhule-Palesner, there was a growth of 1%. For Ahmedabad Ring Road, there was degrowth of around 4%. In case of Maharashtra Border Check Post there was degrowth of 3%. In case of Bijapur-Hungund, there was degrowth of around 2.5%. In case of Rohtak-Panipat, there was degrowth is around 17%. So probably in case of Ahmedabad Ring Road and Bijapur-Hungund and also Rohtak-Panipat, there has been certain projects specific issues which are going and because of that there has been degrowth in this quarter, but I think bearing that we have seen a reasonable amount of growth in the other projects.

Now with this, we complete our opening remarks and thank you very much for listening to the opening remarks. Now we may please start the Q&A session.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. We have the first question from the line of Mohit Kumar from IDFC Securities. Please go ahead.

Mohit Kumar: Good afternoon Sir. First question is on the consolidation which is trying to merge Sadbhav Infrastructure Project Limited to Sadbhav Engineering, can you please tell the rationale behind it and secondly on the order inflow, you guided for 30 billion 40 billion, do you expect in to come entirely for NHAI or from the state road project and how was the activity in the state roads are?

- Nitin Patel:** First of all related to your first question in short what I would like to mention that it is board of both companies preliminary has taken up the matter and for the process they have appointed the valuer and advisors. So the board is yet to receive feedback from this valuation advisor so as and when date will come, it will come, but so far as the rationale is concerned, actually if you see the things are getting completely in a consolidated manner, number one. Second thing everything is coming under one roof, now the company itself is going towards deleveraging mode apart from the asset like business model actually so that has already been, for that the first major initiation has been done and also is in a process that we going for all this asset business should become slowly the lighter and all this money should come under the common roof for the overall management and the company can focus on the largely the core activity of the EPC as well as the maintenance activity of the large number of this project along with the trust as well as the same business model how to grow it. These are broader one, but obviously as and when the things will materialize, will come with the complete detail one actually based on the all the discussions within the board that is one point. Related to the second, you have mentioned the order from, see obviously the larger portion from the NHAI, okay, some followup the state government are also coming out with bid, okay. The company will look whether it is funded by any multinational agencies like ABB, World Bank and restarting the projects are there, the definitely company will look along with the state projects also but obviously the larger, because the larger kitty is likely to come from NHAI only.
- Moderator:** Thank you. We have the next question from the line of Shriram Kumar from Spark Capital. Please go ahead.
- Shriram Kumar:** Thanks for the opportunity Sir. Sir can you explain the movement in the order book Sir especially in the HAM project side? Because in the last quarter, PPT the HAM order was around Rs. 5230 Crores and this quarter it has been restated to Rs. 5980 Crores for the FY2019 order book and then it has declined from there. So why is there in higher order book number for FY2019 in the quarter PPT?
- Nitin Patel:** Actually there are two things if you see that the Vizag Port Road because that project has gone now, okay so because earlier it was there, number one. Number two the Gadag-Honali, another one which is there to be executed by Sadbhav Engineering also, probably it is there, same it is there. I think other than that there is no change in the status and we have already clarified in the media release also that where the Kim Ankleshwar, Bhimasar-Bhuj and Tumkur-Shivamogga are likely to get the balance land actually and Gadag-Honali as I think their opening remark of Vasistha Bhai is not there but almost majority of the land is available and we are going to start the execution from October onwards in Gadag-Honali so that is the status.
- Shriram Kumar:** But my question is like in Q4 the order book for the HAM project is Rs. 5230 Crores, the same Q4 number that has restated in this quarter's PBT to Rs. 5981 Crores in HAM projects, so just want to understand what the increase that has contributed to that is?

- Varun Mehta:** I think the order book for the HAM project as on March 2019 in the Q4 media release was also Rs. 6000 Crores and now if you see in the Q1 FY2020 media release the order book for March 2019 is again Rs. 6000 Crores, I do not think so there is any restatement of the order book for March figures.
- Shriram Kumar:** I will take this offline Sir. So in terms of project wise land status we have seen that the land that is in hand has been around 50%-60% from most of this project. So if you could give the land status project wise that would be helpful?
- Nitin Patel:** With regard to Rampur-Kathgodam package 1, what is there total lands of the project is 44 km, and against that the 31 km of the land which was made available within the stipulated timeframe what we have also agreed with the client, so again these 95% work has been completed. In terms of the project wise if you want the land status, so I can give the brief project wise if you want to note down that the see Nagpur Mumbai Expressway that is EPC project where we had almost around 76% of the land is available in the hand, Lucknow Ring Road, we have 90% land is available that is also EPC. Jodhpur Ring Road that is hybrid annuity project 91% of the project land is available. Vadodara-Limdi that EPC from Government of Gujarat 90% land is available in the hand. Rampur-Kathgodam package 2 86% land is available. Waranga-Mahagaon 84% land is available. Sayla-Bamanbore that is also again EPC of government of Gujarat 85% land is available. Rampur-Kathgodam Package 1 as we have mentioned 95% of the land is available. Bhavnagar-Talaja 87% land is available, and BRT Tiger Sanctuary 98% land is available. Udaipur bypass we have 100% of the land is available. So this is the last status. Apart from that, the projects we have not yet taken an appointed date we have already mentioned that what is the percentage of land currently is available.
- Shriram Kumar:** Sure Sir. Sir this delinking of the project, till now we have seen only Sadbhav, is it going to come for other road structures for other players also? Is that possible because land acquisition issue there for last 5%-10% for most of these projects. So I just wanted to understand how the sector is panning out in terms of last 5%-10% of land availability?
- Nitin Patel:** Frankly speaking only couple of project if you see the Rampur-Kathgodam package 2 and Una-Kodinar where the descoping has been done, so that has already been initiated. Rampur-Kathgodam package 2 we have received the NHAI headquarter approval also, so that has already been completely over and regarding the delinking since land which has not been made available within the stipulated timeframe by the authority, for which the authority is obligated to give the suitable extent of time, so in our case we are giving the clarity of the status. I do not know what other projects or other developers what they are doing, but obviously the land which is not made available that is a clear case as per the terms of the concession agreement that this required to be intimated to authority and suitable extension so long as we can complete the project within the contractual timeframe.

- Shriram Kumar:** Sir just one last question. Sir in terms of NHAI approving the deal, are we looking at any delays, potential delays in that especially from the financial side of the NHAI, financial division NHAI?
- Nitin Patel:** See according to our assessment, there should be any delay because the SPVs of all the six SPVs what we have read, we do not have any claims on authority except in Dhule-Palesner we have received the arbitration award is already in place, okay other than that five all SPVs there is no any claims. So no any litigation is pending there and although we have received the final completion certificate for all these projects so all the six we have received the final completion certificate. So that is the clear case where nothing is pending from the even developer side and authority basically should not have any kind of issues.
- Varun Mehta:** We have also seen clean recommendation which has moved in from the PD and RO office, because of that there is no amount of ambiguity as far as the approval as per the concession agreement is concerned. So probably we are not seeing any major hurdle in the approval as such.
- Shriram Kumar:** Sure Sir. I will join back the queue for further questions Sir. Thank you.
- Moderator:** Thank you. We have the next question from the line of Ajinkya Bhatt from Macquarie. Please go ahead.
- Ajinkya Bhatt:** Thanks for the opportunity. Sir one bookkeeping question I wanted to ask, can you tell us what is the related party loans that are still outstanding with the SIPL and that whether the repayment to SEL is contingent upon any transaction going through by the 3Q FY2020 as you mentioned earlier?
- Varun Mehta:** Yes. As of now the loan outstanding is around Rs. 630 Crores, which has been given by SEL to SIPL, and the plan is that once we get the proceeds under the stake sale deal we will be paying off Rs. 550 Crores of loan to SEL from SIPL.
- Ajinkya Bhatt:** One more question Sir about the delinking of project that you explained right now that it is basically NHAI required to give suitable extension on construction of that project. My question is when this delinking happens, does it affect only the timelines of the project or does it also proportionately change other payments such as mobilization advance for example, like 5% mobilization advance, will that 5% now be only applicable onto the delinked on the under construction, or executable portion or you will still this 5% on the entire project cost?
- Varun Mehta:** The delinking is actually stop gap arrangement what NHAI has made, so the entire amount of mobilization advance or 40% construction payment or the annuity is on the base of the total project cost only, so we will get the entire amount assuming that the project cost is 100% because this is just a time gap arrangement because the land is not made available up to the date of the scheduled COD and so because of that this portion has been delinked up to the schedule COD but

we are supposed to complete the construction of this particular delinked portion or so. So there are no changes in the entire number and entire financials of the particular project.

Ajinkya Bhatt: So it is only time extension, nothing else changes.

Varun Mehta: Yes.

Ajinkya Bhatt: Understood. Thank you so much.

Moderator: Thank you. We have the next question from the line of Viral Shah from Prabhudas Lilladher. Please go ahead.

Viral Shah: Good afternoon Sir. Sir couple of questions. One what is the bid pipeline for our mining and irrigation project? Sir what is the bid pipeline for mining and irrigation projects?

Nitin Patel: See as of now mining our first endeavor is to complete the current obligation as of now number one. For irrigation, obviously some the river linking projects are getting lined up, but once the complete bid and NIT will come out then after we will build up our case for the bidding actually.

Viral Shah: Sir the last quarter we had some bids pending, in that we have not won anything right?

Nitin Patel: See there is a Jal Sakthi tender particularly in the irrigation front, expected to start coming by the end of Q3 actually, so large number of ground work has been done, so we are also trying and weighing that this will be one of the big opportunity for the execution front actually. All this will be under the EPC model.

Viral Shah: Sir the guidance of around 3000 to 4000 kind of lower than what we were targeting earlier because we are looking at around Rs.6000- Rs.7000 Crores of order inflow all put together so this Rs. 3000 to Rs. 4000 Crores is only patented to road or it is all put together?

Nitin Patel: It is an EPC segment under the highways only. That is one part. Second thing if you see so far as the HAM is concerned, the company will take the considered view because once the current projects where it will be completely on a track and in the sense where we have not yet taken the appointed date more particularly what we would like to say that plus we will take that on the clarity of the same will come then after obviously the case will happen so far as going for and before that as we have discussed that the planning is to complete the closing of this asset sale deal also within the Q3 itself.

Viral Shah: Fair enough Sir. Sir what is the gross debt level, is Rs. 1530 Crores right as on 1Q?

Nitin Patel: Yes.

Viral Shah: And what was that last quarter, it was around 59 Crores that is the same?

- Nitin Patel:** It was Rs. 1490 Crores.
- Viral Shah:** So it has increased by Rs. 40 Crores right for the quarter?
- Nitin Patel:** Yes.
- Viral Shah:** And what will be a net working capital cycle in terms of days?
- Nitin Patel:** See it is almost within the same range actually because all the projects which are going on some of the earlier projects we have got the payment also and also the current one we are aware, we have to continue basically infuse our capital, almost within the same range.
- Viral Shah:** Okay. Fair enough Sir. And what will be your target for a debt repayment for the year as a whole?
- Nitin Patel:** See actually you mean to this is standalone?
- Viral Shah:** Yes, standalone debt for SEL, Sadbhav Engineering?
- Nitin Patel:** Exactly see two things if you see that the first half yearly because most this closing of these deal so large portion of the loan what SEL has given to SIPL that will come out, apart from the money which SEL has infused under the Mysore Bellary that will also come and it will be utilized. So we are expecting that the post completing the deal the debts should come down by Rs. 600 Crores based on the current estimation of all the working.
- Viral Shah:** Lastly what is the capex guidance for FY2020 and how much we are spending 1Q?
- Nitin Patel:** See Q1 we have not done much around 10 Crores to 11 Crores but in the whole year we can say it should be within the range of Rs. 45 Crores to 50 Crores in FY2020.
- Viral Shah:** Fair enough Sir. Thank you so much Sir and all the best for your future.
- Moderator:** Thank you. We have the next question from the line of Prem Khurana from Anand Rathi. Please go ahead.
- Prem Khurana:** Thanks for taking my questions. First question was on Maharashtra Border Check Post, we were waiting to kind of for COD is for the balance check post I mean would you be able to share thoughts I mean when will be able to have the COD, because I think eventually initially you are expecting most of these to come live by March and last one to come live by June so it has taken longer than my expectation by when do we get to have the balance check post to come in live?
- Nitin Patel:** See For we have received the PCOD for all the check post and now the recommendation has already with the government level so at any point of time because we are also constantly

pursuing and in past also we have seen that they have taken almost six month to nine months' time basically once we have got the PCOD, so I think because they have got all the written consent from the ground staff by the department so it should come as early as possible and we are constantly pursuing, but hopefully in this quarter we should get this approach.

- Prem Khurana:** Your 23 years of time and start from the day you get the COD?
- Nitin Patel:** Once all the bill is there so then after the entire concession period will got rework basically based on the all the events happened in the past, so all the variations happen in the project that all will be taken into consideration and the based on the revise frame, what will be the end date, that is a provision in the concession agreement.
- Varun Mehta:** On the basis of the current original concession period, so now it will end at somewhere around November 2033, so that is the basic minimum what we will get.
- Prem Khurana:** Sure and as of now 18 check posts are operational, we are collecting toll?
- Varun Mehta:** Yes.
- Prem Khurana:** Sir what would be the pending equity requirement between these hybrid annuities now?
- Varun Mehta:** Gross equity requirement is around Rs. 750 Crores and the net equity requirement is around Rs. 425 Crores.
- Prem Khurana:** Rs. 425 Crores and would you able to share how much would be required in this year and how much next year based on your assumption on appointed days for the remaining projects?
- Varun Mehta:** Yes. So probably out of this Rs. 425 Crores in this year, probably we will require around Rs. 225 Crores and around Rs. 170 Crores in next year.
- Prem Khurana:** Sir as far as our Sadbhav Engineering order backlog is concerned and given the fact that delinking or descoping mode in some of these projects and land appears to be somewhat almost 85%-90% percent most of the cases, would you get to have any adjustment in your order backlog or have we made any adjustment, I mean for the descoping or delinking that we have already seen?
- Varun Mehta:** Yes, so if you see there has been an approval for the Sadbhav Nainital project, so in that EPC cost has been reduced by Rs. 73 Crores so that has been reflected in the order book and in the other project we have got an approval for the delinking, so in case of delinking there is no reduction in this group.
- Prem Khurana:** Okay but then in terms of order backlog, you would not be able to execute or the projects wherein that is delinked, I mean you would be able to kind of go ahead with a work once, you

have land in place, so that part of the order backlog that is you would not be able to kind of go ahead now, I mean you would have to wait for the land to come to you?

Varun Mehta: Yes, but if you see the percentage of land basically which we have answered in the earlier questions, so I think as of now the land has been made available to a large extent in these projects so the entire issue of delinking has been established by NHAI, so has to give the COD on the schedule COD. So that is the entire purpose of this delinking approval which has been given so if you see the land percentage that is not that the land is available to the extent of 70% or 80% in most of the project, the land is available more than 90%, so I think because of that, it will not impact the execution of the order to a large extent.

Prem Khurana: I missed the number on hybrid annuity O&M which is pending execution?

Varun Mehta: Yes. The value is around Rs. 446 Crores.

Prem Khurana: Thank you.

Moderator: Thank you. We have the next question from the line of Jiten Rushi from BOB Capital. Please go ahead.

Jiten Rushi: Good afternoon Sir. Thanks for taking my questions. Sir what is the descope work in Una-Kodinar Sir, the value on the work?

Nitin Patel: So the value of descoping in Una-Kodinar is around 6 km of the total land has been proposed, okay but particularly in Nainital, we have mentioned that the authority has given the black and white thing has come from the EC also around Rs. 73 Crores of the work has been descoped but the deal is Una-Kodinar from authority side, it has not yet come actually.

Jiten Rushi: The value can be anything between Rs. 100 Crores approximate?

Nitin Patel: It will be less than that but see if authority is confident to provide, they may propose for some delinking also, instead of going for descoping but the official communication is yet to come. So, maximum as of now the numbers which has been proposed, it is within the range of around Rs.48 Crores to Rs. 50 Crores.

Jiten Rushi: In terms of mining revenue and irrigations, so are we expecting the irrigation revenue the order backlog of irrigation to get exhausted by end of FY2020?

Nitin Patel: Yes it should be because the way the balance work is there, some of the work we have already completed but in some of the area where the land is not yet made available, so that we will take a final call basically by the end of Q3 and then after we will come out with the basically what exactly will be required to be executed and what is to be basically not to be executed but as of now, the entire scope is there as per the EPC contract agreement.

- Jiten Rushi:** Mining, what would be the run rates for this year and next year in terms of revenue?
- Nitin Patel:** In mining we are expecting around Rs. 250 Crores, 300 Crores, 350 Crores worth of the work will be executed in this year.
- Jiten Rushi:** Okay so in your order book revenue guidance of Rs. 3600 Crores, Rs. 350 Crores is included Sir, from the appointed date for pending projects?
- Nitin Patel:** Yes. That has been included.
- Jiten Rushi:** Sir in the SIPL order backlog is Rs. 446 Crores is the O&M part of the projects, what about the maintenance order backlog?
- Varun Mehta:** Yes. So the maintenance outstanding order where MMR for Bijapur-Hungund and HYTPL, so it is around Rs. 90 Crores for both the projects.
- Jiten Rushi:** That will get over by this year and probably first half of next year, If I am right?
- Varun Mehta:** Yes.
- Jiten Rushi:** So far we have invested equity of Rs. 540 Crores and balance of Rs. 750 Crores needs to be invested?
- Varun Mehta:** So Rs. 750 is a gross equity.
- Jiten Rushi:** Rs. 548 has been gross equity, which has been invested Rs. 548 Crores right?
- Varun Mehta:** Yes. Equity requirement is Rs. 425 Crores
- Jiten Rushi:** Gross equity would be in that ratio only what you have said for the net equity requirement, right?
- Varun Mehta:** Yes.
- Jiten Rushi:** Sir in terms of revenue like obviously the guidance has come down significantly, but how are we looking to recoup the revenue probably in the H2 or next year so what is the target and how will we recoup it because that has been a concern for the company for quite some time now and revenue is being stuck, that we are unable to meet the revenue target for last one year so what is the target going forward Sir?
- Nitin Patel:** See first of all if you see based on the current order book, we have discussed the tentative timelines for getting appointed date for few of the projects, based on the current ground situation we are of the view we should get it, so once we get it definitely we are expecting around 18-20% jump without adding any new order or the next year, because this will add the complete

executable orders also, number one and second thing as we have mentioned that we are targeting to add the further new projects, so this will give the further upside, so far as the overall execution is concerned, but obviously our first view is that, because now based on our past experiences and all put together so unless and until 80% clear unincumbent land is not there in the hand, we should not basically jump in as what we are of the view.

Jiten Rushi: Sir in terms of Rohtak–Panipat, and Rohtak-Hissar now, how much funding we are going to do this year and next year because we have already invested Rs. 80 Crores to 90 Crores as on March and I think we are further invested this quarter also, so what is the solution to it? Like how are we going to take it, are we going to terminate the contract and we hand it over to NHAI because the alternate routes are permanent in nature, so we have lost the target permanently so what is the solution now, because we are looking to consolidate the both the companies going forward, so it has to be logical conclusion rather than going for a consolidation with loss making projects?

Nitin Patel: See all the contractual issues, we already started taking up with the authority, so definitely we will deal in the complete contractual manner and so far as the support is required definitely the since last five years the company is supporting to Rohtak-Panipat even last three and a half year Rohtak-Hissar we are supporting, so this will continue for some time but what we are expecting that Rohtak-Panipat should come early as the decision of Rohtak-Panipat because it is a clear case where two separate alternate route has been constructed by the state government and now that is falling under the various clauses of the concession agreement so that we will deal separately and we are expecting that decision for Rohtak-Panipat should come very fast actually.

Jiten Rushi: That is it from my side. All the best.

Moderator: Thank you. We have the next question from the line of Shriram Kumar from Spark Capital. Please go ahead.

Shriram Kumar: Thanks again for the opportunity Sir. In terms of our standalone EPC revenues for SIPL, what is the split up for FY2019?

Varun Mehta: For FY2019 or for FY2020?

Shriram Kumar: FY2019 SIPL.

Varun Mehta: The SIPL standalone business revenue?

Shriram Kumar: Correct Sir.

Varun Mehta: So that revenue somewhere around 340 odd Crores was there.

Shriram Kumar: So everything is O&M revenue or is there any other cost to it?

- Varun Mehta:** That is the maintenance of the HAM project, the maintenance of the operational project and some part of the major maintenance of Bijapur–Hungund and Hyderabad–Yadgiri.
- Shriram Kumar:** Sir going forward what would be the run rate of this SIPL revenue?
- Varun Mehta:** See for FY2020 we are expecting this number should be somewhere around Rs. 250 Crores.
- Shriram Kumar:** Yes Sir so out of this Rs. 90 Crores would be from the BOT maintenance.
- Varun Mehta:** Rs. 250 is from the HAM maintenance.
- Shriram Kumar:** Okay, Rs. 250 is from the HAM.
- Varun Mehta:** Yes so the total outstanding order book is Rs. 446 Crores, so out of that Rs. 250 Crores will be recognized in the year FY2020. There will be maintenance of the operational project revenue somewhere around Rs. 40 odd Crores will be there plus there will be revenue from the major maintenance of Bijapur–Hungund and HYDPL. So I think that should be to the tune of around Rs. 45 Crores to 50 Crores.
- Shriram Kumar:** So approximately can we say around Rs. 350 to 400 Crores will be the run rate of SIPL's O&M revenue?
- Varun Mehta:** So I think probably for this we can say it should be around Rs. 350 Crores.
- Shriram Kumar:** I mean on an annual basis, let say we are looking at next five years, what would be the run rate Sir around 300 Crores to 350 Crores?
- Varun Mehta:** Next five year, it will be like difficult to say because the revenue of SIPL is dependent on the maintenance of the HAM projects also, it depends on probably what new projects SIPL does get, but there will be a stability of revenue as far as the operational maintenance revenue is concerned, and also the major maintenance of the project depends on each and every project when the major maintenance will kick in so I think it will be difficult to say that see what is the average revenue for SIPL for the next five years.
- Shriram Kumar:** Sir just on we are not targeting the HAM projects, and going to target EPC project so if it decided that we are going to buyback the SIPL stake Sir?
- Nitin Patel:** Can you repeat the question?
- Shriram Kumar:** This year we are not targeting any HAM projects and simultaneously we are also planning to buyback SIPL stake, so is it decided that we are going buyback SIPL stake Sir?

- Nitin Patel:** Buyback is not there on the card, it is just that board has in principally agreed for merger of both the companies.
- Shriram Kumar:** So is that the reason why we are not targeting the HAM project for this year?
- Nitin Patel:** No. It is not like that. The consolidation has, see the time has already come because the business model itself now the company is going towards the asset light model, so definitely this will have some different altogether working and when all the entire EPC even the HAM maintenance contract as well as also the SIPL has signed the Rs. 4000 Crores worth of the maintenance contract agreement for nine of the SPVs going forward basically even though the asset is going out, so the idea is to have a complete all the consolidation, all the margins and everything should come under the one roof that is what, so that is the broader view, but definitely the one thing will materialize will come with the more clarity on the entire stuff.
- Moderator:** Thank you. We have the next question from the line of Santosh Hiredesai from SBICap Securities. Please go ahead.
- Santosh Hiredesai:** Thanks for the opportunity. Nitin Bhai, for FY2020 guidance, you talked about Rs. 3600 Crores of topline which is flat on Y-o-Y basis, while land seems to be a bottleneck at lot of places is there constrained in terms of financials as well is what I am trying to understand let us say equity, first one is HAM project, and also let us say from the debt side in terms of disbursements, have you seen that also as a constrained from where for the execution?
- Nitin Patel:** Frankly speaking so far as the our commitment of the equity is concerned, we are completely lined up and almost all the commitment has been done well within the timeframe, because of the certain clarity what we are seeing that the lenders perspective currently the scenario, is there, they want a more clarity so far as the projects are concerned and more particularly when this delinking or something basically when the land acquisition has not been done, so they want a more clarity from the authority side, so that is creating some little bit the time gap, but more or less we are also pursuing and with the different banks are having the different the internal system at all so that is also basically is working out, but obviously I can say that we have compared to what was there at least three or four years back that is not the case. It is the different and the persuasion requires more emphasis from the company side also even from authority side we have to pursue on a regular basis with this institution.
- Santosh Hiredesai:** So far projects where there is some uncertainty around land, the banks are also kind of going slow in terms of disbursement, is that a fair assessment?
- Nitin Patel:** No. They want a more clarity. It is not like that they want immediate clarity from the authority side, so that is what that resistance is there and I think in a number of cases, authority has also taken the stand now, when this is kind of situation is there, so they are immediately calling and

things are they are trying to settle out, but ultimately, obviously the obligation to acquire the land of the authority ultimately.

Santosh Hiredesai: Second question linked to this is you talked about pipeline from NHAI in terms of EPC and HAM, given that we have seen so much of issues around land availability, what is your assessment of land for these projects, which are now under bidding pipeline or do you expect again the same thing to kind of go forward in terms of bids coming under execution would take its own time given the land issues?

Nitin Patel: See in past also we have seen even currently we are seeing that the none of the projects comes with 100% of the land in the hand actually, so obviously these issue will be there but now for the bidding, what we are hearing from the authority side also, so particularly in HAM unless and until 80% of the land clarity is not there and the authorities now, they also does not want to come for the bidding so we will see that the HAM pace will have a some kind of slippages, because from bidder perspective also, from our side, we are also very clear unless and until the projects which are there in the hand when all the land is not made available and the appointed date we take and then after we will see the basically now the further going forward, so far as EPC is concerned, that risk is not so much basically because even there is say for 10%-15% lesser land is there but we can basically go ahead for the execution of the work, and execution can also be started very fast as compared to the HAM because to start the HAM project after winning almost it takes on an average one year, so that is why the differentiate is coming as of now.

Santosh Hiredesai: That is it from my side. Thank you.

Moderator: Thank you. We have the next question from the line of Ankita Shah from Elara Capital. Please go ahead.

Ankita Shah: Thank you. Sir I wanted to delve further on this consolidation that is we are planning, what do we feel is the impact or benefit that will accrue Sadbhav Engineering, that consolidating the operations? As far as we understand all the operations earlier was also under one roof and the idea for having separate entity was that one entity would focus on the core construction activity, and the other on asset creation, now after merging both entities, what is the benefit that Sudbhav Engineering would get out of this?

Nitin Patel: Frankly, as we have mentioned even to an investor just now sometime back the company is going toward the asset light business model that is very clear and because this nine SPV itself the deal which has been done, which is a significant number one, second thing going forward, the commitment from the so far as equity is concerned that will be very limited or to the extent basically clear available equity which will be there within that group, the focus more will be to our poor activity of our execution, including the maintenance and all put together so where we can clearly focus on the same, so this is a whole scenario, and apart from that I have mentioned that once the things will materialize will complete the complete clarity rational what has been

discussed, what are the thought process and everything, so that stage as and when come, we will come forward on the floor, all the details.

Ankita Shah: It is safe to assume that from here on we will not be looking at any BOT or hybrid annuity projects because we want to go asset light and only EPC projects is what would be our focus going forward?

Nitin Patel: Frankly speaking, the equity commitment whatever will come because BOT obviously it has not the place as of now we would like to go that is very clear. Second thing in the HAM also, as I am again mentioning that the first our priority is to start the current ongoing projects, when it will the land and everything is clearly available because where we have already done the complete lot of ground work and so that will be the first priority and then after we will see that how the things are getting materialized and then how the projects are coming with how much percentage of the land and post the closing of the deal, the way how we will build up our case scenario, and particularly the idea is that that not much on the basically more on the equity commitment business and more asset heavy business that is clearly the idea is on the asset model right now.

Ankita Shah: Mining also the MDO projects and all are ruled?

Nitin Patel: No that we are not doing, even since last two years there is no single bid has been submitted.

Ankita Shah: Thank you. That is it from my side.

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

Parvez Akhtar: Good afternoon Nitin Bhai and Varun. Couple of data queries that I had, so just to clearly the loan that SEL has given to SIPL is about Rs. 630 Crores?

Varun Mehta: Yes.

Parvez Akhtar: Second as far as the Gadag-Honali project is concerned, I mean have we achieved the financial closure and what is the kind of equity that we will need to put in that project?

Varun Mehta: Yes so the financial closure for this project is expected in this quarter and the expected equity will be somewhere in the range of Rs. 80 Crores to 100 Crores.

Parvez Akhtar: When you gave the figure of Rs. 425 Crores net equity that included this Rs. 200 odd Crores or that is just for the NHAI HAM projects?

Varun Mehta: Yes so that is only for the 11 NHAI projects.

Parvez Akhtar: What is the cash level in SEL as on date?

- Nitin Patel:** We are having almost cash to the tune of around Rs. 65 Crores to 70 Crores.
- Parvez Akhtar:** As far as tax rate is concerned, will have some 30% in FY2020 and the full tax rate next year, is that correct?
- Nitin Patel:** See SEL we are seeing yes current year it will be within the 25%-26%, next year it will come full tax.
- Parvez Akhtar:** Thanks. That is it from my side and all the best for future.
- Moderator:** Thank you. We have the next question from the line of Mohit Kumar from IDFC Securities. Please go ahead.
- Mohit Kumar:** I have one question regarding, does the monsoon have adverse impact on our Q2 numbers given the fact the number of places that have been especially in the maybe Nagpur-Mumbai Super Expressway, how do you see the impact in the coming quarter, in the Q2?
- Nitin Patel:** The intensity of the monsoon in certain part of the country is heavy. There is no doubt about the same. But normally in monsoon quarter, we have also seen that it is little bit muted quarter generally so far as construction business is concerned, but some of the area where it has been delayed or there is no kind of that heavy intensity where we are also basically gaining the some of the execution as compared to the other projects, so it depends upon finally how the execution will come from all of the project that will be the number, but particularly monsoon will always muted quarter for construction quarter.
- Mohit Kumar:** Is there any significant adverse impact the monsoon? I understand that as you answered, did not significant impact in this Q2 right, Q2 any muted, but having said that is any significant impact with the monsoon?
- Nitin Patel:** As such significant ultimately because these kinds of scenario in the entire three months, we will not be able to work on that projects. This kind of scenario is not there.
- Mohit Kumar:** Thank you.
- Moderator:** Thank you. We have the next question from the line of Parkishit Kandpal from HDFC Securities. Please go ahead.
- Parkishit Kandpal:** Thanks Sir. Sir just wanted to know have you started engaging with the credit rating guys because the deal has already been announced and we are in advance stages of closing this so have you started the initial discussion and when is the credit rating due again, I mean revise credit rating?

- Varun Mehta:** See basically right now if you see that the rating of both the companies has been put under the credit watch mode because of the announcement of the deal, so the entire rating process is an ongoing process, so they will see the completion of deal and probably once the money has been received and then they will evaluate the deal and probably they will give the revised opinion on the rating.
- Parkishit Kandpal:** Okay. Just on the Jal Shakti tender which Nitin Bhai you spoke about Sir you have given guidance of 32 billion to 40 billion of inflow this year and largely from the road segment, so if we do bid for the Jal Shakti projects so can this guidance go up from here?
- Vasistha Patel:** No. I think it is additional to the road projects, because we are not considered Jal Shakti tenders, what we tell Rs. 3000 Crores to 4000 Crores is only a road project expectation, and what we see is in January to March lot of Jal Shakti tenders will come what we have heard from the department.
- Parkishit Kandpal:** How much could these be at all I mean if we are looking to win in this year in that last quarter so how much do you think and come to us?
- Vasistha Patel:** As of now we are not telling anything because as on date not a single tender is invited. First we have to see the tender size, location and what is the synergy so we can tell you once bid will come.
- Parkishit Kandpal:** Okay, so just last bid on this Maharashtra Border Check Post, so is there any progress of, I mean have we again started talking to CPBIP for bidding for this asset?
- Nitin Patel:** First of all we are basically focusing on the closing of the current deal that will be our first priority. Initially when we have started the process then entirely all projects including Maharashtra Border Check Post also the part of the deal and they have also given even we have got the value also on the same, but our idea is to complete the transactions first transaction within the certain time bound manner and then after we will take up the further things on the cards.
- Parkishit Kandpal:** Sir this consolidation of the two entities, Sir what is the timeline we are working on this line, how much time will take?
- Nitin Patel:** See that we can say as of now ultimately, let the things to come up first of all what the basically ultimate outcome is coming then after only we will be able to work out all this scenario actually.
- Parkishit Kandpal:** That is all from my side. Thank you. All the best.
- Moderator:** Thank you. We have the next question from the line of Ashish Shah from Centrum Broking. Please go ahead.

- Ashish Shah:** Sir in terms of the two projects of Bhimasar-Bhuj and Tumkur-Shivamogga so while you said that there is 50% to 60% land available, so are we planning to continue waiting for the balance land to be available or we have on any thoughts of maybe not continuing with this projects if the land does not come in certain timeframe?
- Vasistha Patel:** No, we are continuing with and waiting for the NHAI to complete the 80% land, so our mobilization is also there in the two projects, so we are waiting when NHAI give 80% land then we will execute the project.
- Ashish Shah:** Sir in terms of the financial closure conditions for some of the recent HAM projects, are the disbursements from the banks linked to any specific threshold of land, which is available, so unless let us say you get 90% or 100% of the land, the banks will not disburse, are there any such conditions or only 80% threshold is the condition?
- Varun Mehta:** Ashish probably the requirement is 80% only but right now they required the 80% so only it was not specified in the financial closure document but right now they are mentioning very clearly that it has to be 3H which is like in incumbency land should be available minimum 80%.
- Ashish Shah:** Yes that is anyway is the condition for appointed date as well right, you do not take the appointed date till 3H is available.
- Varun Mehta:** Correct.
- Ashish Shah:** Lastly in terms of the SIPL third party debt, if I exclude the loan from SEL, what is your total number and how is your maturity profile of that debt, how much is due probably in FY2020 and 2021?
- Varun Mehta:** Outstanding figure is somewhere around Rs. 900 Crores and in this year we are supposed to pay around Rs. 65 Crores in FY2020, anyway with this stake sale money coming in, so we are planning to like prepay the entire debt of the SIPL standalone.
- Ashish Shah:** Thank you very much.
- Moderator:** Thank you. We have the next question from the line of Shriram Kumar from Spark Capital. Please go ahead.
- Shriram Kumar:** Thanks again for the opportunity Sir. Sir in terms of EPC project that we are looking to win this year, earlier we have communicated that the EPC space is bit crowded with real players so how will the margins are likely to pan out Sir for us?
- Nitin Patel:** Obviously as compared to HAM and the projects EPC has a little bit lesser margin. See one has to figure out that what are the resources of the existing strength which is available that people will figure out and second thing basically which are the ground level stuff, but more particularly

what we are seeing that the EPC is not only the just to put a bid it is more become a like engineering and designs concept as of now, so once who will have a more engineering and design skill at the time of bidding or they can put something which can give the further uptick as compared to the other competitor, so definitely this will be the case where he can also get a project even without compromising the margin. So these are what we are thinking of now.

Shriram Kumar: Given that they are moving on to asset light business, would we look to invest more in capex of the PPE to include the margins?

Nitin Patel: No. Not much will be required. Ultimately idea is to obviously whatever money is committed, equity company has committed for all these BOT assets and the hybrid and everything, so going forward, company will continue to get it back in the overall stuff and also for the growth debt capital will also be available getting the growth with compromising anywhere there in the working capital actually. So that is what as of now and going forward, capex only to the tune of the critical equipment what we are having as of now that only we will do, no much capex so far as regular equipment is concerned, because that we are largely getting it done through the subcontractors and everything.

Shriram Kumar: Lastly one book keeping question so what is the working capital days on SEL level and if you could provide project wise order book that would be great?

Nitin Patel: As of now, it is not completely available with me detail, but one thing I can tell you that the working capital numbers it is more or less is the same which was there in the March so not much basically any change either positive side or negative side that has happened. It is basically more or less in the same price actually.

Shriram Kumar: Sure Sir. Thanks a lot.

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

Ashish Shah: Sir just one question again on the EPC bidding conditions for NHAI projects so the NHAI has made a requirement of having a much longer duration for the guarantees to be continued I guess it is may be after the initial period, it is about another seven years or so. So what is the view within NHAI? I mean are they thinking of revising this conditions or from our company's point of view, are we comfortable giving such guarantees for such long periods?

Nitin Patel: That particular condition in some of the new tenders NHAI has changed and what we are of the view now they are looking only for four year maintenance or five year maintenance maximum, instead of 10 year actually, so because everything needs to be put upfront so that was the real challenge at the time of putting such kind of bid. Now that older tender are very few has been

left, according to the estimation hardly around 8-9 tenders are there which is 10 year the maintenance guarantee kind of thing, the rates and thing now we have changed the stands now.

Ashish Shah: Now the defect liability, you are saying the incremental EPC tenders is four years?

Nitin Patel: Defect liability plus you will have as a maintenance review also will be there, you have to put but that you have to put upfront, so that period will be definitely four years, so that should be award NHAH wants now.

Ashish Shah: Thank you.

Moderator: Thank you. As there are no further questions from participants, I now hand the conference over to Mr. Nitin Patel for closing comments. Please go ahead Sir.

Nitin Patel: On behalf Sadbhav Engineering Limited and Sadbhav Infrastructure Limited, we are very much thankful to all the participants who have taken their valuable time. In terms of the today's discussion so far as what we have mentioned that the company intends to go for a asset light model, so just here i would like to clarify as of now that the company will see the HAM projects but whatever the equity which is available within the system say for example because in this particular deal we have signed the ROFO agreement also, so that ROFO we are expecting that the we have discussed that the number of projects are nearing to completion and in this year itself we are going to get the completion certificate for at least four to five projects, so as and when these completes and we enter into that kind of agreement where we can get back our equity money back actually so definitely this will be the case where we can continue to look the some of the good HAM projects without any additional the capital requirement and where we can bring the growth overall along with the EPC the bids so that will be the strategy so idea is to asset light in the form that the within the available resources of the entire system that will be the business case how we will continue to buildup. Thank you so much to all for taking your valuable time. That is all from our side. Thank you Yes Securities for organizing the call.

Moderator: Thank you gentlemen. Ladies and gentlemen, on behalf of Yes Securities that conclude today's conference. Thank you all for joining us and you may now disconnect your lines.