



“OM Metals Infraprojects Limited Q2 FY 2017
Earnings Conference Call”

November 15, 2016



**MANAGEMENT: MR. SIDDHARTH KOTHARI - MEMBER, ADVISORY BOARD, OM METALS INFRAPROJECTS LIMITED
MR. VIKAS KOTHARI - EXECUTIVE DIRECTOR AND PRESIDENT, OM METALS INFRAPROJECTS LIMITED
MR. S. K. JAIN - CHIEF FINANCIAL OFFICER, OM METALS INFRAPROJECTS LIMITED**

Moderator: Ladies and Gentlemen, Good Day and Welcome to the OM Metals Infraprojects Limited Q2 FY 2017 Earnings Conference Call.

This conference call may contain forward-looking statements about the Company which are based on the beliefs, opinions, and expectations of the Company as on the date of this call. These statements are not the guarantee of future performance and involve risk and uncertainties that are difficult to predict.

As a remainder, 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. In case 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. Siddharth Kothari. Thank you and over to you, sir!

Siddharth Kothari: Good evening, everyone. I welcome all you to our earnings call for quarter ended 30th September, 2016. Along with me I have Mr. Vikas Kothari -- Director and President; Mr. S. K. Jain - Chief Financial Officer and Strategic Growth Advisors our Investor Relations Advisors.

I hope you all have the opportunity to have a look at the Company’s Quarter Two and First-Half FY 2017 Results as well as the Presentation which had been circulated and uploaded on our website. So, before discussing the financial performance, I would like to talk about a few highlights of the quarter.

Let me start with few development on the Hydropower sector. So, first let me talk about the small Hydropower program by The Ministry of New and Renewable Energy. The ministry has been vested with the responsibility of developing small Hydropower projects. Estimated potential for power generation in the country from small or mini Hydropower projects is almost 20,000 megawatts from almost 6,500 identified sites. The ministry has initiated interactions with the state governments, small Hydropower developers and manufacturers of the equipment. The ministry has to achieve a target of roughly five gigawatts by 2022 through small Hydropower in the total target of the 175 gigawatts from renewable energy sources. Another major development is that recently central electricity authority has sought to remove the 25 megawatt cap on Hydropower projects to be treated as renewable. It seeks to treat all Hydropower projects including the large ones as renewable. The renewable tag is likely to encourage investors to set-up Hydropower projects and boost the sectors. As you all know that we are India’s leading Hydro Mechanical Engineering company so, we believe that going forward there are ample opportunities for us in the Hydro Mechanical segment which remains our core business.

The second important update is that in the last quarter the permission regarding the height of the Pallacia project was withdrawn by Jaipur Development Authority, which was challenged by the Company in the Tribunal and has been granted a stay. So, in this quarter I am happy to inform all of you that the construction has resumed after the judgment of the Honorable JDA Tribunal

and in its verdict the Tribunal ordered that all approvals and maps of the project approved by JDA are as per policies by laws and within legal framework. Now, I would like to hand it over to our CFO, Mr. S. K. Jain who will talk a little it about the numbers.

S. K. Jain:

Hello, good evening, everybody and thank you Siddharth. This quarter and specially this H1 we have seen remarkable growth in the overall revenue from Rs. 66 in this quarter as against Rs. 36.05 crores for the same quarter last year. This is a 81% growth in the revenue. Our standalone EBITDA for Q2 financial year 2017 has been Rs. 11.08 crores with margin of 17.08% as against Rs. 12.07 crores in Q2 financial year 2016.

The overall order book standing as on today is Rs. 838 crores out of which Rs. 708 crores are from our Hydro Projects and Smart City projects. Our order book is going to increase tremendously because we have bided for ONGC tenders and other tenders in Africa. We are hopeful that we shall get some handsome amount of orders in next half-year.

Our overall profit was a little bit down because we have speeded up the project Rampur, Vyasi, Smart City and Sardar Sarovar – Gujarat. This has resulted in work in progress, debtors and inventory which will cumulate into revenue in the next three to four months and in turn increase the profits. So, there is no downfall in the profit on a full year basis but, if you look at quarter-to-quarter there is a downfall in the profits.

Nothing more on financials and I request for the Question-and-Answer to begin.

Moderator:

Thank you very much, sir. Ladies and gentlemen, we will now begin with the Question-and-Answer Session. We have the first question from the line of Nisha Shah from NS Limited. Please go ahead.

Nisha Shah:

Sir, my first question is on your packaging venture which you recently started. Can you just give me an update on it? I mean has the production has started on a full swing and how much your revenue was contributed by this segment in the current quarter for the first-half?

S.K Jain:

In first-half we have clocked a revenue of almost Rs. 10 crores from the packaging division. The commercial production started in late February and by the time the production and the demand picked-up almost first quarter had gone already. In the second quarter we have done a revenue of Rs. 7 to Rs. 8 crores with an EBITDA of more than 20% and going forward in the next two quarters we are hopeful that we will cross revenue of at least Rs. 15 crores. The plant is going good, orders are good, specifically the orders in the segment of CSD is going very good and we have imported one more mould so that we can increase the production of caps for CSD. The venture and demand is very good and we are very positive to escalate this business in the coming time.

Nisha Shah:

Okay. What is the opportunity for the company in this Hydro Power segment going ahead?

S.K Jain: There are a lot of projects coming in the Hydropower space specifically in remote hilly areas. I am also very much confident about the river linking project to start in the coming next one year or two. We have also increased our presence in other irrigation projects like lift irrigation and other projects of dams. Our arena very great and we are hopeful that we shall see great order in every segment.

Nisha Shah: Okay. Sir, so can you just give some numbers as to how much it will be contributing going ahead, if you can?

S. K. Jain: Right now Rs. 838 crores is the order book without considering the fresh orders which we can get in the next few month. The current orders are to be executed over the next two years' time and we can clock a revenue Rs. 300 to Rs. 350 crores in next two years without considering the fresh orders from the current order book. If we get orders in Africa or ONGC or the other segments which I am talking about our turnover will fairly cross Rs. 500 crores. **Nisha Shah:**

Okay, sir. What is the update on your Bandra project?

S. K. Jain: I would request Vikas Kothari to give you some highlights on this because he is sitting in Mumbai. Over to you, Vikas.

Vikas Kothari: I think my line got disrupted in the middle.

Nisha Shah: Okay, sir, I need an update on this Bandra project.

Vikas Kothari: Yes, so what has happened is that we have received the approval for the transit camp, temporary transit camps. As you may be aware that we have changed the entire planning of the project in the revised FSI. Earlier it was 1.4 and now the FSI that we are getting on that is 4.0. Based on that we have submitted the revised plan and in the mean while what we have also done is we have submitted the revised plans for temporary transit camp. Earlier we had made a provision of 400 temporary transit camp, in order to shift half of slum in the first phase and half of the slum in the second phase. Instead of that we are now doing the entire slum clearance in one go itself. We are demolishing the earlier temporary transit camp and building the new transit camp which will be completed in the next six months. Once this temporary transit camp of 800 units will be completed then the entire shifting will be taken one go itself so, thereby savings us a lot of time in development of the projects. So, that is the latest update on that and hopefully in 12 months from now we should be breaking ground in construction of the final project buildings.

Moderator: Thank you. We have the next question from Manan Mehta from MS Brokers. Please go ahead.

Manan Mehta: Sir, just two questions, firstly any update on the Bhilwara - Jaipur road project monetization?

S. K. Jain: Yes, we have been looking to monetize and we will update you as something happens on that front. Other than that, we have started all four toll plazas and all four toll plazas are generating

revenue and revenue in March 2016 has already been reported in the financial statement which is Rs. 30 crores including VGF.

Manan Mehta: Okay, sir. Total revenue from this is approximately Rs. 30 crores?

S. K. Jain: Yes, Rs. 30 crores and out of that 49% is our share because we have 49% holding in that company.

Manan Mehta: Right. And what is the expected growth in the next year or so in this?

S. K. Jain: For 2017, we may not see much growth because the traffic is almost same but for March 2018 we are expecting growth of at least 10% to 20% as by that time the depo of IOCL will be fully operational there and one small Ring Road of 7 kilometers is also under construction that may complete in next two years that will give another boost to the project and revenue may increase by 30% to 40%.

Manan Mehta: Sir, my second question would be as to how is the response we have got in the Pallacia project post the construction being resumed?

S. K. Jain: Yes, we are very fortunate that none of the buyers for the project has asked us for the refund or cancellation in last two years when the project was slowed because of the JDA issue etc. All the investors were with us at that time and the confidence they have shown is tremendous and we are very thankful to them. So, the fresh bookings shall start I think after two months - three months when the structure will rise above 15 meters, we are hopeful that we shall start getting revenue by March 2017.

Manan Mehta: So, in this financial year we will have revenues, sir?

S. K. Jain: Yes, in this, whosoever has booked they will start paying of their balance amounts. From March 2017 we are hopeful that when the project structure gets over by 15 meters fresh booking will start.

Moderator: Thank you. We have the next question from Rahul Rusava, he is an Individual Investor. Please go ahead.

Rahul Rusava: Sir, my question was that in the first quarter and second quarter revenue has increased but the profit has not increased compared to previous quarter of last year so, going forward will we see any profit increase?

S. K. Jain: The major reason for the profit not comparable is because in the last quarter, in the last year we got the incentives for Arunachal project from NIPCO and that gave us good profit margins and this as compared to this year is not as that much. Secondly, we have speeded up the execution

of Rampur and Sardar Sarovar project where we have consumed inventory and have incurred operating expenses. This will culminate into revenue by next quarter.

Rahul Rusava: Okay. And sir, one more question, I wanted to ask about the sales trend because from FY 2013 your sales has gone down till FY 2016. Now as the sales are improving, so going forward year-on-year we will see growth?

S. K. Jain: Yes, sure, because we have orders in hand that we will complete in two years the order book performance will grow.

Rahul Rusava: Okay. And when I am seeing this Pallacia, it is showing Rs. 170 crores for this year in the order book.

S. K. Jain: Rs. 130 crores.

Rahul Rusava: Rs. 130 crores, Yes, but the project revenue will be clocked around Rs. 600 crores like you said on the last conference call so, I wanted to know how it is Rs. 130 crores here?

S. K. Jain: Rs. 130 crores are the execution cost of only structures and interiors.

Rahul Rusava: Okay. And this will in how many years we will get this Rs. 600 crores revenue?

S. K. Jain: I think by March 2019, we shall close the entire revenue of Rs. 600 crores if the construction is not hampered again and the project goes smoothly. The real estate is hit because of the currency crises and I cannot say anything right not. However our project is very premium and we do not see any downfall in our project because the situated location is very-very fantastic.

Rahul Rusava: Okay. Are you targeting any other real estate project like affordable housing because many companies are moving towards that affordable housing? So, are you targeting any other real estate project other than this 3 -4 projects what you have mentioned here that is Bandra, Pallacia and Ashvita?

S. K. Jain: Not as of now, as after this currency crises we are seeing that the realty market may go down by 20%. However, if we get any good land at very distress price at Bombay, Delhi, Gurgaon or Jaipur then we can look into it otherwise not.

Rahul Rusava: Okay. Any contingent liabilities the company is having?

S. K. Jain: Whatever bank guarantees we have given to the project authorities and whatever the corporate guarantee we have given to lenders for the road project are major contingent liabilities. There are no major contingent liabilities pertaining to sales tax, excise and customs. There would be around Rs. 500 crores in contingent liability because of bank guarantee and this corporate guarantee.

- Rahul Rusava:** Okay. What are the expansion plans in the packaging segment?
- S. K. Jain:** We shall take a call on the expansion plan post this summer season. However, we are very hopeful to clock revenue of Rs. 10 crores at least in the season.
- Rahul Rusava:** Okay. So, in this year there will be around Rs. 25 crores of revenue from packaging?
- S. K. Jain:** Yes, we are hopeful of that as Rs. 10 12 crores we have already crossed and in the next six month we can do Rs. 12 crores or more.
- Moderator:** Thank you. We have the next question from Jagdish Mundra, as an Individual Investor. Please go ahead.
- Jagdish Mundra:** In the results you have shown high material consumption because of the work in progress in the three projects that are going on. The revenues will be reflected in the next quarter as explained by you. **Siddharth Kothari:** Yes, sir.
- Jagdish Mundra:** What are the triggers for the company going ahead?
- Siddharth Kothari:** We have two - three triggers which will improve the performance of the company. **Siddharth Kothari:** So for our company the one which is looking good is that we are bidding in Oil & Gas and our bidding is going on in hydropower sector also.
- Jagdish Mundra:** Will we go into Hydropower or will be limited to mechanical equipment only?
- Siddharth Kothari:** We want to keep our focus in mechanical equipments only as we have high margins and our core strength lies there.
- Vikas Kothari:** We are present in Hydromechanical and in civil also. We are doing 24 megawatts in Gujarat so, we have completed country's largest dam. If the client brings out only Hydromechanical content then we will only participate in Hydromechanical and if client talks about EPC then we will do that also..
- Jagdish Mundra:** Going ahead as the focus increases on hydro power, the demand for hydro mechanical equipment will also rise. Do we have the capacity to sustain that?
- Vikas Kothari:** We have sufficient capacity for hydromechanical we have sufficient capacity till big size projects we are able capable for doing hydromechanical and capacity mean capital expansion we will do in capacity not in capacity because we have sufficient capacity for that and if we talk about civil or hydromechanical contracts are there then we will participate in that and we will bid in that also. So, scope has enlarged, the one which was Hydromechanical which is very small part of it has was a very small portion of that has now become very big portion by combining civil and Hydromechanical contracts we are getting.

Jagdish Mundra: Okay so one trigger is that you are bidding for Oil & Gas. What are the other triggers than this?

Vikas Kothari: Except this we are bidding for a lot of projects in Africa. At this moment I am in Africa when I am speaking on this call. So, here we have submitted a lot of tenders and a lot more are there to do which are in pipeline so, we are hoping in next coming months we should get some success.

Jagdish Mundra: Okay, and revenues for palacia as you said will be accounted after 2017 only?

Vikas Kothari: No, revenue will come in 2017 also.

Jagdish Mundra: Another question is that is this JDA issue going to be further escalated in any court?

Vikas Kothari: As of now nothing has happened like this. The judgment given to JDA by Tribunal, is that if someone want to go to the High Court then they require Attorney General's permission. As of now they have not applied for the Attorney General's and construction has already begun on the project.

Jagdish Mundra: So there will be no demolish or remodeling as such now right?

Vikas Kothari: No, it should not.

Jagdish Mundra: So, in the Bombay project you were talking about that about 800 transit camps will be made, then will you develop the Bombay land parcel or if there is any scope to monetize the land?

Vikas Kothari: No, as of now there is no plan, nor there is any offer like this., If any good offer before that comes up then we will see. **Jagdish Mundra:** Okay, in Subhash project we have converted the debt. Are we going to get some equity in exchange of the debt?

S.K Jain: We have done an investment of Rs. 7 crores in their company and against that we may get equity as it has not yet been approved by their board..

Jagdish Mundra: Okay, it is only Rs. 7 crores?

S.K Jain: Yes, Rs. 7 crores is there.

Jagdish Mundra: There is no managing control then?

S.K Jain: No, not now.

Jagdish Mundra: Is the company looking to increase dividend in the year?**Siddharth Kothari:** We will discuss on it and we will get to know about this in future.

Jagdish Mundra: How is the company highlighting the key events and performance?

S.K Jain: You must have seen that whatever we have done from last two years whether it be getting new orders or LI or it is the JDA Tribunal issue, everything's has been published on BSE. We appreciate your concern and your attachment with the company and in future we will give try to maintain good dividends.**Jagdish Mundra:** Correct thing, All the best for future of the company.

Moderator: Thank you. The next question that is from the line of Jitesh Jain, as an Individual Investor. Please go ahead.

Jitesh Jain: I think Mr. J. Mundra has covered most of the questions that I wanted to ask, it was quite an exhaustive list of question. One thing which I want to know is on the new orders that we are supposed to bag, I mean we have been discussing for the past six months to nine months but there has been no increase in the order book like the oil & gas or that we are discussing in other orders so, concretely by when can we get to hear some good news on the new orders?

S.KJain: Hopefully by January.

Jitesh Jain: Okay. And what are the kind of orders that we are looking I mean in terms of value?

S.K Jain: May be Rs. 300 to Rs. 400 crores.

Jitesh Jain: Okay, Rs. 300 crores to Rs. 400 crores. So, this is the ONGC order we are looking at or even the African order?

S.K Jain: The orders can be in ONGC, Hydro Power and African orders also are quite possible, We are also quite hopeful in getting this one Silo project..**Jitesh Jain:** Okay. So, this is the project I think which we were discussing about six months back the FCI project?

S.K Jain: Yes, correct.

Jitesh Jain: So, I think even this is a huge opportunity so, what are the kind of orders we are looking in this silos?

Management: This is not a EPC contract but an asset building contract. We will be getting land available at the FCI railways sheds where we will develop the silo and then we shall start earnings revenue from storage of grains. This is not a EPC contract but Yes, the revenue will be coming in the shape of rentals. As we build up the qualification, opportunity is huge in the entire India. Right now we have bided for four locations that is in U. P. West Bengal, Haryana. **Jitesh Jain:** Okay, that will be good. Sir, one more thing was like we were looking to sell the stake in the road project so, any update on that?

Management: We have given mandate to some two three IB and things are going on and it may happen anytime.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions from the participants, I would now like to hand the floor to Mr. Siddharth Kothari for closing comments. Thank you and over to you.

Siddharth Kothari: Okay, thank you everyone for your participation in our earnings call and your interest in the company. We have uploaded the presentation of the company on our website and also on the stock exchange's BSE, and NSE. And in case of any further enquiries you can get in touch with Strategic Growth Advisors, our Investor Relations Advisors or feel free to get in touch with us as well. Thank you so much for your participation.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of OM Metals Infraprojects, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.