



Sadbhav Engineering Limited  
Earnings Conference Call  
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**MANAGEMENT: MR. NITIN PATEL, EXECUTIVE DIRECTOR  
SADBHAV ENGINEERING LIMITED**

**HOSTED BY**



**Inga Capital**

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**Moderator:** Ladies and gentlemen, good day and welcome to the Sadbhav Engineering Limited Q1 FY13 earnings conference call hosted by Inga Capital Private Limited. As a reminder for the duration of this conference, all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal an operator by pressing “\*” followed by “0” on your touchtone phone. I would now like to hand over the conference over to Mr. Nitin Patel, Executive Director of Sadbhav Engineering Limited. Thank you and over to you Sir.

**Nitin Patel:** Good evening everybody on behalf of Sadbhav Engineering Limited I warmly welcome all the participants who have taken their valuable time for our Q1 FY'13 earnings conference call. First let me give the summary of this quarter standalone financials. Revenue for the quarter was Rs.421.5 Crores against 612.9 Crores in Q1 FY'12. EBITDA for the quarter was Rs.39.1 Crores against 70.4 Crores in Q1 FY'12. Profit after tax for the quarter was Rs.52.4 Crores against 33.8 Crores in Q1 FY'12. EBITDA margin for the quarter stood at Rs.9.3% against 11.5% in same period previous year. Q1FY'13 contains an exceptional item of Rs.60.93 Crores that is a bonus of Dhule Palesner Rs.18.23 Crores and balance from Bijapur–Hungund project. Now, let me give the revenue mix for the current quarter. Revenue from transport sector amounted to Rs.286.7 Crores, out of which revenue from BOT project contributed Rs.209.2 Crores and cash contract were Rs.77.5 Crores. Revenue from irrigation amounted to Rs.67.2 Crores, revenue from mining amounted to Rs.65.3 Crores and revenue from power generation amounted to Rs.2.3 Crores. Contribution to total revenue from mining and irrigation segment has been doubled to approximately 31% in this quarter versus 15% in the same quarter of the previous year.

The order book status as on June 30, 2012 remains as under, transport sector total 5190.8 Crores and BOT projects 2843 Crores, cash contract 2347.8 Crores, which is the total of transport sector is 72% of the total order book, mining sector outstanding order book is 1092.20 Crores, which is 15.1% and irrigation 930.8 Crores which is 12.9%, total is 7213.80 Crores. This excludes basically today's bid in which we became the successful bidder for irrigation projects from Sardar Sarovar Narmada Nigam amounting to Rs.378 Crores. The major development since April 2012 are as under, the company has been declared the successful bidder in respect of the bid invited by Maharashtra State Road Development Corporation for contract amounting to Rs.319 Crores in joint venture with Hindustan Construction Company in respect of design, build contract on lump sum basis for construction of terminal facilities for passenger, water transport along West Coast of Mumbai at Marve and Borivali, company will lead the joint venture with more than 51% participation share. The company has bagged an order worth Rs.33.55 Crores from Delhi-Metro-Rail-Corporation. Third is Nagpur-Seoni annuity project received Rs.54.13 Crores as

annuity on July 12, 2012 which consists of three full annuity and one is the partial. The Bijapur–Hungund commenced toll revenue from May 2, 2012. COD for balance 25% of Dhule-Palesner project has been received on June 10, 2012. Approval for commercial operations for three check posts namely Acchad on NH-8, Mandrub on NH-13 Saoner on NH 69 has been received. The total order inflow in this quarter was 352.55 Crores representing two orders both in transport sector as I have mentioned earlier and investment in SIPL of Rs.200 Crores which is a subsidiary of Sadbhav Engineering has been completed in this quarter. So these are the major developments in this quarter.

Now, let us come to the performance of operating BOT projects. The Ahmedabad Ring Road, total income for quarters stood at Rs.20.2 Crores as against 18.1 Crores achieved in the previous year. Average toll collection stood at Rs.20.6 lakhs. Aurangabad-Jalna, the total income for the quarter stood at Rs.7.2 Crores as against 6.5 Crores achieved in the previous year of the same quarter. Average toll collection stood at Rs.7.9 lakhs and the Bijapur – Hungund, the total income for the quarter which basically the toll has been started from May 2, 2012, total income for toll revenue stood at Rs.18 Crores with daily collection of approximately 27.40 lakhs. The status of the other BOT projects under implementation or which are about near to completion. The first is Hyderabad-Yadgiri; we have already completed work till date to the extent of Rs.364.60 Crores till the end of June 2012. The balance outstanding work is approximately 33.6 Crores. The total debt drawn till June 2012 is 358 Crores and the rate of interest in the project is 12%. The recommendation for this project called COD has been made for 75% of project land and expected to start revenue by the end of this month. The scheduled completion date for this project was May 2012; however the project is likely to be completed by October 2012 and the necessary extension has been recommended by NHAI because of the nonavailability of some 2 and odd kilometer of the land and two of the railway over bridge, now the land is completely in possession and railway over bridge out of two one is completed, one is we are awaiting the blockage from the Railway Department. Now, second one is 22 border check posts of Maharashtra, we have already completed work till date to the extent of 570.10 Crores and the balance outstanding work is 562.90 Crores. The total net drawn till June 2012 is 607 Crores and the rate of interest in this SPV is 12.75%. The COD for three check posts namely Acchad, Mandrub and Saoner has been received and revenue from these check posts will start before the end of this month. Dhule Palesner, final COD obtained on June 10, 2012. The company has earned a bonus of Rs.18.23 Crores for early completion of these projects. Rohtak – Panipat, we have already completed work to the extent of Rs.607.8 Crores till the end of June 2012. The balance outstanding work is 342.3 Crores that is total debt grown till June 2012 is Rs.492 Crores. The rate of interest is 12.5%. The scheduled date of completion for this project is October 14, 2013. We expect to achieve early completion of this project also because the project is going smoothly and far ahead of

schedule actually. The status of recently awarded two BOT jobs, the Solapur-Bijapur and Gomati ka Chauraha to Udaipur. The financial closure under these two projects is going on and we are on advanced stage of achieving the closure and we expect to complete all the documentation by the end of September 2012. The status of order bid, this is a broad order. In case of road projects, we have been qualified total to the tune of around 35000 Crores of the job, but bid has not yet come into the place. We expect that it will start from September onwards. In case of irrigation, we have submitted the bid for 9 projects and the value of the same will be around 1100 Crores and in mining sector we have submitted the bid for 5 projects and the value of the same is around close to 1250 Crores. These are the broad from our end. I am very much thankful to all of the participants for listening to me. Now I would like to request all the participants to have their questions regarding this quarter earnings as well as the present business of the company. Over to the floor. Thank you very much.

**Moderator:** Thank you very much. We will now begin the question and answer session. We have the first question from the line of Lokesh Garg from Kotak Securities. Please go ahead.

**Lokesh Garg:** Sir, my question is related to Dhule Palesner project, is it true that now we have started toll collection and what is the trend that you are seeing over there?

**Nitin Patel:** In Dhule, we have started the toll for 75 and balance 25 COD has been declared achieved and the toll fee validation, the last date for approval basically there was one clause in concession agreement that after starting of the issuance of one toll fee notification, second toll fee notification can be issued only after the six months. That six months is getting ended on August 8, 2012 basically day after tomorrow, so we are expecting that NHAI will immediately notify and the revenue for that portion will also be started but as of now the revenue which is coming which is almost in the line of what was anticipated at the time of financial close, so we expect that once the revenue from developed sections will be through the total toll for the projects should be within the range of 42 to 43 lakhs per day, so I think this is what was the estimation.

**Lokesh Garg:** In Bijapur – Hungund it has met your expectation at 27 lakhs per day?

**Nitin Patel:** This is one year ahead of schedule, so next year our lenders, our submission as per the financial close it was around 32 lakhs a day, so next year from April 2013 onwards after the increase of the current year inflation as well as the traffic growth for the next year, we expect that toll revenue will cross the numbers actually.

**Lokesh Garg:** What is the expectation that we are starting of or expecting in Hyderabad Yadgiri?

**Nitin Patel:** Hyderabad Yadgiri, first year we are expecting around close to 62 to 63 Crores for the full year of operation.

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

**Devang Modi:** Hello sir. First wanted to have a breakup of the bonus. Is the entire amount from Dhule Palesner or also there is an amount from Bijapur – Hungund, is there any further amount that remains over there?

**Nitin Patel:** Dhule Palesner bonus received, entitlement is 18.23 Crores and this is the total bonus which we are entitled from Dhule project and from Bijapur – Hungund, total bonus from the SPV will grow to Sadbhav Engineering will be 91.5 Crores, however after paying the bonus to the subcontractor KNR, the remaining bonus in the hand of Sadbhav Engineering will be to the tune of near to 43 Crores, so this is the total bonus from both the projects and looking to the progress happening in Rohtak – Panipat, the scheduled date of completion is October 2013, we expect that this project will also achieve substantial early completion, however we will be able to know all the details by the end of Q3 of the current year.

**Devang Modi:** What is the per-day toll collection for DPT right now, only the first toll plaza?

**Nitin Patel:** Dhule Palesner, both put together average revenue 75% is coming around nearly 22 to 22.5 lakhs a day actually. Dhule, there are three-way toll revenue is there, first is 75%, second is 25% other than the developed section. There are 13 km of the land, which is called the developed section and the handing over of the section will happen in October 2013 by NHAI as per the concessional agreement; however the work for the entire developed section has been completed by us early considering the whole price escalation, which can be happening and also to avoid the demobilization and again remobilization of that particular section. So once all three will be operational, the estimation of the revenue is around 42 to 43 lakhs a day.

**Devang Modi:** What is the impact of there will be bank guarantee that you will be giving for the bids that you will be doing, so will this be having certain impact on your overall cost, in terms of financial cost?

**Nitin Patel:** Absolutely impact is there, apart from that the current quarter if I can add that because major investment of 200 Crores has been invested by Sadbhav Engineering in SIPL actually that has been completed, so that is the basically investment, so some of the cost has also been taken in the current quarter and also the investment in Windmill has been completed in the last week of March 2012, so this entire quarter that interest is also came into the play, so

all put together it remains 17 Crores including the bank guarantee commission, but obviously bank guarantee commission has increased compared to the previous year.

**Devang Modi:** Broadly can we say that just that you have qualified for around 35000 Crores of order so would your bank guarantee commission be something like 0.2% of the debt or something over the whole year?

**Nitin Patel:** Because last year also we have submitted almost around 25 bids actually and I think this year also we will be submitting almost the same number of the bid. We do not see there will be any additional increase actually compared to the last year and also after the improvement in the credit rating of the company this year we expect that the bank guarantee commission which is as of now we are paying 0.65% on the year it may come down to 0.45 from the lenders actually.

**Devang Modi:** Okay sure Sir, just a last bookkeeping question, what is amount of forex borrowing, what is the consolidated debt on our books as of now?

**Nitin Patel:** Forex borrowing is for the equipment only, outstanding is around close to around 55 Crores only and current position is 486 Crores as of now today, which includes the 200 Crores, which we have already invested in SIPL.

**Devang Modi:** What would be the consolidated number?

**Nitin Patel:** Consolidated it is around close to 3100 Crores as of now.

**Moderator:** Thank you. The next question is from the line of Chhavi Agarwal from Ambit Capital. Please go ahead.

**Chhavi Agarwal:** Sir I was looking at your Ahmedabad Ring Road project, I think NH-8 cuts that road from two directions, the traffic that goes on to NH-8, now once the Dedicated Freight Corridor is operational say in another five years or six years, do you envisage any road traffic which would move to the rails and because of that there would be a traffic loss in that and also the Gomati ka Chauraha project which is on NH-8. So once the Dedicated Freight Corridor is operational, there would be some loss of traffic because of commercial vehicle and freight moving from road transport to rail transport?

**Nitin Patel:** I understand the point but there are two things in our mind, what we understand is that the entire dedicated freight will actually take at least 8 to 10 years to complete because a lot of other development, basically once the entire stretch from Mumbai to Delhi has been completed then only traffic can basically go on this Dedicated Freight Corridor and

otherwise if you see the growth pattern of particularly on NH-8 from Delhi–Mumbai Corridor it is too high comparatively if you see the average of last 10 years is almost close to commercial traffic has grown average 11 to 12% on this entire traffic and normally while considering the bid we do not take average growth more than 7% actually, so this is parameter what we are generally taking at the time of submitting the bid.

**Chhavi Agarwal:** Sir in terms of SIPL, what is the order book of SIPL presently, I think a part of Mumbai border check post works are being executed by SIPL?

**Nitin Patel:** Out of 299 Crores around 201 Crores of the order is yet to be executed, so this year and next year basically I think this will be exhausted.

**Chhavi Agarwal:** So, this is at SIPL level?

**Nitin Patel:** This is at SIPL level.

**Chhavi Agarwal:** Sir in SIPL when I was looking the last year financial there is something known as sale of services income book of about 18 Crores, this relates to what services?

**Nitin Patel:** This is mainly basically the fees for achieving financial close, normally now the practice based on the past experience we are not going to mandate to any of the outside agencies and also there is some kind of management cost sharing basically from the various SPVs, so that is to be charged, because common cost is being incurred by SIPL, so this is being recovered from the SPV.

**Chhavi Agarwal:** This will continue because you will continue bidding. Sir within SIPL only if I look at last year financials whereas loans are about 125 Crores of which above 50 Crores is from related parties, so is it from some SPV and if you could tell us which SPV has given this loan to SIPL or is it from the parent entity to SIPL?

**Nitin Patel:** Out of that 50, it was 31 Crores is from Ahmedabad Ring Road and balance is from Sadbhav Engineering.

**Chhavi Agarwal:** For the next three years to invest in for your equity requirements, which I believe including the new projects will be somewhere about 850 to 900 Crores, a large portion would be from internal accruals but are you planning to take any debt and if so whether at SEL level or SIPL level?

**Nitin Patel:** There is no any plan to take the bid in SEL level, if I take the current position as of now we are of the view that the by the end of current year or we can take other way after completing

all the nine projects other than two new ones what we have won the total equity after funding the equity of all these lines we will be in a cash of around 200 to 225 Crores in SIPL and whatever additional funding will be required over the period of say 2.5 years from now or three years from now that can be taken by I think the securitization route is there actually what we understand preferred one and apart from that coming three years we see substantial cash accrual basically in almost all of the SPV because none of the SPV is short of cash actually, so we expect that all the SPV will continue to throw the cash in SIPL out of the internal accrual itself.

**Chhavi Agarwal:** From the Mumbai border check post project, the three check posts the tolling has started right?

**Nitin Patel:** It is going to be 9th; Thursday first is going to be started at Acchad on NH-8.

**Chhavi Agarwal:** How much revenue on a full year basis are you expecting from these three big check posts?

**Nitin Patel:** The revenue this year, we are expecting based on present completion of the various check posts, three will be started operational by the end of this month, another three will be started in the month of October includes two of the major that Hadakhed and Navapur also, so if I consider all put together we expect on a yearly basis it should be around 70 to 75 Crores this year.

**Chhavi Agarwal:** Next year how many check posts are you planning to add?

**Nitin Patel:** By the end of March total 10 will be operational and next year, balance 8 total 18 will be operational by the end of next year.

**Chhavi Agarwal:** Okay so; all would be operational because you are not planning to build only 18 out of the 22 right?

**Nitin Patel:** Another four we are going to build but it will be very partial, so the investment will be very less actually as compared to the original plant.

**Chhavi Agarwal:** There are three sizes, so for the mid size check post what is the capex that you incur for per check post constructing while check post?

**Nitin Patel:** Average it is around 25 to 30 Crores.

**Moderator:** Thank you. The next question is from the line of Deepak Rohra from Quest Investment Advisor. Please go ahead.



- Deepak Rohra:** Thank you Sir. Thanks for taking the question. Sir I just need to check something, you gave us a breakup of the bonus that you already received that is 60.93 Crores in the first quarter which is Dhule 18.23 and the balance will Bijapur – Hungund. Later on you mentioned that from the Bijapur – Hungund project you are expecting a total of sum 91 Crores which balance substantial amount will also go to the subcontractors, so does it mean that your share is already coming and so far whatever will come in the Bijapur - Hungund everything will now go to the subcontractor or how it will work Sir?
- Nitin Patel:** It is a proportionate basis actually.
- Deepak Rohra:** You would have also paid of proportionate amount to your subcontractor in this quarter?
- Nitin Patel:** Whatever has been received as a proportion of the same has been paid to the subcontractor.
- Deepak Rohra:** That sir you would reflect what in any other expenses is it Sir?
- Nitin Patel:** Actually, it is bonus income and bonus expenditure.
- Deepak Rohra:** Expenditure would be shown where sir, this is the net amount?
- Nitin Patel:** 60.8 is the net of Sadbhav actually.
- Deepak Rohra:** Okay fine thank you Sir that is one part. The second one is at the SPV level, they would generate a lot of cash, but in terms of profitability would there be PBT positive in the next two to three years most of it?
- Nitin Patel:** Obviously, because now given the situation of the change in the depreciation policy as per the company's act I think now at least all SPV will be the PBT project from this year onwards.
- Deepak Rohra:** One last question I have especially perhaps this may have more relevance to Maharashtra, off late what has been reading about a certain amount of unrest or disturbance that has been raised by certain political parties on collection of toll, have you really sensed anything significant at any of your post or any of the work that you have been doing?
- Nitin Patel:** Not that much significant, little hindrance was there but it has been taken care by the government operatives actually, and we do not see something significant on the same actually.
- Deepak Rohra:** So far, there has been nothing significant?

- Nitin Patel:** Nothing significant.
- Moderator:** Thank you. The next question is from the line of Shailesh Kanani from Violet Arch Securities. Please go ahead.
- Shailesh Kanani:** Thanks for taking my question, sir just to continue with bonus point I believe the first half our bonus booking has already done, so we do not expect any bonus booking for the second quarter?
- Nitin Patel:** Now, for these two projects there will not be any bonus booking.
- Shailesh Kanani:** The next bonus looking would happen only for the Rohtak–Panipat I guess?
- Nitin Patel:** That can be understood at the end of third quarter actually.
- Shailesh Kanani:** Any specific reason for drastic fall in the revenue front because I see considerable drop in revenue bookings in the BOT side as well as on the EPC side and also would like to know the status on the Chhindwara project?
- Nitin Patel:** Exactly, now there are two things, if we consider the revenue of BOT because what has happened because of the early completion specifically I can tell that this Dhule and Bijapur would have to be executed even this year also actually, but because of the early completion in the earlier period even Rohtak also you can see that out of the 950 Crores, almost 60% to 65% of the project has been completed actually, so because of these the revenue had been booked in earlier quarters, obviously because of the earlier completion and Chhindwara obviously initially in April and May there was no revenue from Chhindwara, in June we have booked around 12 Crores of the revenue in Chhindwara, July onwards it has picked up actually and work at the three different fronts has been started now, so we expect Chhindwara will start contributing some good revenue. Obviously in first quarter there was some shortfall, but we understand it will be overcome over the period.
- Shailesh Kanani:** Okay Sir. In continuation with Chhindwara project, there has been some consistent delays in this project, is this a different kind of a project, how is it different to any other cash contract what we are doing, what we have done in the past, can you give some more details about this project?
- Nitin Patel:** Not different, in MP there is a lot of tree cutting and as well as utility shifting was balanced, so our intention was also not to rush by booking the whole of the effort, otherwise we could have stopped, now 90% of the area is cleared, now it has been taken up and whatever issues

where there initially because the total length of the project is 422 km, all of them I think has been taken care, now we see that will come on track.

**Shailesh Kanani:** We do not see any hindrance for this project in Q2?

**Nitin Patel:** There is no hindrance now.

**Shailesh Kanani:** Since this project is having such significant impact on the order book, because I think it is contributing 1800 Crores to the road EPC?

**Nitin Patel:** Yes, cash contract.

**Shailesh Kanani:** What kind of run rate you see in the revenue booking happening in FY'13 and FY'14 from this project?

**Nitin Patel:** This year we expect around close to 250 to 275 Crores, next year it should be close to 450 to 500 Crores.

**Shailesh Kanani:** This project has seen escalation as well, it was 1400 Crores earlier, it has gone up to 1800 Crores right?

**Nitin Patel:** Yes, because all the escalation is paid, payable as per the contract.

**Shailesh Kanani:** There are no issues on that?

**Nitin Patel:** No, there are no other issues.

**Shailesh Kanani:** Continuing to our Dhule Palesner project what is the amount pending from Dhule Palesner?

**Nitin Patel:** Total considering the developed section what we have executed the work, the total outstanding in Dhule is around 195 Crores as of now.

**Shailesh Kanani:** What was the figure fourth quarter FY'12, last quarter I think it was 250 odd Crores?

**Nitin Patel:** I think it is 258 Crores something was there actually.

**Shailesh Kanani:** There have been some receivables on that front?

**Nitin Patel:** Yes, still there is some receivable, out of 195, 115 may take more time, but 80 Crores will be received just within even this month itself actually.

- Shailesh Kanani:** When we expect to complete 195 Crores coming in to us?
- Nitin Patel:** That depends once the NHAI allows to start collecting the toll on the developed section, this entire 115 Crores what we have so far is receivable actually that will come in one go actually.
- Shailesh Kanani:** This money is not pending because of early completion of project; this money is pending because that part of the project is not started operation?
- Nitin Patel:** As per the concession agreement because the schedule starting is October 2013, so we have completed early.
- Shailesh Kanani:** I think Dhule Palesner was scheduled for June 2012?
- Nitin Patel:** It was June 2012 except for developed section, developed section will take little more time.
- Shailesh Kanani:** I just get it right around 115 Crores is totally only after October 2013?
- Nitin Patel:** See as per the schedule, if NHAI does not allow us to collect the toll, then it will go to October 2013, or if the allow us because the recommendation from independent consultant, project director and CGM level has already been gone through NHAI head quarter for allowing to start collecting the toll, so once the headquarters approves then I think the money will also come immediately.
- Shailesh Kanani:** Sir on the bonus front again this is a mere book rent right, we have not received cash for this 60 Crores what we have booked or is it cash received?
- Nitin Patel:** Out of 60 Crores Bijapur–Hungund, we have already received bonus. Dhule-Palesner were 18 Crores, not entire basically, but up to the June end from Bijapur–Hungund and Dhule Palesner, the bill has been certified after the June basically once the NHAI has issued the final COD and lenders engineer have certified then after it has been basically approved, so we expect that this payment will come within a couple of weeks.
- Shailesh Kanani:** So substantial still has to come as cash?
- Nitin Patel:** Yes absolutely.
- Shailesh Kanani:** Sir just last couple of questions, on the EBITDA margin front, we have seen some fall on that, do we stick to our guidance of 10 to 11% for the year?

**Nitin Patel:** If you see the actual reason of the fall in the EBITDA, there is some increase in the cost basically other cost. If I say the number other expenditure actually which was 17 Crores that has come to 20 Crores even after reduction in the turnover. If we see the proportionately, there is impact of almost 2% of the other expenditure and cost because some of the fixed cost has already been incurred particularly because of the Chhindwara because whole of the quarter has not generated the revenue, so that is the only reason basically why 2 to 2.5% it is there basically in the EBITDA and mainly the rates and taxes because after post this budget almost 70 to 75% basis point we expect that it is straight way lead for the entire year.

**Shailesh Kanani:** On the last quarter what is budget?

**Nitin Patel:** 25 basis point additional indirect taxes, will take the heat for the whole of the year's revenue in the whole of the year's profitability out of the total.

**Shailesh Kanani:** So the margins would come proportionately 50 to 70 basis points lower?

**Nitin Patel:** I think it depends basically once the Chhindwara the revenue what we are expecting from the another new projects from Q2 and Q3 because they are the major drivers for the year actually, so that will basically determine the whole of the margin levels, but as far as normal working is concerned there is not any other reason basically because of which the margins came down. In working obviously margin is there actually.

**Shailesh Kanani:** Last question from my side, similarly what would be the guidance for the year on the revenue side, revenue guidance for the year, I think we started the year with flattish revenue guidance?

**Nitin Patel:** We expect that will continue because as of now we are in the month of August and almost around 8 to 9 months are already there actually for the year and the new orders are coming actually and also bidding process is going on and also some of the cash contract has been bidding headed, and we expect that this will also add further revenue, so almost we expect this year we will be able to complete almost as per the flat actually.

**Moderator:** Thank you. The next question is from the line of Jitesh Bhanot from Emkay Global. Please go ahead.

**Jitesh Bhanot:** Good evening Sir. Thanks for taking my question. Sir going micro up I just wanted to understand two of the projects which you said will be driving the revenue this year say Gomati ka Chauraha Solapur-Bijapur. Sir if you can quantify the amount that you are likely to witness in terms of execution this year?

- Nitin Patel:** As per the original plan and ideology the way it is going on we expect that around close to Rs.500 Crores of the revenue will be coming from these two projects.
- Jitesh Bhanot:** On the Macro scene how do you and the niche player in the road segment see the margins now on from NHAI side because we see a lot of larger players who are kind of shying off now, so have you seen some trend where the margins have already started moving up in the new rounds of bidding and how are you placed in terms of your own bids?
- Nitin Patel:** Obviously because there is a lot of pressure among the competitors they have to improve or perform, otherwise there are major issues, even taking of the bid and also perform on this bid it seems to be quite challenging because pure construction business cannot sustain the debt level beyond certain limit and that is what we understand but however it depends upon everybody's capability to raise the funds and also to arrange long term equity arrangement.
- Jitesh Bhanot:** Sir how do you think NHAI is planning at this point in time in terms of awards? When do you see next round opening up?
- Nitin Patel:** From September onwards series of projects will start coming for bidding.
- Jitesh Bhanot:** Sir how much are you looking this year in terms of target from NHAI side and BOT and what will be your expectation on the EPC side?
- Nitin Patel:** We are having some DPRs. Whatever DPR has been completed, the detailed project report by NHAI we expect that around 22 to 25 bids will be submitted by us in this year itself.
- Jitesh Bhanot:** Overall NH side do you have any kind of expectation that they will be doing 5000 or 6000 odd kilometers what they are talking about?
- Nitin Patel:** Planning is already there, they intend to allot minimum 7000 to 7500 kilometers this year but some of the kilometers will go into the cash contract, say almost around 1500 to 1800 kilometers what we understand, remaining will come under the BOT.
- Jitesh Bhanot:** Off late media was hearing about EPC standardized documents being done by NHAI. Are they already through with those modalities?
- Nitin Patel:** They are about to be through actually, we expect that shortly they will come with the agreement actually.
- Moderator:** The next question is from the line of Devang Patel from Avendus. Please go ahead.

- Devang Patel:** Sir in your opening comments you are mentioning five mining bids worth 1250 Crores that is submitted the cumulative amount seems to be on the lower side, the average mining contract size seem to have shrunk, so are we still not seeing large projects coming through?
- Nitin Patel:** See large projects, submitted bid position actually so some of the projects may start flowing but as of now not their significance has been started, obviously they are highly due actually to be very frank or otherwise there will be the real term shortage of coal actually in the country.
- Devang Patel:** What kind of contracts are these, the average size does seem to be smaller?
- Nitin Patel:** I think out of these, two of the tenders are lesser than Rs.200 Crores and remaining little bit larger but the average duration is almost 3 to 5 years of mining.
- Devang Patel:** Sir about the two new BOT projects you were mentioning that you will try for revenue of over Rs.500 Crores will you be targeting execution to start in Q3 itself?
- Nitin Patel:** Yes that will be started from Q3 itself.
- Devang Patel:** On the Rohtak project we were earlier trying to completed three to four quarters ahead of the actual schedule COD are there any problem areas in the execution of that project?
- Nitin Patel:** Not much problem only three of the ROBs are to be, but 75% operation we don't see any other challenge because the land is already available in our hand and almost we are near to completing 75% the remaining 25% will be started much earlier.
- Devang Patel:** Sir on the DFC on the Western side we were earlier participating in the bid, that tender was canceled, are we seeing any other development in the DFC side?
- Nitin Patel:** See not that prequalification, again they have called in now, as of now only two parties are there for qualification for two of the projects but as we understand some of the large player also challenged this position, so this is not being finalized. We expect that the decision may come within this month itself or they may dilute some of the qualification criteria and again more parties will come for bidding.
- Devang Patel:** Sir, are we not participating on the Eastern corridor?
- Nitin Patel:** No as of now not actually.
- Devang Patel:** Sir and could you give some broader balance sheet numbers debt and working capital?

- Nitin Patel:** See debt if I can tell that the today's position 485 or 486 Crores out of which term loan for equipment is around 70 Crores and term loan for windmill what we have taken is around 52 Crores and remaining is the working capital, so it is almost around 350 Crores or odd and this includes all put together includes the Rs.200 Crore what we have already invested in SIPL so far for increasing the stake in SIPL so we have completed in this quarter itself.
- Devang Patel:** How much will be the total debtors be?
- Nitin Patel:** The outstanding debtors are around 675 Crores as of now.
- Devang Patel:** This includes the Dhule Palesner?
- Nitin Patel:** Yes, that includes Dhule also.
- Moderator:** The next question is from the line of Vinay Rohit from ICICI Prudential Life Insurance. Please go ahead.
- Vinay Rohit:** The question, you said that you would have 200 Crores of surplus post this nine projects but for the new two projects you would need 600 Crores right, so assuming a size of 1000 Crores could you add two more projects or just one more? Without raising debt on the standalone side how much you can finance on the same project?
- Nitin Patel:** This year we can take another two projects minimum, minimum two projects we can take, almost at least around further commitment of 500 to 600 Crores of the equity in this year itself we can take.
- Vinay Rohit:** For that you would not need to raise equity?
- Nitin Patel:** Even next year, now what has happened, the base has been created for the company. If you see the revenue generation from all the underlying projects because 7 out of 9 are operational as of now if you can practically tell by the end of this month so only two will be remaining so revenue continues as cash flow for the development.
- Moderator:** The next question is from the line of Nitin Arora from Nirmal Bang Equities. Please go ahead.
- Nitin Arora:** Just on the industrial side as you were talking earlier also about this NHAI tending orders as far as our feedback says there are some of the projects with the NHAI they have slowed down the tendering basically because these projects are not lucrative in terms of traffic road



and command higher grant and that's why not enough bidding is coming from the developer side, from owner side, so can you tell us is it really happening on that front?

**Nitin Patel:** Some of the projects, obviously to some extent is correct, some of the projects are not so lucrative and obviously they may not fetch the bid. There are also quite a large number of projects basically which are the really good one and we expect that these bidding will continue because DPR NHAI is about to complete around 125 projects of the DPR by the end of this itself. So almost they may come for bidding of say broadly 45 -50 bids they will come, they will come out of the bidding actually.

**Nitin Arora:** Following upon that in a recent meeting I think was organized by NHAI where all the bankers and all the developers was been called sir basically just want to know that what is the problem that suddenly the lull has come up in the order tendering in the first quarter only 100-105 kilometers being ordered so this new EPC modalities which are been setting up what do you think the major constraining part is there and what do you think as a developer should be there on the papers?

**Nitin Patel:** First is some of the projects where NHAI has already clarified that the some of the projects they will go for the cash contract so they have to draft the model agreement for the cash contract basically in the current situation what we expect that they will come out with the some EPC kind of contract fixed term, fixed price contract kind of situation but unless it is finalized the bid cannot happen on that front which is almost 2000 kilometers of the bid is supposed to be finalized. Because DPR for this project is ready but because of the contractor is not finalized it is not coming out and remaining BOT projects some of the projects basically already qualification has been called for and we have started getting the letters from NHAI since last 15 -20 days that they have started finalizing the qualification and fixing the date for submitting the bids actually so we expect that from September onwards this will be picked up.

**Nitin Arora:** Sir do you think that lenders are comfortable now I mean as far as you are there in the industry so just want to get a feedback are the lenders comfortable now for the new projects coming up to lend, basically increase the lending?

**Nitin Patel:** See two things road sector as of now not that much hue and cry but obviously two three factors one is the, the debt equity ratio has been changed compared to the previous one. Second one some more stringent conditions are coming from the lenders side; naturally this will be offset because of the given situation.

**Nitin Arora:** Can you share some of the conditions that have come up, the debt equity have they raised the requirement of the equity part, if you can share some of them?

**Nitin Patel:** Some of the points remain in the equity part naturally and also upfront equity commitment, that also now lenders are asking higher from the developer side, now they are seeing more what kind of shortfall may come post COD that is also the important part so some kind of commitment post COD also now lenders have started asking from the developers.

**Moderator:** The next question is from the line of Rahul Metkar from Marwadi Shares and Finance. Please go ahead.

**Rahul Metkar:** For Rohtak Panipat project when do you expect the 75% COD to be there?

**Nitin Patel:** It is based on the present development, we expect this by December, and we will be through this year.

**Rahul Metkar:** And based on this what is the bonus that we can expect?

**Nitin Patel:** That needs to be worked out but that will be the on the percentage basis of the actual revenue collected post COD so I think once we near completion at that time we will assess the whole of the traffic scenario and then after we will be able to come with the numbers actually as of now I think I don't have any major idea of the same.

**Rahul Metkar:** With respect to this Multai-Chhindwara project if I am not wrong there are two stretches which extend from Multai-Chhindwara-Seoni and then the other stretch which is from Narshinhpur-Amarwara-Saoner, sir has the environmental clearance come for both the stretches?

**Nitin Patel:** Yes entirely now it has come for all of the projects.

**Rahul Metkar:** You have started work on all the two stretches?

**Nitin Patel:** Yes now total at three different fronts we have started work actually including Chhindwara Ring Road also.

**Rahul Metkar:** So with respect to this Bijapur-Solapur how much land do you have in hand?

**Nitin Patel:** As of now around 60% of the land is in our hand so because NHAI has to complete 80% then after we will be able to take the possession.

**Rahul Metkar:** When do you plan to start work on this project?

- Nitin Patel:** Naturally we will wait for getting the 80% of the land in hand then after we will start making investments.
- Rahul Metkar:** Are you again looking at subcontracting this work?
- Nitin Patel:** Both the projects we are going to execute on own.
- Moderator:** The next question is from the line of Parvez Akhtar from Edelweiss. Please go ahead.
- Parvez Akhtar:** Just wanted to get the details about the pending equity investments that we have to do in our BOT projects as and what has been done till date and what is the pending thing?
- Nitin Patel:** See total if I say that all put together total commitment was 941.80 Crores this includes the 40% equity commitment of Dhule-Palesner because earlier we were mentioning only 27% now it has been decided by HCC and as well as us that we will take up the proportionate holding of John Laing including 941.80 Crores out of which pure equity and sub debt put together 767.40 Crores has been invested so far. So balance is 174.40 Crores to be invested in these nine projects, apart from this two new one.
- Parvez Akhtar:** Just one last thing I missed the order book break up that you gave at the start of the call, it's not too much if you could repeat it?
- Nitin Patel:** Total break up is transportation sector is 5190.80 Crores which includes BOT of 2843 Crores and cash contract of 2347.8 Crores. Mining sector 1092.20 Crores and irrigation 930.80 Crores, so 7213.8 Crores.
- Moderator:** The next question is from the line of Parikshit Kandpal from Karvy. Please go ahead.
- Parikshit Kandpal:** I just wanted to understand on bonus component from Bijapur-Hungund, how the accounting treatment happens if I correctly understand that this is a full-year toll revenue which will earn for early completion and that component you have taken from SPV to Sadbhav Engineering Limited it will go and sit in the account, it gets realized?
- Nitin Patel:** Treatment has been given, it has been booked because it is one time revenue kind of situation, it is not normal revenue, obviously this has come because of the construction business itself so that means this is not one kind of gain in the Forex or some kind of profit or sale of land or that kind of situation, it is purely because of the construction activity but as per the accounting standard and as suggested by the statutory auditor this needs to be accounted on one go itself for the whole of the year which is due and receivable by the

company, so that is why it has been booked and actual payment will come on monthly basis at the end of the month.

**Parikshit Kandpal:** This account will get knocked off on a monthly basis as and when you collect the tool on this patch?

**Nitin Patel:** Exactly so accordingly the money will come to Sadbhav Engineering.

**Parikshit Kandpal:** Okay and same treatment has been done from the KNR part also?

**Nitin Patel:** Obviously he will also get, only after we receive then only he is entitled to get the products.

**Moderator:** The next question is from the line of Sujit Jain from Amsec. Please go ahead.

**Sujit Jain:** Sir regarding Chhindwara project how much of the project we are executing and what is outsourced to KNR?

**Nitin Patel:** Total we have given around 510 Crores of the job to KNR.

**Sujit Jain:** Will this revenue be routed through our P&L also?

**Nitin Patel:** Yes obviously because this entire contract is in the name of Sadbhav Engineering. NHAI will prepare the bill in the name of Sadbhav only; we have to give payment to them as per the actual execution.

**Sujit Jain:** Any margin estimation in this project what kind of margins we are expecting in this project?

**Nitin Patel:** In this project we are sure that price escalation has been taken care so margin should be in the range of 11% to 12% there is not any challenge in the same.

**Sujit Jain:** Sir SIPL cash position if you can throw more light you are saying post investing into all projects the equity portion will still be having 225 Crore of cash if you could elaborate on that SIPL cash position?

**Nitin Patel:** We will complete by the end of this year if I see the scenario Ring Road will generate minimum 40 to 45 Crores of the additional cash in this year itself after paying all of the dues and also Bijapur-Hungund now we are setting on a cash of almost 100 Crores. Apart from that what Sadbhav Engineering has funded 200 Crores to SIPL and also the outstanding debt from ICICI Bank we have got the sanction much earlier so all put together

around 425 Crores is already available in the entire system and out of which our commitment is 174 Crores so deducting all other tax liability and everything I think we should be in a range of around 225 Crores net will be available for the investing in fresh projects.

**Sujit Jain:** Sir if you could run up through the equity invested in the nine projects if it is possible?

**Nitin Patel:** Sure it is like that if I go one by one Ahmedabad Ring Road total requirement of the equity is 41.7 Crores entire has been invested, Aurangabad-Jalna total required is 83 Crores, so entire has been invested, 54 Crores is pure equity and 29 Crores is the sub debt. Again in Maharashtra Border Check Post according to our requirement the equity will be around 184 Crores

**Sujit Jain:** Sorry to interrupt, this is for 18 projects right?

**Nitin Patel:** All put together because now the project cost has been revised and also the phase of investments has also got changed and also given the situation of the revenue will be in a place now from this month itself so that internal accrual will still take care of the majority of the equity portion. So the total is 183.7 Crores out of which 161.9 Crores has already been invested so remaining is 21.8 Crores in Maharashtra Border Check Post, Hyderabad-Yadgiri total requirement is 60 Crores 100% has been invested and Bijapur-Hungund 105.50 Crores 100% has been invested, Nagpur-Seoni 43.5 Crores 100% has been invested, Rohtak-Panipat total equity requirement is 265.10 Crores out of which 132.40 has been invested. So 132.70 is yet to be invested in Rohtak-Panipat and also in Dhule Palesner 135.50 Crores will be the total requirement against which 115.5 Crores has been invested 20 Crore is balance. Mumbai-Nasik 23.9 Crores against which 23.9 has been fully funded now. So total 941.8 against 767.40 Crore has been invested. So balance is 174.40 Crores.

**Sujit Jain:** Sir can I have the gross block for Dhule Palesner and Bijapur-Hungund?

**Nitin Patel:** See Dhule Palesner gross block will be around upon completing the entire including developed section it will be around 1415 Crores and for Bijapur-Hungund it is 1246 Crores out of which 273.6 Crores is a grant from NHAI and 137 Crores is the equity from the promoters, the sponsors, so debt party is only 846 Crores in Bijapur-Hungund.

**Sujit Jain:** Sir Mumbai-Nasik project any progress, sometime back we were talking of probably hiving off our 20% stake?

**Nitin Patel:** No such progress is there, effort at both the end is going on but ultimately the result is not there actually as of now.

- Sujit Jain:** Could you elaborate more in terms of you know both the ends has in which way it is swinging?
- Nitin Patel:** As of now it will be difficult for me to comment them actually.
- Moderator:** We have the next follow up question from the line of Lokesh Garg from Kotak Securities. Please go ahead.
- Lokesh Garg:** Most of my questions are answered just want to take you perspective on the recent one two projects such as the Solapur-Bijapur and Gomati Ka Chauraha project what is the toll collection that you are expecting when they start let us tolling in 2016 or thereabouts?
- Nitin Patel:** See 2016 full year if I consider that the Solapur Bijapur they will be able to generate around a 144 to 145 Crores of revenues in first year and this Gomati Ka Chauraha to Udaipur again we expect around 120 Crores something.
- Lokesh Garg:** There is nothing which comes later on and adds on later on in a meaningful manner like a tunnel or something which adds on later?
- Nitin Patel:** Everything has been considered now because everything is to be given NHAI at one go actually, it is not like a developed section in Dhule, everything has to be handed over by NHAI, obviously there will be two part 75% completion and 100% that is there already but if you consider 100% of completion by FY 2016 this will be the first year.
- Moderator:** The next question is from the line of Navin Jain from JM Financial; please go ahead.
- Navin Jain:** Good evening sir, small question on your toll revenues especially Dhule Palesner project seems to have seen some drop in toll revenues compared to fourth quarter of FY 2012, is there something specific or is it seasonal?
- Nitin Patel:** Obviously this is a seasonality impact and also toll revenue across country as we understand it is almost flat actually or even in some it has gone down also because of the economical impact in India as well as internationally and also the new development which has been halted in the country obviously some impact is there.
- Navin Jain:** Obviously this seems to be pronounced in this particular project where I think last quarter it was about 24.5 lakh and this quarter it is just about 22 to 22.5 lakh?
- Nitin Patel:** Comparative impact if I can tell the Ahmedabad Ring Road also in terms of absolute traffic there is little impact but the growth is not what was in the last year also, even in the country

as a whole among the developers we are discussing on regular basis, this is feedback that is coming actually.

**Navin Jain:** Small six months or so which all projects out of the four projects where we are collecting toll right now what is the kind of tariff hike we have taken?

**Nitin Patel:** Ahmedabad Ring Road we have not taken any tariff hike, it will be increased 8.9% from September 1 this year, approval has been placed, second one Aurangabad Jalna no tariff hike from April 1, 2013 toll rate will be increased by 18% because every three years the effect is to be given so three year is getting completed by March 2013, again Dhule Palesner not hike has been proposed because any hike can be proposed only after six months, even on August 8 it is not getting increased so it will be increased from February 2013 onwards and also on this Bijapur-Hungund it will come in the next year itself. No hike is there.

**Navin Jain:** Sir you also spoke about some change in depreciation accounting policy, could you please throw some light what exactly are we doing there?

**Nitin Patel:** Now what has happened, Company Act and the Institute of Chartered Accounts they have also come out with the note that depreciation on toll projects is to be provided on a revenue basis, so if we see the revenue stream of the toll project it is ballooning because traffic growth as well as inflation growth everything is getting ballooned, so accordingly depreciation is to be worked out on certain exemption, so we expect in the first year or something onwards depreciation will be hardly 1% of the total project cost.

**Navin Jain:** Will you start doing this from FY 2013?

**Nitin Patel:** Yes.

**Navin Jain:** For the Ahmedabad Ring Road project and Aurangabad Jalna whatever extra you would have provided in the earlier years you would also get reversed this year right?

**Nitin Patel:** That we have to check with the accounting standards and statutory auditors have to take a call but fresh provision will be based on the new policy itself.

**Moderator:** The next question is from the line of Deepak Jasani from ICICI Direct; please go ahead.

**Deepak Jasani:** With regards to 200 Crores equity increase in SIPL just wanted to confirm what would be Sadbhav Engineering stake in SIPL after this infusion?

**Nitin Patel:** As of now 80%.

**Deepak Jasani:** Couple of projects there have been completion before the time schedule, so has there been any revision in the project cost?

**Nitin Patel:** Revision obviously is there, there is a reduction in interest during construction also, there is no project contingency and also increase in revenue is already there because toll we have started earlier so that toll itself will take care of the but however we have taken the view that we will take the entire funding from the lenders that we have negotiated at the end of financial closure itself and that funds will be remaining in the SPV for future development of the overall business.

**Deepak Jasani:** One last question with regards to Maharashtra, Maharashtra Border Check Post Naka project that project costing has reduced from 1426 to 1184, so even if I consider the reduction of toll plaza, check post plaza which we were saying a capex of 25, so the reduction should have been close to 100 Crores but reduction is much more than expected?

**Nitin Patel:** Actually what has happened there is also reduction in total number of lanes, earlier it was 422 lanes out of which 378 were operational, now the operational lanes will be only 194 for the entire project for whole of the basically toll booths, weight bridges electronic items also and electrical items everything has come down and also there is further reduction in building area there is also almost around 50% has been reduced in the building scope, so all put together, this is the result actually.

**Moderator:** Next question is from the line of Abhinav Bhandari from Tata Capital; please go ahead.

**Abhinav Bhandari:** Good evening. Just wanted to check on Nagpur-Seoni, you said we have received three full annuity and one partial annuity, up till when the payment has come to you?

**Nitin Patel:** Actually what has happened I am telling Nagpur-Seoni finally we have closed 28 kilometers only out of 56, so as of now they have released the proportionate only and based on the completion date scheduled with date of COD and till end of March actually the fourth annuity due, they have paid as of now around 54 Crores. Additionally we expect around 11 to 12 Crores for that period itself, so once the entire process of calculating the total cost incurred for developing the 28 kilometer and other parameters as per the concession agreement actually.

**Abhinav Bhandari:** So you are saying till March 12 you should get another 11 to 12 Crores on this proposal?

**Nitin Patel:** Yes, we are expecting this because some part of the portion of the fixed cost like the finance cost because that has been incurred for the whole of the project, so that has to be considered by NHAI, so that process is going on with independent consultant.



- Abhinav Bhandari:** Going forward how much would be the semi annuity amount here?
- Nitin Patel:** That will be finalized before the next annuity, it will come by November but we expect that the final annuity should be within the range of 19 and 19.5 Crores actually what we understand, that is semi annual.
- Abhinav Bhandari:** Can you also help with the project cost incurred on this and how much debt you would have invested in it?
- Nitin Patel:** Total project cost for the Nagpur-Seoni we have incurred the debt taken is around 213 Crores at the rate of 8.85% and total project cost is around 260-265 Crores is the total project cost.
- Abhinav Bhandari:** How much would be the equity commitment for the two new projects in this fiscal FY 2013?
- Nitin Patel:** We will need to fund around close to say 175 Crores.
- Abhinav Bhandari:** And that would come from the 225 that you have.
- Nitin Patel:** Yes, already it is there, available and remaining will come in straight way in FY 2015, not in FY 2014 because we are negotiating with the lender that the equity we will bring in on a later part.
- Abhinav Bhandari:** Could you also help with the revised project cost on the Maharashtra Border Check Post project?
- Nitin Patel:** Whatever intention is there we are about to, because one of these three will be operational and based on whatever variation has been approved and recommended so we will prepare the whole of the cost estimate and I think we will be able to as of now I don't have the whole calculation but that will take little time but once it will be through all the approvals are in place we will be able to tell.
- Moderator:** The next question is from the line if Vinay Rohit from ICICI Prudential Life Insurance; please go ahead?
- Vinay Rohit:** Could you tell me what was the order book for irrigation segment at the end of fourth quarter FY 2012?

**Nitin Patel:** I don't have the numbers as of now. I am having the numbers as of June 30, 2012 which is 1092.20 Crores and it was 1159.4 Crores.

**Vinay Rohit:** That is what I wanted to understand we did 67 Crores and the position was 1160 Crores, so is there any cancellation or something? Last quarter it was 1160, at the end of first quarter it is 930 Crores right?

**Nitin Patel:** 930 is mining actually and this is 1092.

**Moderator:** As there are no further questions from the participants I will now like to hand over the conference back to Mr. Nitin Patel, over to you Sir.

**Nitin Patel:** Thank you very much too all the participants. We understand as the industry is going under pressure but as of now what is the present business on hand and what is basically capability is already there in the company we are very clear and confident to complete all the jobs within the timeframe and also most important the revenue front of all the BOT projects are coming as per the estimate of the lender and even above that and we expect that strong cash flow is going to come to the company over the period and also obviously execution skill company is going to increase more and more over the period, however the business obviously we have to take as and when the opportunity is there. That is all from my end and again I am very much thankful to all the participants. Thank you very much.

**Moderator:** On behalf of Inga Capital Private Limited that concludes this conference call. Thank you for joining us. You may now disconnect your lines. Thank you.