



“Sadbhav Engineering Limited Q1FY14 Earnings
Conference Call”

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Hosted by:



INGA CAPITAL PRIVATE LIMITED

Moderator: Ladies and gentlemen good day and welcome to the Sadbhav Engineering Limited Q1FY14 Earnings Conference Call hosted by Inga Capital. 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 this conference, please signal an operator by pressing * and then 0 on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Nitin Patel, Executive Director, Sadbhav Engineering. Thank you and over to you sir.

Nitin Patel: Good afternoon everybody. On behalf of Sadbhav Engineering Limited, I warmly welcome all the participants who have taken their valuable time for this Q1FY14 Earnings Conference Call. I am sure that you must have had an opportunity to see the highlights on Q1 results which were released on the stock exchanges and circulated to all.

We have started this year on a positive note with hurdles on the execution front smoothing out despite all the uncertainties prevailing around the infrastructure industry.

Let me start with the summary of this Quarter Standalone Financials. Revenue for the quarter has increased by 34% to 563.2 crores as against 421.5 crores last year. EBITDA for the quarter has increased by 48% to Rs. 57.8 crores against Rs. 39.1 crores last year and profit after tax for the quarter was Rs. 16.1 crores as against Rs. 52.4 crores last year. Last year's profit after tax included bonus for two projects. Now the EBTIDA margin for the quarter stood at 10.3% as against 9.3% in the same period of the previous year. Considering the execution front, management is confident in improving the EBITDA margin further in the coming quarters.

Now to start with business update, the EPC business, let us first discuss on the EPC business update. Work has been started in Shreenathji-Udaipur project from 18th of April. Talking about this Chhindwara project, all the major clearances required which affected the work last year has been phased out due to which consistent execution has been made in the site during this quarter. Majority work has been completed in Rohtak-Panipat project. Also our order book as on 30th June 2013 stands at Rs. 9602.50 crores after deducting the current quarter's performance, out of which transport sector contributes 65%, irrigation sector contributes 15% and balance is from mining. Order book breakup and revenue breakup is provided in the highlights. I think you might have received all the details.

Now considering the new businesses which have been received in the kitty of the company, the company has won 7 projects since the last earning call amounting to 740 crores. In the month of April a project of earthwork and deepening and widening of parallel lower Ganga canal from the government of Uttar Pradesh amounting to 132.95 crores. In the month of June, company has got a contract of CC-42 from Delhi Metro Rail Corporation amounting to Rs. 64.64 crores. In the month of July, four contracts have been received; the first one was the

Uranium Corporation Limited of Jharkhand that is the mining of overburden and extraction of Uranium ore and the total value is 173.14 crores. Also the DMRC, Delhi Metro Rail Corporation Company has bagged two contracts, one is CC-47 and CC-43 amounting to 249.65 crores and 221.86 crores respectively. In both the contracts, the share of company's interest in the business is 40% along with 60% of Isolux portion. Also in the month of July, company has received a contract worth 183.57 crores from Sardar Sarovar Narmada Nigam Limited of the Kutch Branch Canal. So this is a new order which company has received since the last conference call.

Now let us turn to BOT business. On the BOT business update, detailed breakup of revenue in each SPVs has been provided in the highlights uploaded. During this quarter, traffic has remained subdued in almost all the SPVs due to slowdown in macroeconomic scenario and earlier heavy monsoon this year. However, we expect traffic to increase in second half of the year due to the good monsoon and also likely recovery in the macro economy. The following is the brief update of the SPVs. Ahmedabad Ring Road, now the important development has happened in Ahmedabad Ring Road. Company has got a sanction against the securitization of the project from the lenders to the tune of Rs. 252 crores which will be utilized for funding the equity of the ongoing projects. So we are through in terms of the sanction of Ahmedabad Ring Road and we expect the entire transaction will be completed before end of September since the documentation has been started for availment of the facility. The second one, Aurangabad-Jalna in line of the concession agreement, toll rate has been revised in April after completion of block of 3 years. In Nagpur-Seoni, the semi-annual annuity has been revised to Rs. 20.52 crores as against 19.198 crores due to some of the representation made by the company to NHAI and finally NHAI has also considered that request of the company and also evaluation of securitization proposal is currently under process and we expect the sanction of securitization of Nagpur-Seoni will be completed before end of this month. In Hyderabad-Yadgiri after the completion of 6 months of operations from COD, toll rate has been revised on 10th of June 2013. In Maharashtra border check post, toll collection has been started at another check post that is Mandrup with effect from 1st of July 2013. Further, COD has been received for 3 additional check posts that is Ramtek, Navapur and Pimpalkutti. Now the total 6 check posts have received COD, out of which two have started generating revenue. Toll revenue from balance 4 check posts is expected to start by the end of this month. While we have applied for COD for another 4 check posts namely Warud, Muktainagar, Hadakhed, and Umarga and we expect that the COD will be declared by the client by the end of September. Rohtak-Panipat, almost 98% of the work has been completed and tolling is going to start from September onwards. In Dhule-Palasnur, also there is one important development has happened in Dhule-Palasnur that the tolling for balance 7 km including Tapi river bridge has been started from 26th of May 2013. Also the approval to start toll on part developed section has been granted by NHAI during last week. So this will also enhance further toll revenue in the Dhule-Palasnur project once we received the fee validation letter which we expect that within a week's time NHAI will issue the fee validation letter and after this the majority amount towards the construction of developed section which is yet to be received from Dhule-Palasnur project by the company is going to be released. So this is also very important development in

Dhule-Palasnur. In Rajsamand-Bhilwara, entire environmental clearance has been obtained by the SPV. Also land up to 70% has been obtained. The construction is expected to start from October 2013 and financial closure document has been submitted to NHAI. We have got the sanction for entire facility for the SPV and also the upfront equity of 66.72 crores has been infused by the company in the SPV as per the requirement of the financing document. In Solapur-Bijapur, land up to 65% has been obtained. Environmental clearance is expected to receive by November 2013. Also forest clearance is expected to receive by December 2013 and accordingly the construction will start with effect from January 2014. So there is still some little uncertainty in terms of getting some clearances from government end; however, the financial close as well as syndication for entire project has been completed. So the obligation with respect to the company for the SPV has been fulfilled. Now NHAI has to give the clearance. So immediately after the same, the appointed date will happen for the SPV.

Now the Rohtak-Hissar sanction has been received from the lenders for entire facility of the project. Also the land up to 86% has been obtained. So this is also a very important development in Rohtak-Hissar and we expect that the environmental clearance will happen before October 2013 and the construction will start with effect from November 2013 in the SPV. Also in BOT business, there is no new project has come up for bidding from NHAI or state authorities during quarter one. However, looking at the current scenario, fresh projects are expected to come up for bidding in second half of the year. Also projects where financial closure has not been achieved yet expected to come for rebidding. So there are almost around 27 odd projects where the financial closure has not yet been achieved by the various developers and we expect that some of the project may go for the fresh bidding. Also we believe that the company is well capable to cater this opportunity if these projects are coming for the rebidding or also the new projects are coming for the bidding.

Now to update you on the fund raising plans of the company. The 80 lakhs convertible warrants have been allotted to promoter and promoter group entitling to subscribe to one equity share each at Rs. 115.75 for each convertible warrant. Also as you are aware showing its strong commitment and belief into the company, promoter and promoter group has increased its stake in the company during last quarter from 47.25% to 48.92%. Also the 25% contribution towards this 80 lakh warrant has already been infused by the promoters into the company during the last week. So this is a major point from my end. Thank you very much to everybody for listening to me. Now I would like to request all the participants to have their questions regarding this quarter's earnings as well as the present business of the company. Over the floor.

Moderator: Thank you very much sir. We will now begin the question and answer session. The first question is from the line of H R Gala from Quest Investment Advisors. Please go ahead.

H R Gala: Sir just couple of questions. Can you tell us what is the total standalone and consolidated gross debt that we have?

Nitin Patel: On a standalone basis at Sadbhav Engineering, it is 790 crores as of now and on consolidated basis, it is 4680 crores.

H R Gala: Out of this total debt, there must be something which will be in foreign currency also, ECB etc.?

Nitin Patel: Yes, out of the total 4680 on consolidated, it is almost close to 580 crores in the form of ECB and company has taken the reasonable cover on all these ECB facilities. So till now we do not expect any basically surprises in that front because the facilities taken are within their limits even at the today's dollar price.

H R Gala: Was there any MTM loss booked in this particular quarter in our accounts?

Nitin Patel: No, there is no such MTM loss.

H R Gala: And what is the average cost of these funds?

Nitin Patel: Average means you meant to say the ECB facility. ECB facility average it is 8.9% including the cost of hedging.

H R Gala: And the local debt?

Nitin Patel: Local debt in the new SPV where the construction project is going on. It is 12-12.5% because in Maharashtra border check post is almost 13%, but average we can consider it is 12.5% for the ongoing projects and in already completed project, it is 11-11.25.

H R Gala: My question pertains to time and again we come up with this issue that NHAI is not giving the COD. So what are the major reasons for them to hold onto it?

Nitin Patel: Two-three things basically. One is the interpretation issue. As we have seen in the case of Dhule-Palasnur project where the developer was really eligible for getting the COD for the developed section, for which the company is almost 150 crores has been stuck up into the SPV since last 1-1.5 years actually, but finally last week NHAI has given the approval to start collecting the toll. So finally they have also accepted the interpretation made by the developer. So this is basically issue. So naturally this kind of scenario will go into the claims, but ultimately obviously the hit has been taken by the company for this kind of decisions.

H R Gala: And last question from my side. In the last meeting, we had discussed the few projects since that in SPVs in the BOT project, we expect turnover of something like 415 crores in this year. So do you expect we will reach that or we will exceed it?

Nitin Patel: We will reach that easily. We do not see any challenge in this because Rohtak-Panipat is also going to start with effect from September and Maharashtra border check post, the four of the additional check post which we are going to start the tolling by the end of this month itself and

another 4 we have already applied the COD. So we do not see any other challenges in this 10 check posts. So we have considered the revenue only for this, no other revenue has been considered yet.

H R Gala: And in SEL standalone, we had said that we might reach around 2000 odd crores?

Nitin Patel: We expect we should cross this year about 2500 crores considering the current quarter's result and also around 2600 crores worth of the new cash contracts are going to be started by the end of September. So all this will be under execution during Q3 and Q4. So we expect that the significant contribution will come from these new businesses also.

H R Gala: And how do you see the EBITDA margins like what we have achieved in standalone 10.26%, do you think we can sustain that?

Nitin Patel: We expect that it will even go further because after starting of all the new projects and also if we see the current scenario, the prices of the steel and cement has gone down almost 25-30% as compared to what we have submitted at the time of bidding, the rates which we have considered, the price has come down. So expect same kind of scenario will remain for 6 to 8 months. All the benefit is going to come. Basically it will convert into the additional margin in the company.

H R Gala: So how much we can factor in instead of 10%?

Nitin Patel: We are quite hopeful what is 10-11%, we are very much hopeful that it will be maintained. We do not see any other challenges in this basically. So we can consider roughly 10.5-11% range actually for the year.

Moderator: Thank you. The next question is from the line of Shravan Shah from Amsec. Please go ahead.

Shravan Shah: Sir Chhindwara, how much has executed in this year?

Nitin Patel: This quarter, Chhindwara has reported 228 crores of the topline.

Shravan Shah: And how much is remaining now?

Nitin Patel: The outstanding is almost 1350 crores after adding the price escalation factor.

Shravan Shah: Sir in terms of standalone this year in terms of the CAPEX, how much CAPEX are we planning?

Nitin Patel: Since April, we have already incurred a CAPEX of 65 crores and we expect another 30 crores is going to happen during this year.

Shravan Shah: And in FY15, will it be same or it will be higher because mining will come.

- Nitin Patel:** In FY15, we expect around 70-80 crores of the additional CAPEX will come for FY15 also.
- Shravan Shah:** And sir this Rajsamand-Bhilwara, can we have the debt equity?
- Nitin Patel:** In Rajsamand-Bhilwara, it is like that the total debt for the SPV is 275 crores. Grant from NHAI is 266 crores and equity is 133 crores, 50% of the grant. So this is the configuration of Rajsamand-Bhilwara.
- Shravan Shah:** Once we start the construction, so it will be over by 2-2.5 years?
- Nitin Patel:** Total period as per the concession agreement we have to complete within 30 months.
- Shravan Shah:** After that in the first full year, how much we are in terms of toll revenue we are expecting for the full year?
- Nitin Patel:** You mean to say in Rajsamand-Bhilwara, we expect around 29-30 crores will come for the first full year of the revenue, near to 30 crores.
- Shravan Shah:** And sir this Maharashtra border check post, this Mandrup and the earlier one, this two are now operational, but in terms of the increase in revenue, how we are seeing compared to the last quarter?
- Nitin Patel:** It has been started actually because the Achhad was started from 10th of April 2013. So the part of the quarter has been started, but as of now, the average toll at Achhad has reached to Rs. 4 lakhs a day and in Mandrup it has been started from 1st of July, but from day 1, it is generating the average revenue of 3.5 lakhs per day.
- Shravan Shah:** So once this additional four by August and then another, so total will be 6 and till FY14, it will be 10 will be operational. So combined 10, how much per day toll will be there?
- Nitin Patel:** Out of this 10, we expect that we should be near to 35 lakhs a day.
- Shravan Shah:** Total 22 if we add by FY15, then how much per day?
- Nitin Patel:** As per the another remaining 12, it will near to around 20-22 lakhs a day actually that will generate additional revenue even in 12 because out of this 12, only 3 check posts are significant remaining are almost small kind of check post. So that the revenue is not much actually.
- Shravan Shah:** Sir at SIPL consolidated level, this quarter how much PAT?
- Nitin Patel:** Actually that has not been basically reported. At consolidated, we are reporting at every 6 months. I think we have given the revenue for this quarter from each of the SPVs and also

from the SIPL what is the revenue, what is the EBITDA and what is the interest finance cost for each of the SPVs and SIPL, operational SPV.

Shravan Shah: But I think Dhule is not there, so after this update the developed section COD, how much toll now we are expecting per day?

Nitin Patel: After the adding of this developed section, what NHAI is granted now, we expect around Rs. 38-39 lakhs per day the toll revenue will go.

Shravan Shah: And sir this quarter my calculation says it is around 189 crores equity we have infused, am I right?

Nitin Patel: Almost in Q1, all put together means SEL and SIPL put together, already 235 crores has been infused so far.

Shravan Shah: Now our requirement for FY14 and 15 is how much?

Nitin Patel: Total now the balance equity requirement is now 695 crores for all of the SPVs. So in this year total requirement was 315 crores. Out of which, 235 crores has already been infused now.

Shravan Shah: And sir this Ahmedabad Ring Road, we were expecting around 290-300 crores as securitization, but.

Nitin Patel: Both put together, we have reported that Ahmedabad Ring Road and Nagpur-Seoni, both put together we should be in a range of 300-325 crores.

Moderator: Thank you. The next question is from the line of Abhinav Bhandari from Elara Capital. Please go ahead.

Abhinav Bhandari: Wanted to check on standalone front, how is the receivable position now and the working capital position as well?

Nitin Patel: If I breakup the debt of 790 crores which I have mentioned earlier, it is like that 200 crores is towards the investment in SIPL by Sadbhav Engineering in the form of NCD. This is a period of 5 years basically. So the repayment is almost in fourth and fifth year, it is a bullet repayment. So after deducting this 200 crores, the remaining debt is 590 crores. Out of 590 crores, the loan towards the equipment as well as the wind farm that 53 crores we have invested in wind farm and equipment loan, all put together outstanding is 210 crores. If we take out this, almost 380 crores is the working capital which is being used as of now in the business and in terms of the outstanding debt because Dhule has not yet materialized and also the Rohtak-Panipat which was outstanding debt has been received, partly has been received in almost 10 days back. So it is not there in the reported quarter, but the debt level almost remains near to the same of which was there in the March quarter ending. So there is hardly 2, 3, 5% difference in the same.

- Abhinav Bhandari:** And apart from this last quarter when we had a chat, you said loans and advances apart from the 200 crore NCD which has been given to SIPL were at 100 crores. Is there any increase in that number?
- Nitin Patel:** Only 8 crores has been increased, that is all.
- Abhinav Bhandari:** On the warrant side, you said 25% of money has already come, any thoughts on the remaining 75%, will it come before the rights issue or it would utilize the 18 months window that the promoters have?
- Nitin Patel:** Ultimately as of now what has been decided, we will wait for further time for at least another 2-3 months and then after we will decide pertaining to even for rights as well as the subscription of the balance warrants money actually.
- Abhinav Bhandari:** So this securitization basically has given you some breather right now?
- Nitin Patel:** obviously because now it is through and also Nagpur-Seoni which is annuity, we do not see any other challenge because the revised annuity is also being now finalized by NHAI. So we expect that the balance proceed is for the securitization and that documentation will take place soon actually.
- Abhinav Bhandari:** On this 252 crores in Ahmedabad Ring Road, just wanted to check would it come as a senior debt on the books of Ahmedabad Ring Road?
- Nitin Patel:** Yes, it is a senior debt totally and the cost of this debt is 11%.
- Abhinav Bhandari:** And any toll rate hikes during the quarter you mentioned Aurangabad-Jalna had what 18.5%?
- Nitin Patel:** Aurangabad-Jalna has increased, Hyderabad-Yadgiri has also increased. It is almost 7-7.25 and also from 1st of September, Ahmedabad Ring Road is going to get the increase of 7.9% in the toll rate.
- Abhinav Bhandari:** And how about Dhule-Palasnur?
- Nitin Patel:** Dhule has increased from 1st of April as per the normal condition of the concession agreement.
- Abhinav Bhandari:** So there what would be the number now, average toll collection now on Dhule?
- Nitin Patel:** As of now, it is around 27-28 lakhs a day.
- Abhinav Bhandari:** Which you said would increase to 38-39?
- Nitin Patel:** Correct after the developed section portion.

- Abhinav Bhandari:** And on Rohtak-Panipat, what are our initial expectation on tolls because that is the one which is getting started in a month's time or so?
- Nitin Patel:** Initially because the normal what is happening in tolling business, initial 3, 4, 5 months actually, it is basically testing period for the traffic to settle particularly in large big-sized projects, but ultimately as per the estimation, if you see that the block as compared to we should be near to 43-45 lakhs a day.
- Moderator:** Thank you. The next question is from the line of H R Gala from Quest Investment Advisors. Please go ahead.
- H R Gala:** Sir just seeking a clarification, in your opening remarks you said that in this quarter or till July we have won 7 projects worth 740 crores?
- Nitin Patel:** Correct, this is a new project which has been added.
- H R Gala:** That are EPC project right?
- Nitin Patel:** All are EPC.
- H R Gala:** But then the breakup which you gave that adds up to about 1000 crores.
- Nitin Patel:** Actually two of the projects if you see that the DMRC.
- H R Gala:** There we have only 40% stake.
- Moderator:** Thank you. The next question is from the line of Viral Shah from Angel Broking. Please go ahead.
- Viral Shah:** Just update on your mining and irrigation business, sir what is the status in terms of L1 orders or in terms of order book?
- Nitin Patel:** Whatever basically bids have we opened and we have declared as a successful bidder, we have received the LOI for all the projects. So that has been included in the order book. So if you see the outstanding order book as of now, this is as of 30th June, it was 9062.48 crores. So out of this, mining sector is 1965.34 crores and irrigation sector is 1406.28 crores.
- Viral Shah:** There are no bids pending for mining or irrigation right?
- Nitin Patel:** Bids are there. These are already successful bids actually which has been converted into the order book because in mining we have already submitted another two bids in irrigation. One bid is still to be open. So this process is going on and also there were new projects which came for the bidding in mining sector. There is a significant potential since that lot of business are likely to come in mining sector over the period.

- Viral Shah:** And sir secondly just wanted to confirm what is the toll rate hike in Aurangabad?
- Nitin Patel:** It is almost 18.25% actually.
- Viral Shah:** Sir that means when you look at year-on-year, your revenue has grown by 14%. So there is a decline in traffic there as well?
- Nitin Patel:** Yes, there is a 2-2.5% decline in traffic actually in Aurangabad-Jalna.
- Viral Shah:** And sir what about Ahmedabad Ring Road?
- Nitin Patel:** Ahmedabad Ring Road also has shown a decline of near to 1.8%-1.9%.
- Moderator:** Thank you. The next question is from the line of Sundar Subramani from Almondz Global. Please go ahead.
- Sundar Subramani:** Nitin bhai, what is the early completion bonus we are expecting on Rohtak-Panipat?
- Nitin Patel:** Actually now we see may be hardly because of the two months bonus may come actually because schedule completion was by the end of October 2013. So because railway ROB portion, bypass was there. There were two ROB's, their railway authority has given the late approval. So remaining all the projects where we have completed because 98% of the funds has already been infusing the SPV now. So only there are two small works pending. Once it is through, then we will be able to start collecting the toll.
- Sundar Subramani:** So this two months, what is our expectation?
- Nitin Patel:** As per the EPC contract, whatever toll revenue will come to the SPV for this 2 months after deducting all the expenditure for tolling, the 75% of that net will come to Sadbhav as a bonus.
- Moderator:** Thank you. The next question is from the line of Nitin Bhasin from Ambit Capital. Please go ahead.
- Nitin Bhasin:** Just two clarifications. You said the NCDs have a bullet repayment in 5 years. So is there an annual interest outgo from SIPL into SEL?
- Nitin Patel:** Actually there is no such because SEL has invested as an equity capital. The SEL has increased their share capital in SIPL now. So there will not be any interest payment from SIPL to SEL, but off-yearly this cost basically, the cost will be borne by SEL over the period, so that has been included in the finance cost for the quarter.
- Nitin Bhasin:** So you said that in NCDs, nonconvertible debentures, is it convertible shares that you have taken?

Nitin Patel: NCD by the lenders of this 200 crores in Sadbhav Engineering, but Sadbhav has given a pure share closure.

Nitin Bhasin: In terms of equity invested, you said Rs. 235 crores invested in this quarter. So how much has been invested in the BOT as it of this 235 from SIPL and SEL?

Nitin Patel: If we bifurcate that, SIPL has availed the total facility of 180 crores loan basically which it has taken from ICICI Bank. So that has been utilized and after adjusting the net, SEL has given additional Rs. 108 crores to SIPL for this equity investment.

Nitin Bhasin: This quarter if I am not mistaken, Rs. 235 crores of equity has been invested in the BOT asset in this quarter. You said both SIPL and SEL have invested that. So this Rs. 180 crores of ICICI loan was already there, am I right?

Nitin Patel: It was not fully utilized actually.

Nitin Bhasin: So if we get that 235 incremental breakup is it like 140 crores has been invested by SIPL and Rs. 100 crores has been invested by SEL, is that so?

Nitin Patel: No, direct investment by SEL into the SPV is 37 crores. Also SEL has given additional 108 crores to SIPL, 108 plus 37 which is 145 by SEL. So once we get the approval from NHAI for transferring that 26% equity from SEL to SIPL, clearly after the appointed date we can apply because it is being affiliate. So as per the concession agreement, we can transfer that so that will be converted. That direct investment of SEL will convert to SIPL as to subscribe that and or SIPL has to repay that money to SEL and balance money has been invested almost 90 crores by SIPL.

Nitin Bhasin: So just to get a sense Rs. 145 crores, how did SEL raise this money in this quarter, incremental debt or the cash collection was high?

Nitin Patel: Actually if you see all put together, there is obviously the amount 65 crores worth of the facility SEL is availed basically for giving this to SIPL and remaining has been given from the internal accruals of SEL.

Nitin Bhasin: Basically 80 crores from the internal accruals and when this transfer happens, let us say in about 6 months or something of that point in time.

Nitin Patel: It is like this actually since SIPL has now got the approval of **ARRIL** now the 252 crores sanction is there now. Out of that, 108 crores will be obviously it will be repaid to SEL immediately and once the appointed date of Rajsamand-Bhilwara and Solapur-Bijapur will take place and at that time SIPL will give the additional 37 crores to SEL and buy out that 26% shares of these two SPVs.

- Nitin Bhasin:** And just to wind up, in Ahmedabad Ring Road, the new debt is 11% but the old debt is at what percent today?
- Nitin Patel:** 10.75%.
- Nitin Bhasin:** Hardly any difference.
- Nitin Patel:** Exactly.
- Moderator:** The next question is from the line of Devang Modi from Equirus Securities. Please go ahead.
- Devang Modi:** Basically sir on mining revenues, we saw despite of having a higher outstanding order book in the beginning of the quarter than the last year, we saw lower mining revenue coming through so how do we expect this mining revenue part to move on?
- Nitin Patel:** All put together because new projects which we have already won because initially 3 months we required for the mobilization of equipment and machineries. So now almost close to 1000 crores worth of jobs we have mobilized the new equipment and there has been little revenue from part in June and part in July, but we expect them from September 15 onwards once the monsoon will go actually, that projects will start generating the higher revenue and all of this machinery will come at the peak utilization period basically.
- Devang Modi:** So I think pending order book of somewhere around 18-1900 crores in the mining side. How much revenue could we expect in the second half. From what I understand the main revenues will only come in third and fourth quarter because of the monsoon so remaining we would expect in the second half?
- Nitin Patel:** All put together, we can see near to 400 crores of the revenue in the mining sector for the year actually.
- Devang Modi:** And sir on the order book, has there been a couple of projects which have been cancelled in the calculation that you are providing?
- Nitin Patel:** No, there is no any cancellation.
- Devang Modi:** Because this order book does not include KSHIP and Ramnath-Karaikudi.
- Nitin Patel:** No this has not been included. Ramnath-Karaikudi is no more now. KSHIP also we have not considered actually. This is only where the company has signed the concession agreement or the LOIs are through and the project is now, mobilization has been done and it is on the execution front now.
- Devang Modi:** And sir what is the cash and debt balance that is there on our standalone and consolidated balance sheet as of the quarter end?

- Nitin Patel:** In terms of the cash balance at Sadbhav Engineering, it is lying around Rs. 40-41 crores because recently the promoter has funded the additional Rs. 23 crores in Sadbhav Engineering that 25% of that warrant money actually. So that is lying cash in Sadbhav and in SIPL it is near to outstanding. Also in consolidated of SIPL, it should be nearly Rs. 85 to 90 crores.
- Devang Modi:** At consolidated debt level will be 85 crores.
- Nitin Patel:** No, cash balance.
- Devang Modi:** The cash balance will be 85 to 90 crores.
- Nitin Patel:** At SIPL.
- Devang Modi:** And on the debt side?
- Nitin Patel:** Debt in Sadbhav Engineering, it is 790 crores outstanding on standalone basis and on consolidated Sadbhav Engineering as a whole 4680 crores.
- Devang Modi:** So the standalone debt of 798 also includes the short-term repayments right?
- Nitin Patel:** It is hardly outstanding is 50 crores, 40 plus 10, 50 crores.
- Devang Modi:** 790 plus 40 to 50 crores?
- Nitin Patel:** No, 790 includes that 50 crores.
- Devang Modi:** So sir during the quarter, the debt has gone up from the end of the year?
- Nitin Patel:** Little bit actually because as I have mentioned that some of the money has been invested because some upfront equity which was required to be infused which is SPV. So that has been invested by Sadbhav into the SIPL. So I think in next quarter it will come back entirely.
- Devang Modi:** Sir you just mentioned earlier in the call that the land acquisition for Rohtak-Hissar and also Rajsamand-Bhilwara has not yet reached 80% level. So are we on course to sort of initiate works over there by October or would it be later that we would to commence works over there?
- Nitin Patel:** Rajsamand-Bhilwara, 70% of the land has been acquired, but MoEF clearance is through in Rajsamand-Bhilwara. So remaining 10% we expect that before end of September, it will be completed. So from October onwards, it is going to start their construction.
- Devang Modi:** You already mobilized the resources on site?

Nitin Patel: Yes, already mobilized a crushing activity and everything has been started in the project. So we do not see any because Udaipur-Shreenathji is the connecting stretch. Even from the NHAI angle, it is going on a very smooth level. So remaining 10% will not take more time. Even in Rohtak-Hissar, as I have mentioned we have already got the land for 86% of the total project highway. So 80% barrier is through, but environmental clearance is awaited because it has recently won. So it is under the development period of 180 days and development period ends by the November end actually, but we expect that also this will be completed, environmental clearance will be through before the end of October. So from November onwards, we can start construction in Rohtak-Hissar also.

Devang Modi: So basically Rohtak-Hissar, the work will only begin by November end?

Nitin Patel: Yes, that will begin from November end and Rajsamand-Bhilwara from October end.

Devang Modi: And sir finally what kind of pipeline are we seeing from the space in terms of the bidding that could happen?

Nitin Patel: Actually in NHAI, obviously because today also there is one news item. **MORTH** Ministry has mentioned there is another 3500 crores of the cash contract is going to be ordered within a couple of months. Apart from that on the BOT front, obviously NHAI has taken the decision that unless 80% land and environmental clearance is not there, they will not come for the bidding, but we expect that some of the projects where the financial closure has not happened. Out of which at least 12 to 15 projects will come for the rebidding before the end of this year. So we are quite hopeful that once it is coming, that we can be there into the race for getting at least 1 or 2 projects.

Devang Modi: On the state highway front, how is the outlook?

Nitin Patel: State highway front, obviously some of the states has come up for the cash contract, but it is not so more significant. The size is ranging from 100 crores to 300-400 crores only and considering all this because and almost it is being funded because normally when somebody has to come for bidding any states they require the funding arrangement also for these projects, otherwise it will be difficult to get the bidders also.

Moderator: Thank you. The next question is from the line of Prem Khurana from B&K Securities. Please go ahead.

Prem Khurana: Just two questions. First is on when we met last time, you have indicated that going forward periodical maintenance, regular maintenance for most of our SPVs would be taken care of by SIPL. So in order to be able to do that, how much of CAPEX would we be required to do at SIPL level?

Nitin Patel: Actually this does not require more CAPEX. I think hardly 7 crores of the CAPEX will take care of all this O&M requirement. So we do not see any other significant CAPEX requirement at SIPL.

Prem Khurana: And as far as our Maharashtra border check post product is concerned, so we were facing some teething problems there in terms of toll collection in Achhad and it still seems to be somewhat lower than what we were anticipating initially. When do we expect the toll collection to reach the maximum level or?

Nitin Patel: It is important thing. So when we have started, it was hardly 1.5 lakhs a day. So now we reached to 4 lakhs a day. So we expect in another couple of months we should be almost 95% level, we will be able to reach that.

Prem Khurana: If I am not mistaken, number was around Rs. 8 lakhs a day for Achhad and for Mandrup was around 6 lakhs?

Nitin Patel: No, Mandrup was 3.5 lakhs only and it is getting 3.5 lakhs. Even it was lesser than that actually. It was 3.2 lakhs only, but the commercial traffic is significant and also during the 3-4 years because some development of another subsequent alternate connecting highways, the traffic has gone up actually in Mandrup.

Prem Khurana: And on sir as many as 32 projects which were started for some amount of fund or for environmental clearance, you are expecting some 17-18 projects to come up for rebidding, so have we got anything from the NHAI or Ministry of Road Transportation?

Nitin Patel: Obviously there are two things. There are two types of developers. Their projects are being halted. One is that when the financial closure is achieved, but because of only environmental and forest clearance is not there and 80% land is not there, that is why it could not be taken off, though NHAI may resolve by giving some kind of basically the cost overrun some kind of arrangement, but when closure is not achieved, so obviously it is a default from the developer side. So naturally the NHAI is in a ground to cancel this kind of projects.

Prem Khurana: And when do we expect these to come up for rebidding, any timeline?

Nitin Patel: Obviously, but it depends, now the NHAI is basically trying to get some approvals because news is hovering that again it is going to Finance Ministry and Law Ministry, but once everything is confirmed, so when we got the approvals and immediately NHAI will start taking the decision to basically close these projects and to relieve these developers or to take off the projects where the financial closure is achieved.

Moderator: Thank you. The next question is from the line of Ashish Kumar from Marwadi Shares & Finance Limited. Please go ahead.

- Ashish Kumar:** Just one question from my side. Apart from Mandrup and Achhad, which are the other check posts likely to get operational in FY14?
- Nitin Patel:** FY14 apart from these two we have received the COD, the commercial operational date certificate has been issued by the client. So by the end of this month, we are expecting to start getting the Navapur, Savner, Ramtek and Pimpalkutti. So these 4 will be under operation immediately because the COD has been achieved. Another four where we have already applied for COD because more than 98% work is completed in another 4 check posts. So these 4 are the Hadhaked, Warud, Umarga, and Muktainagar.
- Moderator:** Thank you. The next question is from the line of Navin Jain from JM Financial. Please go ahead.
- Navin Jain:** Sir actually missed some details of toll rate hike that you gave. So could you please help me with what was the toll rate hike in Hyderabad-Yadgiri project?
- Nitin Patel:** It is inflation high, but it is almost close to 6.5%, toll rate has gone up.
- Navin Jain:** So this was effective from 1st April?
- Nitin Patel:** No, it is we did it from June actually. It is from 10th June 2013.
- Navin Jain:** And how about Bijapur, when is that expected to get a hike?
- Nitin Patel:** Bijapur is as per the normal, actually we have already got from the 1st of April, the toll rate has got increased. Again it is almost 6.7% actually.
- Navin Jain:** Sir this Aurangabad-Jalna, how is this 18.25% is getting calculated?
- Nitin Patel:** It is every 3-year block. It will be increased by 5% CAGR.
- Navin Jain:** Sir another thing was NACL, this annuity increase that has happened, what is the reason for this increase, is it got anything to do with the length kilometer which has increased in the project because I understand there was some restructuring that was done in this project earlier.
- Nitin Patel:** No, there was no restructuring there actually because the land has got reduced. Originally the project was 56 kilometers. NHAI could not give the land for 28 kilometers. So original annuity as per the base case business plan bid, it was 35.40 crores semi-annual if we could have got the 100% of the land. So once NHAI has declared the COD, they have given us 17.38 crores, so it is almost 50% of the proportion of the highway area which was basically developed by the SPV and after that we have made a representation to them. It cannot be proportion because some of the fixed costs for the financial close we have achieved for the 100% of the project, designing we have done for the whole of the thing. We have mobilized the entire site for 56 kilometers and everything. So all other costs basically which are of the

fixed nature that needs to be considered in full. So they have now considered 20.52 crores as against 35.40 crores. So if you see it, we have got almost 48-49% of the project highway, but we got the annuity almost to the tune of 56, 57, 58%.

Navin Jain: And finally sir on your SIPL revenues, this quarter SIPL had revenues of about 20 crores. So what was the nature of this revenue?

Nitin Patel: There were two basically. One is this Maharashtra border check post project which is being executed by SIPL and also the other revenue mainly the one is coming by around 5.5 crores came for achieving this financial close of this Udaipur-Shreenathji actually once the appointed date has happened. So as per the understanding that is already the cost of around 10 crores from each of the SPV, SIPL is entitled to get for achieving this closure.

Navin Jain: So this is like a fees?

Nitin Patel: But part fees we have received in this quarter.

Navin Jain: And it is like fixed 10 crores for every financial closure that?

Nitin Patel: It is not only for financial close as well as the availing regular drawdown of each of the SPVs because SPV we do not keep any of the manpower and staff actually. So all of the cost is being incurred at SIPL level, so it can be shared.

Navin Jain: So 10 crores is upfront and as and when the drawdown happens, they will get further fees?

Nitin Patel: No, not like that actually. Total is Rs. 10 crores. So 50% we are taking once the appointed date has happened. So that means some are pertains to closure and getting all the precondition of the availment of the facility has been through. So, all these activities being done at SIPL. Suppose for example getting the environmental clearance that all kind of forest clearance and all this activity is being done at SIPL level because we do not keep any individual staff at SPV level actually.

Navin Jain: And apart from this, fees related to initial financial closure and all. Is there any other kind of fees that SIPL will be getting from?

Nitin Patel: Basically it is the operational maintenance basically O&M contracts, SIPL has started getting it from each of the SPVs. So that O&M revenue is also coming to SIPL.

Navin Jain: But no other fees?

Nitin Patel: No other fees.

Moderator: Thank you. The next question is from the line of H R Gala from Quest Investment Advisors. Please go ahead.

H R Gala: Just a clarification. Our pending order position has come down by 541 crores more or less corresponding to the revenue which we have in Q1. So the first two orders which we said we received in April and May, they have not been included in this pending order April and June?

Nitin Patel: This April and June that has been included that only two but whatever we have received in July.

H R Gala: That you would not have included that I agree, but if you adjust 563 crores revenue and 541 reduction in the pending order book position, the difference is only 22 crores whereas we said that we have received order of 132 crores from UP and CC-42 Rs. 65 crores. So that is 187 crores, so just how do we reconcile this?

Nitin Patel: There are two-three things actually mainly because of the price escalation adjustment of the cash contract because in each of the quarter, there is an adjustment of the price escalation based on the last invoice. Suppose for the April or what was the price escalation in almost all the cash contracts in the month of March 2013, so that ratio we have to adjust into the order book position for the whole of the quarter which is balance outstanding as against. Main is from this difference actually.

H R Gala: So the price escalation which gets billed?

Nitin Patel: Correct.

Moderator: Thank you. The next question is from the line of Parvez Akhtar from Edelweiss Securities. Please go ahead.

Parvez Akhtar: Sir couple of questions. One you said that you received approval for tolling on part of the developed section for the Dhule project and you said that you will probably receive some of the pending receivables from the SPV. So what would be the quantum of money that we can receive in by when do we expect that to come?

Nitin Patel: Out of 152 crores outstanding, we expect 110 crores will come within a couple of months.

Parvez Akhtar: And balance I believe would probably come by the end of this year?

Nitin Patel: Only around 13 crores will remain basically because that is the hold money covers the VAT difference by the HCC. So once the assessment of HCC is completed, so that hold money will be released by the HCC to Sadbhav, that 13 crores and remaining all will come this year.

Parvez Akhtar: Sir with regards to the Dhule project, would you be able to share the toll collection in this quarter?

Nitin Patel: For the quarter, we have received 22.26 crores as against the 19.32 crores of the same quarter of the previous year.

- Parvez Akhtar:** The 695 crores of equity, does that include this 315 or that is additional?
- Nitin Patel:** That is over and above that actually.
- Parvez Akhtar:** Sir last question, could you give an indicative financial structuring of the Rohtak-Hissar project in terms of debt-equity etc.?
- Nitin Patel:** In terms of the equity in Rohtak-Hissar, it is 260 crores. Grant is 211.50 crores in Rohtak-Hissar, equity is 107.68 crores and debt is 952.40 crores.
- Moderator:** Thank you. The next question is from the line of Amit Sinha from Macquarie. Please go ahead.
- Amit Sinha:** Sir firstly on the guidance on the standalone front, you indicated in the analyst meet last time that for the standalone revenue you are looking forward to around Rs. 25 billion of topline, so are we still on track?
- Nitin Patel:** We will be able to make it through this year because as I already mentioned earlier around almost 2400-2500 crores worth of cash contracts are going to be started within a couple of months including all mining, irrigation and roads all put together.
- Amit Sinha:** And sir what is our current rate of toll collection per day, total?
- Nitin Patel:** Total as per day, I do not know, but ultimately it should be within the range of 80-85 lakhs a day.
- Amit Sinha:** And what should be the number by the end of this year?
- Nitin Patel:** After adding this Rohtak and this border check post, again if I tell that it is around 30 and 47 days, but it should be near to 1.35 to 1.4 crores a day.
- Amit Sinha:** Sir my last question is on your balance equity requirement. We need around 695 crores of equity and plus we have to give exit to the private equity player next year. I understand that basically number one what is the status on the rights issue sir at this point of time because now the stock price has come down and the last time we have indicated that the price will be around Rs. 100 per share. So what is the status on the rights issue and number two what are our further equity raising plans?
- Nitin Patel:** Rights issue basically we will wait for another 3 months and will see basically how the requirement is because given the situation as I have discussed now, first thing is securitization process is through now number one. Apart from that, in the equity front with private equity investors, the company has agreed two things. Either to do the IPO of SIPL or if it could not happen, so by September 2014, one more year will be the grace period. During this period, we have to agree for the demerger of SEL and SIPL. So as such if you see the second option is

already there, but ultimately it is to be evaluated both put together included the investors and company put together, they have to sit and understand that what is to be done either to wait for more period or to go for the demerger. So that is our grid position. Apart from that in equity front, we have already started the process of this equity. So we are almost the term sheet for the 4 of the potential investors we are expecting because NDA and all other documentation is completed with this 4 of the potential investors. So we are in process. So we expect that by the time September 2014, there is a significant development may happen as per the requirement.

Amit Sinha: And sir lastly what is our current net debt-to-equity?

Nitin Patel: On a standalone basis, it is almost 0.85 is the leveraging as of now.

Amit Sinha: And consolidated?

Nitin Patel: On consolidated as against if we add the total equity of 800, now the 900 crores has Sadbhav Engineering and 1100 crores of SIPL, so 2000 crores all put together against this 4680 crores almost is consolidated debt of the company.

Moderator: Thank you. As there are no further questions, I would now like to hand the floor back to Mr. Nitin Patel. Over to you sir.

Nitin Patel: Thank you very much everybody for taking their valuable time for discussing the numbers of FY14 Q1 and as well as business of the company in the current scenario. I would just like to share that in spite of all the challenges in the infrastructure industry because of the conservativeness of the promoters and also the strong decision making capacity in terms of the selection of the project, the company has maintained its momentum and we expect that based on the current order book position, the coming 8 to 12 quarters seem to be a very positive in terms of the overall business of the company. That is all from my end and thank you very much to everybody for joining the call.

Moderator: Thank you. On behalf of Inga Capital that concludes this conference. Thank you for joining us and you may now disconnect your lines.