



“Sadbhav Engineering Ltd  
Conference Call”

April 21, 2011

Hosted By





**Moderator:**

Ladies and gentlemen, good day and welcome to the audited financial result for FY'11 conference call of Sadbhav Engineering Limited hosted by Collins Stewart Inga Pvt Ltd. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during the conference call, please signal an operator by pressing “\*” and then “0” on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Nitin Patel. Thank you and over to you Sir.

**Nitin Patel:**

Good evening everybody. On behalf of Sadbhav Engineering, I warmly welcome all the participants who have taken their valuable time for this FY 2010-2011 audited results conference call. Now to start with, let me give a brief of the numbers, to start with profit and loss account for the year, the income from operations stood at 2,209 Crores against 1,257 Crores of the previous year. Total expenditure stood at 2,010 Crores against 1,142 Crores of the previous year and profit before interest stood at 204.14 Crores against 118.89 Crores. After providing the interest of 28.39 Crores against 20.93 Crores for the previous year, the profit stood at 175.74 Crores against 97.96 Crores of the previous year and after providing the tax for the year, the net profit from the ordinary activities stood at 119.58 Crores against 53.84 Crores, so this is in terms of the standalone numbers, also after the conversion of all the warrants post rights issue the total equity for the company, the total number of shares for the company stood at 14,20,76,382 shares against 12,89,92,910 for Rs. 1 each, so the earnings per share stood at Rs. 8.50 against Rs. 4.21 for the last year, so this is in standalone basis and also on the consolidated basis after adding the minority interest the net profit for the year stood at 93.31 Crores against 36.27 Crores, so this is in terms of the broad numbers of the profit and loss account.

Apart from that for the standalone basis, if you see for the quarter the revenue mix stood like this manner. Road sector has contributed 817.46 Crores, irrigation has contributed 143.92 Crores and mining has contributed 85.65 Crores, so total for the quarter stood at 1,047.03 Crores and in terms of the percentage roads remain at 78.07% against the total for the year of 77.46%, irrigation remains 13.75% for the quarter against the 9.98% of total of the year and Mining stood at 8.18% against 12.57% of the total of the year, so this is the revenue mix of the segment. Before going to other numbers, let me give some brief about the all the BOT projects, which are under the direct control of Sadbhav, Sadbhav Infrastructure Project Limited, Ahmedabad Ring Road is already operational now, I would like to give some brief numbers of Ahmedabad Ring Road, the total revenue for the quarter stood at Rs. 17,75,68,991 against Rs. 14,91,52,805 of the previous year in the same quarter, which is an increase of 19.05% in terms of the total revenue for the quarter and also for the whole year, the toll revenue stands at Rs. 63,42,63,424 against Rs. 52,15,38,814 which shows a 21.61% growth in terms of the toll revenue. Now in terms of the traffic passenger car units, the grand total for the year remains 1,73,18,573 PCU's against 1,49,06,825 PCU's, 16.18% is the absolute growth in terms of the traffic PCU's in Ahmedabad Ring Road. Now coming to Aurangabad-Jalna, for the whole year the toll revenue from Aurangabad-Jalna stood at Rs. 23,69,05,317 against Rs. 12,13,39,212 and also in terms of the total passenger car units stood at 45,77,303 against 28,30,050 and correspondingly if we see the quarterly numbers the traffic PCU has grown in the quarter by 10.84% in Aurangabad-Jalna and absolute toll revenue has grown 31.42% for the quarter actually, because previous year, last quarter, January-March, the toll revenue was Rs. 4,79,07,582 against this year, it was Rs. 6,29,58,527, so this is in terms of Aurangabad-Jalna.

Now also for the Nagpur-Seoni the appointed date for the project has been recommended for May 25, 2010

and for the 28 kilometer of the project length out of the 56, so the revenue for that project has already started recognizing in the SPV. Now Dhule-Palesner, the appointed date, as I have also mentioned during the last quarterly call was December 18, 2009 and the scheduled commercial operation date is June 17, 2012 and total EPC value for the project at Sadbhav share is 169.71 Crores; till March 31, we have already completed 569.14 Crores. For Hyderabad-Yadgiri the appointed date is July 30, 2010 and the scheduled completion is May 10, 2012. Against the total EPC value of 398.80 Crores already work has been executed 149.32 Crores and also in the Bijapur-Hungund, the appointed date is September 5, 2010 and the scheduled commercial operation date is March 3, 2013 and the total EPC value for the project is 1,025 Crores, against this 470.21 Crores has already been recorded till the year end. Also in the Rohtak-Panipat, the appointed date has been given as April 18, 2011, so accordingly the 30 months period will be available from the date and against this, there is no booking of the revenue, because there was no appointed date during the last year, so even though we have executed some of the work, but lenders engineer have not recommended for the payment, because appointed was not in place, so this is the status for Rohtak-Panipat. In terms of the Maharashtra Border Check Post, out of the total 22 check posts, we have already received possession for 12 locations and for remaining 2, we have received partial possession and we are expecting by June 30 for another 2, so we expect before June 30, 14 check posts will be operational, where the work is being executed and out of the 11, which we have already received before March 31, we are expecting to complete almost 8 check posts before March 31, 2012, so this is the status of Maharashtra Border Check Post. Now I would like to open the floor and request all the participants to have their views, suggestions and questions regarding the overall business of the company for the year. Thank you very much.

- Moderator:** Thank you very much sir. Ladies and gentlemen we will now begin with the question and answer session. The first question is from the line of Rakesh Gupta from Credit Returns. Please go ahead.
- Rakesh Gupta:** When you spoke about the Check Post project, you said you have got possession for 12 of the 22 check posts, is it?
- Nitin Patel:** 11 we have received before March 31, 12 we have just recently received in this month.
- Rakesh Gupta:** And when will work be completed on all the check posts?
- Nitin Patel:** Eight will be fully operational by 2012 and I think the possession whatever has been received till now the 12, all 12 will be completed before June 2012.
- Rakesh Gupta:** By June 2012, you will have 12 completed.
- Nitin Patel:** Fully operational and yes.
- Rakesh Gupta:** And the rest?
- Nitin Patel:** I think, up to June 30, we will be able to give another 2, rest I think it may take some more time by the government, so as per the terms of the concession agreement as and when they give us the possession, we have to complete the check posts within 18 months of time, so accordingly the CapEx will happen at a latter date and also the cost over the CapEx will happen at latter date, but all these delay is against the cost of the



Government of Maharashtra.

- Rakesh Gupta:** Are all your developing projects financially closed?
- Nitin Patel:** All projects have been fully financially closed, yes.
- Rakesh Gupta:** Are you looking at any more dilution in Sadbhav Infra?
- Nitin Patel:** No, there is no such plan for dilution.
- Rakesh Gupta:** Are there any other areas of development that you are looking at, other than check post and roads, are you bidding for projects in other areas?
- Nitin Patel:** No, we are focused only on three segments, roads, irrigation and mining. Other than these three, we are not interested to go for any other areas.
- Rakesh Gupta:** In mining, these are all EPC contracts, right?
- Nitin Patel:** All are EPC contracts and also in some of the MDO, Mine Developer and Operator, has already been started but we see that there is quite an increase in this kind of bidding actually, so we are already poised and we are doing this mining activity for so many years, so we are interested to take it forward.
- Rakesh Gupta:** Have you bid for any such project?
- Nitin Patel:** One tender we have submitted of MDO nature to Steel Authority of India, the results are not yet out.
- Rakesh Gupta:** What would the size of the contract be?
- Nitin Patel:** This is a 16-year contract for Tasra coal block mine in the Dhanbad.
- Rakesh Gupta:** Where is it?
- Nitin Patel:** In Dhanbad and the approximate value of this project is close to around 10,000 Crores.
- Rakesh Gupta:** Okay, you have put in bids on your own?
- Nitin Patel:** We are in a joint venture with the Godawari Steel and Power, where we have taken their qualification for coal washery, they are having the experience of washery.
- Rakesh Gupta:** Who?
- Nitin Patel:** Godawari Steel and Power.
- Rakesh Gupta:** And what would your equity stake be?
- Nitin Patel:** We are entitled for 74% execution and they have 26%.
- Rakesh Gupta:** But 10,000 Crore is a substantial increase from the size of projects that you have been doing so far.

- Nitin Patel:** 16 years, actually, so in terms of the yearly earnings, it will be a little bit less actually, but even though it is quite significant, but we treat it as a opportunity and we see that this kind of business is likely to grow in future.
- Rakesh Gupta:** But how well developed is the concept of MDO in India, are there more projects up for grabs?
- Nitin Patel:** More projects are already in pipeline, Coal India is coming out with three such bids, one at Northern Coalfields, they are opening one 15 year contract, large scale machineries say 100-ton tippers or 12 cubic meter capacity excavators, so these kind of contracts are likely to come in future date.
- Rakesh Gupta:** When will we know the result of this SAIL project bid?
- Nitin Patel:** That bid has come for second time, so we do not know when they will open, so there is some confusion at SAIL level basically.
- Rakesh Gupta:** But you have already submitted your bid?
- Nitin Patel:** Yes, it has already been submitted.
- Rakesh Gupta:** The Coal India projects that you mentioned, three you said are coming up for bidding, what would the cost of those projects be?
- Nitin Patel:** It depends upon the size, the size is different, requirement of coal in all three projects are ranging from 15 million tonnes per annum to 40 million tonnes per annum naturally.
- Rakesh Gupta:** This is production?
- Nitin Patel:** This is production on the coal.
- Rakesh Gupta:** What would be at this mine, the SAIL mine?
- Nitin Patel:** This is a 12 million tonne coking coal mine.
- Rakesh Gupta:** This is the required annual production, is it?
- Nitin Patel:** Exactly, post two yeas from now.
- Rakesh Gupta:** How many bidders are in the fray for this?
- Nitin Patel:** Five bidders have submitted the bids.
- Rakesh Gupta:** Who are the people who normally bid for these MDO projects?
- Nitin Patel:** Already Adani is having this kind of project and also Aryan Coal is there. Aryan Coal, Sainik Mining, then Hindustan Steel Works, this is a Government of India organization and AMR has also submitted the bid.
- Rakesh Gupta:** Which one, GMR?



- Nitin Patel:** Earlier Nagarjuna Construction was already there in the bid, as of now these are the players, apart from this other players are there but all are non-listed organization.
- Rakesh Gupta:** If it all you bag this project, this would be your first in this area?
- Nitin Patel:** Yes, absolutely.
- Rakesh Gupta:** What about your order book position Sir? Could you just tell me the end of year?
- Nitin Patel:** End of the year, as of now the total outstanding order is 6,965 Crores. Out of this 5,123 Crores are from the road sector out of this 3,315 Crores are in BOT from our own, 1807 Crores from the cash contract and irrigation sector contributes 959 Crores and mining sector 883 Crores.
- Moderator:** The next question is from the line of Shailesh Kanani from Angel Broking. Please go ahead.
- Shailesh Kanani:** I wanted to know about Nagpur-Seoni, have you received the amount of annuity?
- Nitin Patel:** No actually, now NHAI intends to take a call now, what is the situation, just 15 days before Supreme Court has given the verdict for remaining balance land and they have given the decision in such a way that the decision for that 28 kilometers is to be taken jointly by NHAI and MoEF and accordingly they have dismissed the case. Now MoEF has already given the clearance for 19 kilometers out of remaining 28 kilometers and for 9 kilometers which is Pench Tiger Sanctuary area for that approval is not there, so now NHAI is in the process to complete the entire four laning as per the original plan in 19 kilometers which is the reserve forest area and for 9 kilometers we will do only 10-meter width road against the 7-meter as of now within the ROW available, within the land which is already in possession of NHAI, so this way they are going to take the decision and now the NHAI also, the internal committee members they are of the view that they may grant a full annuity amount, even though the work has been pending against the undertaking from us to complete the balance work as per the requirement scheduled basically or within the next time period of say two or two-and-a-half years whatever maybe and they will continue to pay us the full annuity amount, so this way they are going to take a final call on the same because a similar decision has been taken by MP2 project, this is MP3 what we are having, Nagpur-Seoni, but MP2 the five-and-a-half kilometers of land was not available, even though NHAI has released 100% grant as 100% annuity, by taking an undertaking from the concessionaire that they will complete the entire work as and when they give the land within a period of two or three years, likewise they have taken the undertaking.
- Shailesh Kanani:** So it is a similar thing for other as well?
- Shailesh Kanani:** Last time I remember when we had a talk you said something about the performance guarantee of the same project, have they taken any performance guarantee from us regarding that one, if they give you the annuity, are they going to take performance guarantee for making sure that the project is done?
- Nitin Patel:** No, because they are having the control over the escrow. In any case annuity amount is being released by them only, they can control that.



- Shailesh Kanani:** So probably in the first quarter, we can assume some revenues will be good, or cash would come in, revenues are already booked I suppose?
- Nitin Patel:** Almost, we are expecting, today there is one meeting going on in Bhopal, so I think something may come out today or at a later date, but NHAI is also interested to sum up this actually?
- Shailesh Kanani:** We must have booked around 35 Crores for six months?
- Nitin Patel:** That is based already, because for 28 kilometers COD has already been granted.
- Shailesh Kanani:** Sir on Dhule-Palesner, have the dues come down, because last time it was 140 Crores, has it come down?
- Nitin Patel:** No, it has increased now from 140, it is now 295 Crores because of early completion. The execution is going in a fast manner actually and the payment is coming in a staggered manner, so we are expecting to at least track 75% of toll revenue before September this year.
- Shailesh Kanani:** I believe in this project we are ahead of schedule and the SPV is paying as per the schedule; is that the reason we are seeing increasing debts, right?
- Nitin Patel:** Exactly, this is the only reason.
- Shailesh Kanani:** On the Chhindwara project, are we expecting anything from the first quarter?
- Nitin Patel:** No, they only will start booking from second quarter onwards.
- Shailesh Kanani:** On the order inflow front, what do you think, how would you pan out in FY'12, NHAI talking about 7300 kilometers getting awarded, so what is Sadbhav targeting at? What kilometers or how much Crores (ph) of orders Sadbhav is targeting for the whole year?
- Nitin Patel:** Bidding will continue, what will happen is, as you have witnessed, during the last year, we have given more focus for cash contract and has resulted in Chhindwara 1411 Crores, again the irrigation-to-irrigation job in Madhya Pradesh has come actually, so we are L1 in irrigation at Sardar Sarovar from Government of Gujarat, it is around close to 250 Crores and today also three tenders of ADB has opened in Bihar actually, so out of the three we are L1 in one project for 202 Crores, so this way gas (ph) contract bidding is going, also we are simultaneously in a process to submit the bid for BOT contract, because of our internal arrangements we will see at our appropriate levels and we expect that there is a job for everybody, we need to have a bit of patience, I think the job will not go away.
- Shailesh Kanani:** Sir, are we shying away just because currently there are a lot of bidders and kind of stiff competition, companies are going for lower IRR as compared to earlier? Is that the reason we are shying away right now?
- Nitin Patel:** Not shying away, actually bidding is going on, but ultimately at our decided parameter.
- Shailesh Kanani:** Basically I wanted to know what is the internal IRR what do we target normally for BOT project before bidding?



- Nitin Patel:** See ultimately as of now, whatever bids we have submitted we have not completed the bids with less than 16% dividend IRR.
- Shailesh Kanani:** Since we have such as phenomenal growth this year FY'11, what kind of revenue growth we can see in FY'12?
- Nitin Patel:** We expect basically, because all the projects particularly in BOT front has been opened in a full manner and now the Rohtak-Panipat appointed day has happened day before yesterday on 18th and almost close to 100% of possession has been handed over by NHAI we expect that growth will definitely phenomenally come in the range of say 35% to almost close to 40%.
- Shailesh Kanani:** Are you saying for FY'12?
- Nitin Patel:** Exactly.
- Shailesh Kanani:** Sir, just one last question from my side, this Rohtak-Panipat I believe we have done around 100 Crores of mobilization (ph) work on the project, would that get booked in the first quarter of FY'12?
- Nitin Patel:** No, first quarter entirely will not come. It will come based on the certification.
- Moderator:** Thank you. The next question is from line of Nitin Arora from Angel Broking. Please go ahead.
- Nitin Arora:** Sir, can you please help me out with the order inflow for the full year segment wise?
- Nitin Patel:** Order inflow for the full year actually, if you see the road sector, there are two contracts only, 1,407 Crores basically Chhindwara, number one Indore sector and second one from 262 Crores from ADB project in the state of Jharkhand, this is two and in irrigation, two projects recently what we won in consortium with GKC projects, they are around almost 870 Crores, this is in terms of roads and irrigation. Mining we won only one project that is Khadia northern coal field, the size of that project is close to 200 Crores.
- Nitin Arora:** Sir just coming back to order backlog, you said irrigation is 959 Crores and mining is 883 Crores, right?
- Nitin Patel:** Correct.
- Moderator:** Thank you. The next question is from the line of Rahul Metkar from Marwadi Shares & Finance. Please go ahead.
- Rahul Metkar:** Can you please help me out with the yearly revenues segment wise?
- Nitin Patel:** This year actually segment wise the total for road sector is 1,711 Crores, irrigation 220 Crores, mining 278 Crores.
- Rahul Metkar:** Sir, the numbers you mentioned about each of the BOT projects that you have executed, are the revenue booked or is the work executed or is it a combination of revenue booked and work in progress?
- Nitin Patel:** Only in case of Dhule, we have not booked the revenue for some 13.5 kilometers of the project road, as per terms of concession agreement NHAI is supposed to give possession by October 2013, but the work has already been executed in that area, so that work has not got certified till now, so we have considered it as work



in progress and also the variation of some of the work particularly in Dhule, Hyderabad-Yadgiri and Mumbai-Nasik for which the payment has not been certified by NHAI, they have already granted the variation, they have issued the variation order, but the final rate and final amount needs to be certified by NHAI headquarters, so pending their approval we have recognized it as a work in progress based on the actual cost plus some of the normal working margin what we have considered .

**Rahul Metkar:** Sir can you give us the actual amount booked or revenue booked for each of the BOT project that you are executing?

**Nitin Patel:** For Dhule-Palesner 569 Crore has already been booked till March 31, Hyderabad-Yadgiri 149 Crores has already been booked, Bijapur-Hungund 470 Crores has already been booked and in Maharashtra Border Check Post 130 Crores from the civil front, 45 Crores from the IT and Electrical front has been booked.

**Rahul Metkar:** So 45 was booked on SIPL?

**Nitin Patel:** Yes, in SIPL.

**Rahul Metkar:** As against this only Dhule-Palesner has some work in progress?

**Nitin Patel:** Dhule has work in progress, Mumbai-Nasik has little work in progress and even the Maharashtra Border Check Post also there is some little work in progress, because some corresponding activity needs to be completed for certification, so this kind of activity that is not getting done, which is certified, but work has already been executed, this has been booked and I think the total work in progress for the year is close to 40-45 Crores less than the overall total from the previous year.

**Rahul Metkar:** Okay, it is less?

**Nitin Patel:** It is less, yes even though the turnover has grown.

**Rahul Metkar:** Amongst the loans and advances, is there any loans and advances outstanding towards subsidiaries, SIPL or any of the SPV's?

**Nitin Patel:** No loans to subsidiaries is very less, it is only 3.89 Crores and now the advances to subcontractors mainly, it is 254 Crores and retention money basically detected from (indiscernible) 30.45 around close to 114 Crores, so that is being mentioned and also the advance income tax is 115 Crores, so these are the major items basically. And security deposits are close to 22 Crores.

**Rahul Metkar:** Amongst the subcontractors, advances to subcontractors, there is only one SPV, which has subcontracted to against KNR, right?

**Nitin Patel:** No, there are three major contracts, if you see one is Bijapur-Hungund to KNR, Hyderabad-Yadgiri to GKC and also Ranchi Ring Road to GKC.

**Rahul Metkar:** So major advances outstanding is only in these three projects?

**Nitin Patel:** Remaining is less project wise for executing some earth work or for making advance payment to the

suppliers and also this is all the kind of advances.

**Rahul Metkar:** And sir, similarly regarding the investments, how much would be in subsidiaries?

**Nitin Patel:** Now in terms of the investment, total outstanding in subsidiaries Sadbhav Infrastructure it is 259.72 Crores and remaining close to say around 50 Crores is in other SPVs, basically mainly Nagpur-Seoni and Maharashtra Border Check Post, basically these are some of the equities being held by Sadbhav Engineering in terms of concession agreement.

**Rahul Metkar:** So you will not be transferring this to SIPL?

**Nitin Patel:** It will be transferred because this is being transferred through the Board Control actually, as per the Companies Act, .

**Rahul Metkar:** So then, will you be issuing more equity, or in equity in lieu of this 50 Crores is still to be transferred?

**Nitin Patel:** No, that transition has already been completed in the current year, SIPL has already paid that amount and it is shown in terms of the advances received against the investments.

**Rahul Metkar:** Sir in terms of working capital, I want to understand as to why the current liability has increased so much?

**Nitin Patel:** Current liabilities, ultimately if you see mainly, these are the advances received from clients, the mobilization advance, outstanding is 489 Crores, 255 Crores we have already released and also the advance received from sale of shares from subsidiary, what I have mentioned here is basically, the Maharashtra Border Check Post and all these SPVs around 65 Crores is received against the sale of subsidiary shares, and also other trade credit is only 169 Crores against 143 Crores of the previous year and the trade deposit is 70 Crores against 52 Crores of the last year actually, so mainly it is because of the mobilization advance, which is 488 Crores against 324 Crores of the previous year and also the advance granted to the subcontractors and others it is 254 Crores against 154 Crores of last year.

**Rahul Metkar:** Again on the EBITA margin front, there has been pressure in terms of in Q4, you have seen a substantial decline in margins, what has been the reason sir and what do you think the margins should be going forward?

**Nitin Patel:** The point is very valid, actually there are two main reasons. If you see the revenue mix for the quarter, the revenue from the irrigation sector has increased phenomenally, the main reason is that the irrigation projects particularly which were not operational during the last quarter of the previous year, significant work has been executed particularly in Omkareshwar main canal project, so because of that in irrigation the margins are comparatively less than the roads basically and mining also, number one and number two, second and very significant reason is that based on the experience the company had for the Mumbai-Nasik project, particularly Mumbai-Nasik where we have finalized the EPC cost, we have distributed the price escalation over three years of construction period equally and accordingly all the item rates have been worked out basically based on this price escalation equal distribution and because of that we have witnessed that as and when year-on-year it is going on, so particularly first year, there will be good margins, second year when the price escalation actually will be more and there will be little room available and in particular third year some negative things are going to happen, so as part of that learning this process and particularly when we are having some big

chunk of the BOT projects, all the projects the company has decided on quality that price escalation amount, particularly which averages close to 10% to 12% for the average total project cost of each basically, so that has been distributed on a year wise based on the construction planning, so likewise in the first year we have loaded some 4% only in terms of the price escalation, particularly in second year we have loaded around 10% to 11% and third year around close to 17% to 18% actually, so this will take care of the overall margin of the company for whole of the year, so because of that all the projects we have loaded only 4% for the last year and particularly the major BOT work has been executed during the last quarter, significant work has been done and in two ways it has given the effect, actual progress has gone very high, also against that the escalation apportion is little bit less actually, so we see that this will lead to some incremental gain over the coming next year and also the next-to-next year, so this amount will get set off over the period, so in absolute term there is no any kind of reduction in EBITDA because of the working or any kind of margin pressure, so this is only because of the change in this policy for apportion of this price escalation amount.

**Rahul Metkar:** As I understand sir in the irrigation segment, what would be EBITDA margin that you have witnessed?

**Nitin Patel:** Close to between 6% to 8%, I think 6.5% to 8% maximum.

**Rahul Metkar:** This would be the EBITA margin for the other projects that you are alone in or you have just recently won?

**Nitin Patel:** Almost, it will be around near to 7% to 8% we can take actually, because competition is also more in irrigation.

**Rahul Metkar:** So the execution in irrigation has been mainly by Gujarat based projects or some from AP has also kicked in?

**Nitin Patel:** No AP, we do not have much stake actually there.

**Rahul Metkar:** Approximately about Rs. 350 odd Crores is still from AP, so are there any movement in those projects?

**Nitin Patel:** No, 350 out of now outstanding only it is close to 170 or 180 Crores, major work outstanding in Omkareshwar basically that which has done good actually, this is in Madhya Pradesh and also the recent two projects that we have won, this is also from Madhya Pradesh, so out of the total outstanding I think more than 75% is from MP and Gujarat.

**Rahul Metkar:** Sir regarding the policy that you just mentioned, what I understood is that whatever escalation you have in the project cost while executing at SEL level that you will raise it to SIPL, but SIPL will only give 4% in the first year and then incrementally it will be distributed in the next year.

**Nitin Patel:** No, it is not like that. The pricing has been worked out in such a manner, see ultimately what we have worked for the current year whatever work we will execute, we have loaded from Sadbhav Engineering while deriving the EPC cost for each component, let us say for earth work, so all the layers of the earth, right from the embankment, sub grade, GSB, it is being carried out in the first year of the project, second if we see lateral on the other work are mainly the structure particularly superstructure work and upper level, mainly the weight mix and DBM work which is coming in second year and third year, mainly more of the bituminous work and also the supply items, particularly road, furniture and finishing items and tolling and other equipment and systems, basically lighting and everything. So this way the spread has been made in such a way in entire

earthwork, we have kept provision of escalation very low and also the other items we have made a escalation provision higher comparative to second year, and for third year the higher escalation, so whatever work is being executed in the first year it has been executed with low escalation work, and this year mainly major earthwork is being outsourced particularly, only rolling and other activities are being conducted by us. Also if we see this in this quarter the major turnover amount more than 300-Crore turnover only came from this Bijapur-Hungund actually. So this project has close to 100-Crore job every month. So this is the significant and this has been entirely outsourced, so this subcontracting effect is coming into the play, when the second year and third year comes, this margin will continue to improve, and overall margin of the company will sustain even after the material prices go adversely, so this way it has been worked out for the entire escalation format.

**Unknown Speaker:** So for the next year what range of EBITDA margins you would have?

**Nitin Patel:** Overall what we see generally in between 11 and 11.5 conservatively, we are comfortable that this is going to remain looking to the current pricing level and everything, and what we expect that there is correction particularly upward correction in terms of diesel pricing because bitumen has already been increased during the last fortnight, the bitumen price has gone up a little bit actually.

**Unknown Speaker:** Then how will you be able to sustain that kind of margin because next year also you will have major portions coming from Hyderabad-Yadgiri?

**Nitin Patel:** That is the reason I am telling. Once the pricing has improved, the loading of the sector of escalation has also improved now. Next year, if you see the pricing, the escalation sector is higher compared to the last year, so automatically it will take care of the increased pricing basically. So overall margin of the company will not be affected. Rather if I could have taken more escalation amount in the previous year then in that year we would have had huge gain basically, but in second or third year definitely the margin has gone into very adverse phase, particularly when the total component of BOT job in the total business is such a high actually. So that is why to run overall business in average manner, this policy has been adopted.

**Unknown Speaker:** Sir some updates on the projects, the Maharashtra border check post, you would start tolling as soon as you finish the single toll or individual toll?

**Nitin Patel:** For land handing over note and schedule, it has been clearly mentioned by the government that the schedule commercial operation date is 18 months from the date of handing over, so accordingly we have to complete the construction within that period and also operate the check post.

**Unknown Speaker:** So you mean to say you will start tolling only in the first quarter of FY' 13?

**Nitin Patel:** No, from September, two check posts will be operational this year, (indiscernible) 43.39 the biggest one, which is contributing 20% of the total revenue of the project. Second is NH-13, which is connecting to our Bijapur – Hungund road. It is also a good significant road. Navapur and Hadakard, these two are major and these two will be operational by December this year and also we are expecting to complete another four medium check posts by March 2012, so eight check posts will be operational before March.

- Unknown Speaker:** Okay, so on a staggered basis you will start.
- Nitin Patel:** Exactly, the revenue will start flowing from this year only.
- Unknown Speaker:** For Sir Nagpur to Seoni you already booked half of the annuity?
- Nitin Patel:** It is close to 46% of the annuity, we have taken a little bit conservative view based on the suggestion given by auditor.
- Unknown Speaker:** For the next year you would be booking half of the annuity or the entire annuity amount of 70 Crores?
- Nitin Patel:** See for annuity, we may take the decision because we have to wait for the NHAI's decision, once they grant the full amount so the proportionate revenue only we will treat is as a revenue and remaining will be treated. This is the advance annuity, we have to book as advance annuity because if you treat it as an income then the debt liability for this particular will go very significantly, and at a later date we have to start servicing to the lenders for the remaining cost, so at that point of time this amount will not be available for servicing basically so this way we have to take a decision.
- Unknown Speaker:** What is your view on these ultra mega road projects and how do you see it?
- Nitin Patel:** See actually I am telling one thing, all ultra mega roads, even all Golden Quadrilateral GQ projects which are coming for further bidding, almost 29 new projects are coming for bidding for this year, all from the GQ from four lane to six lane. These all are the really fantastic attractive projects, but all good attractive things will come at a cost that is to be kept in mind.
- Unknown Speaker:** What is the IRR hurdle that you are looking at?
- Nitin Patel:** What I have mentioned as of now decision what we have taken is almost we have tried to conservatively see that we should earn 16% dividend in the project, and at a later date we will see based on how the project is there, how the people are coming, but little bit what adjustment we can do, and obviously internally we are also planning it where we can actually cut the cost particularly, so far we can economically implement the project, so that process is also going on in the company that will further lead to the winning strategy.
- Unknown Speaker:** How are you placed in Ahmedabad-Vadodara project, what was your premium bid amount?
- Nitin Patel:** We have not submitted that bid actually.
- Unknown Speaker:** Have we submitted for the Pindwara - Pali project?
- Nitin Patel:** We have submitted actually in a joint venture with Hindustan Construction that is through a separate MOU, so that is the bid, we have taken the decision on the same.
- Moderator:** Thank you. The next question is from the line of Pranav Gohkale from Religare AMC. Please go ahead.
- Pranav Gohkale:** Out of the total work, which we have done, how much is actual subcontracting and how much is actual own construction, and what is it going to be going ahead?

- Nitin Patel:** This is a very valid point. Particularly in the road sector, almost close to 55% is coming from subcontracting, because phenomenal performance done by these two contractors, particularly GKC and KNR. Irrigation and mining mainly are being done by them and remaining 45% of the road is coming from our side.
- Pranav Gohkale:** How is it going to be going ahead?
- Nitin Patel:** In terms of the project, I can tell that particularly in the road sector where three of the contracts have been given to GKC and one contract to this KNR, remaining Dhule, Rohtak-Panipat, Maharashtra Border check post, these all are being executed by us. So these turnovers will also continue. Chhindwara is also being 100% executed by us actually, so this will take a lead.
- Pranav Gohkale:** So going ahead, this issue because of lower margin on the subcontracting may not actually surface so dramatically in the next year?
- Nitin Patel:** As I have externally, basically the margin is not because of mainly the subcontracting, absolutely this is one reason, because there is no such big gap, in subcontracting almost we are having 10% of the margin in the same. Basically the major effect is coming because of this pricing policy of price escalation particularly in BOT project #1, and also the irrigation has come up basically. If you see the irrigation number, 13.75, close to 14% has come again the average of around 6% from the previous three quarters of the last year actually. So already more than 8% irrigation work has grown actually.
- Pranav Gohkale:** If I actually consider your implied number of 1050 odd Crores and remove that irrigation and remove the margin also, still your margin overall is 8.7% which does not gel with your margins on the other two projects at 10% and 15%, see the implied revenue for the fourth quarter is about 1046 and the implied EBITDA margin is close to 8.7%?
- Nitin Patel:** In one way I agree with you definitely. If you give the impact of only the price escalation of only 4%, for the entire work done for the current year actually, and also considering the remaining escalation in the coming years, I do not think there is suppression in the margin, and when the Q1 results come everything will be clear actually.
- Pranav Gohkale:** On Dhule-Palasner out of the total 569 Crores of work done, how much is the actual executable value of work less now or what is the total order size at the beginning?
- Nitin Patel:** Value wise if you see we have completed near 49%, this is a 35 bill, but based on the work-in progress if you consider, 13 km work has already been completed, we are close to 60% of the project completion.
- Pranav Gohkale:** So as per your this thing you could end up really commencing or completing the project by say in September 2011 or something?
- Nitin Patel:** September 2011, 75% revenue will be started. So schedule for 75% completion is February 2012, and June 2012 is the final commercial operation date. We expect that by January or latest by February that entire 100% project will be operational, particularly Dhule. Also if you see the pace of this Bijapur-Hungund and Hyderabad-Yadgiri, these two projects are also going to be operational at least six months ahead of schedule. If you see the turnover which has come in the last quarter, even in the last third quarter, company's business has

grown by 51%, in this quarter it is more than 100% on year-on-year basis, and in the same pace if you see all the land has been completely cleared, work is going on in a very smooth manner, so the real benefit is going to come in terms of the bonus for early completion and also the incremental tolling in terms of the SIPL and the other revenues in that.

**Pranav Gohkale:** I am done, thanks a lot, and all the best Sir.

**Moderator:** Thank you. The next question is from the line of Devang Patel from Aventus Capital. Please go ahead.

**Devang Patel:** Just want to get back on this revenue that you have done in Q4, which has been way ahead of expectation. Earlier in the year you have been guiding for a 40% to 45% sort of revenue growth and you have ended up with 75%, so was this along expected lines or there has been some acceleration in the Q4?

**Nitin Patel:** The basic reason is that normally in BOT project, generally when the land acquisition has not been completed fully it is always not better to go and commit basically this may come up. Second part particularly in BOT project when 100% land is handed over, I do not think further competition, basically when everything is mobilized fully, so definitely you can go for the increased revenue. In Dhule, I am telling one thing, every month the invoice is going more than 70 Crores. Over and above, the 13.5, close to 100 Crore of the work which has not been certified, it has been treated as a work-in progress, particularly in Dhule and this came only during the last three to four months only. Also in terms of the Bijapur what I have just mentioned earlier the actual progress is more than 100 Crores for the month. So this was really phenomenal. Mobilization and execution is going in a very big way.

**Devang Patel:** Sir my second question was on the balance sheet, in the provisions there is a sharp increase, is this because of the tax or is that also because of the escalation amount you are making a provision?

**Nitin Patel:** It is because of the tax actually.

**Devang Patel:** Sir for the Ahmedabad - Vadodara project, why is that we did not submit a bid in that?

**Nitin Patel:** Till the last moment we were not getting the confidence that we will be able to put a confident bid actually, because there are a lot of complications particularly because the toll rates are significantly different from the Expressway rate and as well as the NHAI rates. Apart from that there is one provision in concession agreement that the vehicle which has been registered in Ahmedabad and Vadodara has to be given a substantial discount, because one has to estimate, but if you take the actual numbers then almost majority of the tariff particularly car traffic and LCV traffic, which is being registered in Ahmedabad and Vadodara only, so this may lead to a significant reduction in the revenue. So because of that and also there was one critical provision that the premium sharing is from the appointed date itself. Normally in other BOT projects, it is coming from the first COD actually. Particularly in this project, only Expressway is operational, because in NHAI no tolling is to be done during the concession period. So considering all these aspects we have not been able to finalize what will be the ultimate overall revenue in terms of the toll and that was the main reason we have not submitted.

**Devang Patel:** Sir if I understand correctly, it is because this project is very peculiar why you did not submit bid?

- Nitin Patel:** Not for that peculiarity, ultimately it is everybody's judgment. If somebody takes the decision, say that suppose one car, which is going on expressway, will pay Rs. 100 toll and the same car if it is going on NHAI it will pay Rs. 225 toll. If somebody says everybody will pay Rs. 225 toll then it is somebody's judgment. Some may take that okay, everybody will transport via expressway and accordingly people will pay only Rs.100. So that is how the bid parameter, so that is the individual's judgment how it works basically.
- Devang Patel:** So for the Pali-Pindwara project you will go ahead and submit the bid that is a normal project?
- Nitin Patel:** That is normal, we have already submitted the bid.
- Devang Patel:** The number of bidders have gone up for projects of all sizes, in this kind of a scenario for the next six months or whenever the bidding will be aggressive, which kind of projects would you prefer to take up, would it be the smaller one tolling projects where you will give your preference or you would want to stick to larger projects?
- Nitin Patel:** See ultimately it is not only the smaller or larger, mainly we have to assess where the actual competition can be less. So the toll road is phenomenally good then everybody will come and bid, also there are other road projects where the toll revenue is not as of now to the mark, even after taking the grant also the project may not be viable for say 15-16% IRR, but post COD or when the entire country is going under tolling there is something new going to happen into the tariff mechanism in the entire country, because every commuter will have a different choice, then after where the traffic will go that analysis is more important rather than going and bidding aggressively. So normally we will think that where the actual strategy can be made even though today the numbers are not that much attractive, but tomorrow because of the entire traffic movement that kind of study needs to be done and submitted, so we are in that process as of now, based on the understanding we will finally take a call and submit the bid, but we see that the business is there for everybody, so I do not think the business will not come to everybody, but everybody has to decide that at what cost he has to take the business.
- Devang Patel:** Sir is there any target of how much road projects you would want to take up next year?
- Nitin Patel:** No it is not the only thing, we are mainly interested to concentrate and strengthen SIPL by way of the early completion and also some kind of turning up may also take a place in a SIPL level at a later date, so we see that this may be also one of the kind of activities take place over the period and after a certain level consolidation will take place in this business.
- Devang Patel:** Sir coming specifically to the Dhule project I think earlier you have mentioned that you would like to finish it by June-July, you are saying now September?
- Nitin Patel:** It is a conservative number, okay as of now the target interval is, obviously because as a developer we will be happy to complete in June only, now the tolling system is under implementation for the project. Toll plaza construction is 90% completed and almost we have the opinion that we would be able to meet.
- Devang Patel:** Sir for the Chhindwara project that has not started yet, is there any approval awaited there?
- Nitin Patel:** Earlier it was there, the MOF has to give the clearance, now just last week MOF has given the clearance, now the permission for tree cutting has been given, so this process will take another two to two-and-a-half, so once



the tree and everything are cleared then we will be able to start the work on the project. We are in the process of mobilization so in another one to one-and-a-half months we will complete our mobilization also.

**Devang Patel:** Is there appointed date sort of system works here also, so that we can take an appointment date?

**Nitin Patel:** No, in this project actually the concession period has been given, I think 48 months, but actually the date of starting of the project NHAI will issue a formal letter for starting of the project date. They have already signed the contract agreement with us, but they have not given us the notice to proceed.

**Devang Patel:** Sir on the Maharashtra Border check post, now we are getting handed over the check post in a staggered manner, the COD will also happen accordingly in a staggered manner, but because of the time delay do we get any other compensation?

**Nitin Patel:** Definitely the compensation will come in terms of the increasing the concession period only, but if you see in practical manner, basically in these projects once 11 locations have been given, we will invest for only 11, remaining investment for 11 will not happen actually, so there will not be any further IDC or further risk on that 11 actually, so once lend has been given we have to complete within 18 months. So the mechanism work this way, so I think this is rather safer project than the other road project actually, because once the location for one check post is given the investment is hardly 50, 60 or 70 Crores for that particular location, and the risk for that location is only to that extent.

**Devang Patel:** Sir the Dhanbad coal mining project that you mentioned earlier is this the same one where we were L2 earlier?

**Nitin Patel:** Yes it is the same one actually. It came again for bidding.

**Devang Patel:** You would expect the bidding might become more aggressive this time now that the bid amounts are already known?

**Nitin Patel:** I do not know basically, but ultimately we have taken our own call because of looking to the nature, size, and location of the project, and also there is involvement of coal washery and other transportation activities, so some factoring we have to take actually and we have considered for bidding.

**Devang Patel:** Sir you mentioned GKC is doing two subcontracts for you, which is the other project other than the road project?

**Nitin Patel:** Road particularly they are doing this Hyderabad-Yadgiri and Ranchi ring road.

**Devang Patel:** Sir just a last question on the working capital side this year we have done very well, eventually when the amount of subcontracting was reduces, do you think this working capital cycle will expand again?

**Nitin Patel:** We do not think it will expand, now if we consider the receipt of the money from Dhule project which is close to 295 Crores for already completed work. Once it comes then entire working capital become zero, this company itself will become a debt-free company, only one project because the major revenue is being (indiscernible) 1.3.59 there actually because of the contract conditions.

**Devang Patel:** Receivable from Dhule project is 295 Crores?

- Nitin Patel:** Almost 295 Crores.
- Moderator:** Thank you. The next question is from the line of Sundar Subramani from Almoandz Global. Please go ahead.
- Sundar Subramani:** I just had one small clarification. The order book of 6965 Crores also includes L1?
- Nitin Patel:** No, it has not been included.
- Sundar Subramani:** Apart from this, the L1 is 452 Crores?
- Nitin Patel:** Almost yes.
- Sundar Subramani:** Okay Sir, thank you so much.
- Moderator:** Thank you. The next question is from the line of Virodh Nair from Pinc Research. Please go ahead.
- Virodh Nair:** Sir I would like to know in our consolidated numbers, what is the performance of SIPL per se in terms of revenue, EBITDA, and PAT?
- Nitin Patel:** If you see the consolidated of SIPL, close to 137 odd Crores of the revenue came actually, out the same after providing interest and appreciation and everything I think the net profit for SIPL itself is even close to some 22, 23, 24 Crores, for SIPL consolidated and after considering the same basically adjusting all that appreciation factor of all the SPVs and everything, it has come to 93 Crores.
- Virodh Nair:** Sir in this how was the consolidating Mumbai market, are we proportionately taking it?
- Nitin Patel:** It is not a subsidiary, it is only a group company.
- Virodh Nair:** Still we are tolling only 66% of the projects or it is 100%?
- Nitin Patel:** The letter for 100% is being issued on April 30, 2011. The toll plaza and other work has been completed, only the lighting arrangement needs to be started and once it will be demonstrated then independent engineer will proceed for issuance of the commercial operation date for the remaining area.
- Virodh Nair:** This 137 Crores, which is coming for SIPL can we get the breakup of it in terms of the projects revenue?
- Nitin Patel:** Mainly if you see around 35 Crores is from the SIPL's own activity, there is some interest income of around 15 Crores in SIPL, out of this the private equity money which is lying in SIPL. Another 16-17 Crores from this financial closure activity; project management fees from the three of the SPVs particularly Hyderabad, Bijapur and Rohtak-Panipat. The same cost has been provided in the same and also other is coming from the toll revenue from Ahmedabad Ring road, Nagpur-Seoni there is proportionate annuity, and Aurangabad-Jalna revenue actually, so close to 100-105 Crores is coming from this tolling revenue.
- Virodh Nair:** On the standalone balance sheet debt what is the effective interest cost now?
- Nitin Patel:** Effective interest for the entire year is 28.39 Crores against 20.93, but the interest rate is around 11% as of now average rate.

- Virodh Nair:** What is the expected CapEx for the standalone business in 2012-2013?
- Nitin Patel:** It is close to around 40 to 60 Crores.
- Virodh Nair:** Lastly, what is the likely equity investment we will be doing in 2012-2013 for our SPVs?
- Nitin Patel:** In 2012-2013 the entire balance, I think the remaining investment is close to around 300-325 Crores will be invested on SPVs. So total investment in all the SPVs will be I think around 820-840 Crores in SIPL.
- Virodh Nair:** We will be funding it by SIPL completely and not from the standalone books?
- Company Speaker:** Everything is to be funded, but as per our agreement with investors Sadbhav Engineering has right to put 200 Crores at the same entry valuation within the period of 18 months, it is a right, it is not an obligation.
- Virodh Nair:** Okay thank you so much for taking my question.
- Moderator:** The next question is from the line of Abhinav Bhandari from Elara Capital. Please go ahead.
- Abhinav Bhandari:** Nitin could you provide some numbers for Mumbai-Nasik in terms of average tolling?
- Nitin Patel:** As of now, I do not have the total details of Mumbai-Nasik, I think I can get from Gammon and then I can share with you. I am noting down the same that I will share with you separately.
- Abhinav Bhandari:** On Ahmedabad ring road and Aurangabad-Jalna when there would be the next toll rate hike?
- Nitin Patel:** Ahmedabad ring road from September of this year we expect the toll rate to grow close to 9.5%, and Aurangabad-Jalna from March 2013 toll rate will increase by 18.5%.
- Abhinav Bhandari:** So there it is every three years rating?
- Nitin Patel:** Exactly, Aurangabad-Jalna it is every three years.
- Abhinav Bhandari:** You shared the revenue numbers for both these, would you be able to share the profit or loss number also for the full year?
- Nitin Patel:** As of now, I do not have the SPV wise numbers, but also we can share, we have no issue, because all the balance sheet has been audited now, so this is available. We will share along with that the other detail what you asked.
- Abhinav Bhandari:** On Nagpur-Seoni you said you have booked the first annuity but that amount has not come is it?
- Nitin Patel:** It has not yet come actually because NHAI has to decide the policy whether they will pay fully or they will pay proportionately?
- Abhinav Bhandari:** You have booked 46% of the initial annuities?
- Nitin Patel:** Exactly, the receivable is 100% for completion, out of that 46% we have booked.

- Abhinav Bhandari:** For Dhule-Palasnur you said we completed around 60% work?
- Nitin Patel:** In absolute terms, actually 60% work has already been completed now.
- Abhinav Bhandari:** On Border check post now how much are we way of, considering what are earlier estimates where what kind of revenues we would be able to collect from the various check posts, given that you have been handed over 12 considering the last month itself, now how much you will be considering the earlier revenue projections that you had?
- Nitin Patel:** Overall what we expect that total revenue for 22 based on the current traffic, because recently while doing this private equity transaction all tolling and traffic number has been again counted by the 30 players and based on the data for 100% completion the revenue was around close to some 215-220 Crores for the year out of the tolling activity and parking activity, other than this commercial and other rights basically that we are not considering. So 215-220 Crores, out of the same once another two what I have added actually 14 will be available with Devri and Kagal, this April already available and another two before June it will come actually. So these 14 will contribute close to some 87%-88% of the total revenue.
- Abhinav Bhandari:** Will you be able to collect for FY' 13 full year?
- Nitin Patel:** FY' 13 not all these 14, but by FY' 13 close to 10 check posts will be fully operational.
- Abhinav Bhandari:** Hyderabad-Yadgiri what was the appointed date, I just missed on that?
- Nitin Patel:** It is July 31, 2010.
- Abhinav Bhandari:** On which percentage we would have completed now?
- Nitin Patel:** Hyderabad-Yadgiri, we have already completed 45% of the project.
- Abhinav Bhandari:** On this margin front you said that during the initial part which is basically the earth work, you keep the escalation a little bit less, which might have caused that depression in the margins in the last quarter, this quarter again I guess we would be starting work on the Rohtak project when we receive the appointed date, so this quarter again we will be seeing the same kind of margins because I guess the earth work would come in the picture?
- Nitin Patel:** Particularly Rohtak when our first work is going on it will have a little bit less margin compared to other works, but simultaneously other project when it has already come at the bituminous level, particularly Dhule, Bijapur- Hungund, and Hyderabad-Yadgiri, this will have a little bit incremental margins than was in the last year.
- Abhinav Bhandari:** So you are saying more or less it would balance itself out to somewhere according to our normal margins, which is like 10.5%-11%?
- Nitin Patel:** 11%-11.5% EBITDA level, we do not see any challenge there.
- Abhinav Bhandari:** In SIPL would you be able to tell us what would now be the net worth, gross debt, and cash balance?

- Nitin Patel:** In SIPL, the total net worth has now reached to 674 Crores and the debt is close to around 1650 Crores, consolidated because of the SPV, and the cash balance available in SIPL is 280 Crores.
- Abhinav Bhandari:** What is our take on this right which we have to infuse 200 Crores at the same valuation, what is the management thinking about it?
- Nitin Patel:** That we will decide at a later date because earlier at SIPL if we are bringing two or three projects, obviously we are particularly interested to increase further, take the 11% share from SIPL, it is overall our business and we see that it is going to increase significantly over the period, and after adding two or three projects before the end of this year I think it will be always beneficial to go for the investments.
- Abhinav Bhandari:** For the private equity players it is lock in for about three years or five years?
- Nitin Patel:** It is four plus one.
- Abhinav Bhandari:** One question on Bijapur- Hungund, how much we would have completed in terms of percentage?
- Nitin Patel:** In Bijapur- Hungund we have already completed around 52% of the project.
- Abhinav Bhandari:** So this might again be about five or six months ahead of schedule?
- Nitin Patel:** As of now, with the pace, it is nine months ahead of schedule.
- Abhinav Bhandari:** Just wanted to know get some light on the irrigation project and the margins there, if the margins you are pointing out that is around 6-8% then what is the rationale behind bidding for the new irrigation project as such there is a lot of competition?
- Nitin Patel:** These are the definitive contracts, and all the risk of price escalation and everything is passed on to the client #1. #2 looking at our overall business we are also not that much interested to do everything BOT particularly, so we want to keep some balance, that is the main reason during the last year there is no any addition from the BOT, 100% addition came from the cash contracts, where the price escalation has been passed to the government actually. Our strategy basically is to keep balancing between all kinds of business.
- Abhinav Bhandari:** What is our outlook on the mining orders for FY'12, can we expect something to the tune of 500 to 1000 Crores in the full year FY'12?
- Nitin Patel:** Almost we are quite hopeful, another three bids are going to be submitted for this northern coalfield and this western coalfield, and all the bids now are coming for 7 to 15-year contract, may be it is good chunk of business basically, and now we are targeting this.
- Moderator:** Thank you. The next question is from the line of Nikhil Salvi from IDFC securities. Please go ahead.
- Nikhil Salvi:** Sir my question is regarding Mumbai-Nasik, to an earlier question you said a letter for 100 km tolling is being issued by end of this month, could you just clarify what is the balance work remaining, will there be any further delay in issue of this letter or what is the status?

- Nitin Patel:** Now the status is the main carriage way portion is fully completed barring two ROBs rail over-bridge, where both side approaches have been fully completed, girders have been casted, only because of the blockage to be given by railway authorities. Based on the blockage, we have cast the girders and complete the slab, so this is one part. Independent engineer now finally agreed that pending these two they are ready to issue the completion certificate #1 and also some work in terms of the service road, particularly there was addition of seven new underpasses in this project by way of the variation in the contract price, so the earlier seven underpasses have been suggested with a little bit plain leveling of the roads nearby. Now finally they came with that everywhere we have to construct the service road, so now that equity is going on particularly, which is not affecting the commuting of the traffic under the main carriage way, so as per the terms of the concession agreement when the road is under pliable condition and a safe condition then independent engineer can issue the completion certificate. Only thing is that one tollbooth from the Mumbai side, which has just been completed and toll plaza particularly and the lighting arrangement is being done now by Gammon India. We expect that they will be able to complete by end of this month, and once they show that light is on and everything is clear, I think there is no other reason for the independent engineer to recommend to issue the COD.
- Nikhil Salvi:** So they will issue this letter for start of tolling on the entire 100 km stretch?
- Moderator:** Thank you. The next question is a followup question from the line of Rahul Metkar from Marwadi Shares & Finance. Please go ahead.
- Rahul Metkar:** Sir can you please help me out with the work-in progress as on March 31, 2011?
- Nitin Patel:** As of March 2011, it is around 209-210 Crores.
- Rahul Metkar:** Is there any difference in the policy of revenue recognition for BOT projects as compared to the EPC projects that we do for NHAI or any other government entity?
- Nitin Patel:** In EPC normally what is happening, generally the amount of work-in-progress may be a little bit less, and in BOT what is happening sometimes because the lenders engineer sometimes they are not certifying the full work because of some contractual conditions. Let us say for the appointed time, given the example Rohtak-Panipat we have done good amount of work, but it has not been certified because the appointed date has not happened. So whatever expenditure has gone that will come under the work-in progress amount. Likewise in Dhule that 13.5 km which is the length officially not being handed over by NHAI, but practically because of our own sources and our own relationship with the local people and everything we have completed a lot of work in that 13.5 km area. So this amount lenders engineer has not certified because officially land has not been handed over.
- Rahul Metkar:** Who has compensated the landowners?
- Nitin Patel:** In NHAI, what is the technical flaw in this 13.5 km, one toll plaza is there for 13 km length and that concession has been granted to some different agency which is coming in between this project land actually in Dhule-Palasner, and that agency as per his concession agreement he is supposed to vacate, as the concession period is ending on October 2013. NHAI has already acquired the land, but officially they have not handed

over to us for construction actually. Since it is a government land, we have completed the work because there is no any hurdle, so that is why this can be treated as a work-in-progress though certification has not happened.

**Rahul Metkar:** So out of the 210 Crores of work-in-progress how much would be Rohtak-Panipat and how much would be Dhule-Palasnar?

**Nitin Patel:** Dhule I think is around 90-95 Crores, and Rohtak-Panipat is around close to 42-45 Crores. These two are the major. I think for Mumbai-Nasik, variation payment is due, it is close to 25 Crores. For Maharashtra Border check post it is because for the check post some land has not been handed over because some forest clearance is there and also the shifting of check post is to be done. So because of that, particular work of that check post 100% handing over has not happened, so around 20-22 Crores of the check post work is being uncertified. So almost all put together some 209-210 Crores is coming in work-in-progress.

**Rahul Metkar:** In the earlier quarter concall you have mentioned that you have completed approximately 90-95 Crores of work at Rohtak-Panipat, but currently you have mentioned this 45 Crores of Rohtak-Panipat in WIP?

**Nitin Patel:** Actually this is including the utility shifting work, because as per the terms of the concession agreement all the utility shifting including the shifting of pipelines, the cables, and everything is to be done by the concessioner, and for that it is being paid separately to the SPV, so this is work we have already completed and NHAI has already paid because this is not linked to the appointed date.

**Rahul Metkar:** I did not get you on this. Out of the 95 Crores that you have mentioned Rohtak-Panipat, you said that 45 Crores is on WIP?

**Nitin Patel:** This 45 Crores pertains to the EPC cost of the project to be done by Sadbhav Engineering and also the remaining work - there is a utility shifting, there is a scope, every concession agreement, every BOT project there is a utility shifting work that needs to be done by the concessioner. The shifting of all the electrical poles which is coming right into the way, also the shifting of water pipeline which is coming right in the way all needs to be done by the concessioner by appointing some of the outside agency, cost needs to be incurred by the concessioner and it needs to be paid by the NHAI as and when it is being completed. Over and above the total EPC contract for Rohtak has been awarded for 950 Crores, this is for pure civil work, but utility shifting in actual basis is to be done by Sadbhav Engineering because SPV does not have any single staff. They do not have any machinery, they do not have any setup other than just investing the money, it is being done by Sadbhav. Earlier this work is not being paid, now this is being paid by NHAI to SPV and it is being reimbursed to Sadbhav during the year.

**Rahul Metkar:** You mean to say out of the 95, 45 Crores is what EPC work is, but the other is utility shifting and that utility shifting you have booked as revenue?

**Nitin Patel:** Exactly, because earlier the 100% land was not handed over, now as I have mentioned now the 100% land is through because that entire utility shifting has been carried out during the year before the appointed date.

**Rahul Metkar:** So the 950 Crores EPC does not include the utility shifting amount?

- Nitin Patel:** That does not cover.
- Rahul Metkar:** What has been CapEx in the mining segment this year?
- Nitin Patel:** This year we have done around close to 28 Crores in mining.
- Rahul Metkar:** Then how much of the total gross worth could be attributed to the mining segment?
- Nitin Patel:** Nearly 50% is now mining sector.
- Rahul Metkar:** What would be your mining capacity?
- Nitin Patel:** Current year we have done close to 50 million cubic meters, and this year also we will be continuing the same quantum based on the orders already booked.
- Rahul Metkar:** Then there would not be any growth expected apart from the new project?
- Nitin Patel:** Apart from the new project, there will not be any growth.
- Rahul Metkar:** For the mining segment you have mentioned that you would want to take the capacity of 200 million cubic meters, so what would be the timeframe for that kind of growth or that kind of capacity expansion?
- Nitin Patel:** There is a necessity for the country, already the deposited coal needs to be taken out and based on the requirement coming out over the period of four to five years we are quite confident and bullish that quite a number of MDO tenders will come up basically for bidding and we see that this is the area where we should look into and over the period of four to five years, we are okay to take these mining contribution from 50-200 million capacity.
- Rahul Metkar:** Sir as you mentioned the WIP is about 210 Crores so out of the revenue that you have reported 210 Crores is basically increase in work-in progress so the actual revenue is about?
- Nitin Patel:** Not increase in work-in-progress, it is a reduction. Earlier it was more than 230 Crores.
- Rahul Metkar:** So as in FY'10 balance sheet the work-in progress amount is mentioned as 9 Crores?
- Nitin Patel:** It is almost close to 230 Crores. It is being recognized as revenue, basically contract receipt. As a part of the revenue recognition we are treating it as a revenue contract receipt pending certification.
- Rahul Metkar:** Okay Sir, thanks for taking up by followup question.
- Moderator:** Thank you. The next question is a followup question from the line of Abhinav Bhandari from Elara Capital. Please go ahead.
- Abhinav Bhandari:** This 3315 Crores of order backlog which is from our own in-house assets, can you give a breakup across which asset how much is left?
- Nitin Patel:** Broadly I can tell that Dhule-Palasner close to 600 Crores, Maharashtra border check post 712 Crores,



Hyderabad-Yadgiri 249 Crores, Rohtak-Panipat 950 Crores, Bijapur-Hungund 554 Crores, and the rest is MP3 and MNEL put together is this Nagpur Seoni and Mumbai Nasik basically the remaining part of the work.

- Abhinav Bhandari:** Nagpur-Seoni remaining part would be which we have not done basically 28 km?
- Nitin Patel:** For 28 km less 9 km, what we have done is we have compressed that work basically since it is already outstanding because NHAI's obligation is already there and for that SPV has already provided the performance guarantee to NHAI, so we need to take it into considering, expect NHAI specifically says no and closing the contract.
- Abhinav Bhandari:** In March 2010 we had invested something like 250 Crores of equity in the BOTs and March 2011 the investment figure is something like 326 Crores so that additional 70-80 odd Crores gone where?
- Nitin Patel:** Total investment in SIPL and SPV is coming to 314 Crores, from Mumbai-Nasik it is around 10.40 Crores actually.
- Abhinav Bhandari:** Agreement MOU which was there with the private equity partners, till that point of time we had invested about 250 Crores?
- Nitin Patel:** It is 260 Crores. Whatever difference is there between 260 and 314 Crores that came as advance from SIPL and it is treated as advances received.
- Abhinav Bhandari:** So just in case that you decide to invest that additional 200 Crores till March 2012, this advance can pretty much be treated as your equity as well right?
- Nitin Patel:** This 200 Crores will be totally different actually. As per the advice given by the taxes and consultant and the opinion given, the consideration for this post future transfer actually has been given as advance to Sadbhav Engineering, so at later date the taxation component can be avoided. So for the tax perspective it has been worked out.
- Abhinav Bhandari:** This is how much interest bearing advance that we have given?
- Nitin Patel:** No interest bearing advance is there actually. It is just over the consideration amount that has been given by SIPL to Sadbhav, and again Sadbhav is holding that investment on behalf of SIPL.
- Abhinav Bhandari:** Fine that is it from my side.
- Moderator:** Thank you. The next question is from the line of Shamik Chatterjee from Alchemy Shares. Please go ahead.
- Shamik Chatterjee:** In terms of revenue spending certification and how you account for that, could you just explain it once again?
- Nitin Patel:** For BOT project particular when the lenders engineer particularly has certified the work this will go straight away as certified and executed. Also particularly the work which is not certified, the work has already been executed, because in these kind of complex contracts we need to take a very proactive decision, say for a variation, I am telling for an example in Mumbai Nasik the variation amount of close to 65 Crores was executed by us two years ago. Out of the same, some 40 Crore payment has been released during last year and

still 25 Crores is to be released. We have to book that revenue because already the expenditure for construction has incurred by the company and actually that revenue needs to be recognized so that to balance the requirement of the cost, and particularly in cash contracts we have to take a little bit (indiscernible) 1:35:13 for example, excavation of the structure, any big structure we are opening, we are generally excavation the entire foundation and footing. If we see that for major bridge the total cost of that excavation itself is in terms of the 2 to 3 Crores. The actual payment will be certified by the independent engineer when this footing will be completed, piers will be constructed and it will come out from the ground level and the entire excavated area has been filled up, then only the independent engineer will certify the amount of excavation and defiling of the excavated pit actually. Because expense has already been incurred for the project of 100 km, there are N numbers of structures, if we add the total excavation amount itself will go into 5, 7, 8 Crores. So at that point of time as per our item rate contract revenue is there we need to recognize as a revenue so that will show the true and fair view of the accounts and balance sheet.

**Shamik Chatterjee:** One more thing, you had 869 Crore order this quarter, I just wanted to understand how is it reflecting in your order book, the JV adjusted?

**Nitin Patel:** Close to 60% will come in Sadbhav part remaining will go to GKC's part.

**Shamik Chatterjee:** So you are reflecting 60% of that in order book current year?

**Nitin Patel:** Exactly.

**Shamik Chatterjee:** Okay fine thanks that is all.

**Moderator:** Thank you. I would now like to hand the floor back to Mr. Patel for final remarks. Thank you and over to you Sir.

**Nitin Patel:** Thank you very much to all the participants and for taking the huge interest particularly in the company and we recognize and acknowledge that because of the continued support, suggestions, and inputs given from all of you, we are continuously trying to implement the same within the organization and because of the same we are at a certain level actually, and also we see that because of the performance happened in the last year and also likely because of the situation as per the site condition, enormous growth is going to come particularly and in absolute terms basically in almost all sectors the great satisfaction particularly to our lenders as well as investors and across the community as a whole, all the projects are going to be implemented successfully before the scheduled time, so even at client level NHAI is also very much happy with the same, and this has shown them because it is just coming out of the numbers. Again, I am really thankful to everybody.

**Moderator:** Thank you very much sir. Thank you members of the management, on behalf of Collins Stewart Inga Private Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.