



“Sadbhav Engineering Limited
Earnings Conference Call”

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Hosted By



REPRESENTED BY:

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Moderator: Ladies and gentlemen good day and welcome to the Sadbhav Engineering Limited Q2 FY'11-12 Earnings Conference Call hosted by Collins Stewart Inga. 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. If you should need any assistance during this conference call please signal an operator by pressing "*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. At this time I would 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 Q2 earnings conference call and I also convey my happy New Year and New Year greetings to everybody. Now let me give the summary of the Q2 financials.

The income from operations in the standalone basis stood at Rs.430.41 Crores against 260.89 Crores for corresponding quarter of the previous year.

EBITDA for the current quarter is Rs.45.29 Crores against 31.42 Crores for corresponding quarter of the previous year after providing the interest of Rs.15.40 Crores and depreciation of 7 Crores, the profit before tax stood at Rs.28.11 Crores as compared to 20.81 Crores for the corresponding quarter of the previous year.

After providing tax of Rs.9.97 Crores the net profit after tax stood at Rs.18.14 Crores as compared to 13.73 Crores for the corresponding quarter of the previous year.

Now let me give the revenue mix for the current quarter. The revenue from road sector amounted to Rs.373.53 Crores out of which revenue from BOT projects contributed Rs.369.58 Crores and the cash contracts were Rs.3.95 Crores. Revenue from irrigation amounted to Rs.16.97 Crores and revenue from mining amounted to 39.92 Crores.

Now the performance of the operating BOT projects, which are under our control. First Ahmedabad Ring Road, total income for the quarter stood at Rs.18.25 Crores as against 14.96 Crores achieved in the previous year during the same quarter. Average toll collection for this today stood at Rs.17.94 lakhs. There has been a PCU growth of 13.68% as compared to the same quarter of the previous year. This is in case of Ahmedabad Ring Road and in case of Aurangabad Jalna, the total income for the quarter stood at 6.16 Crores as against 5.30 Crores achieved in the previous quarter.

Average toll collection for a day is stood at Rs.6.70 lakhs a day there has been a PCU growth of 15.08% as compared to the same quarter of previous quarter. If you see the status

of the other BOT projects, which are under implementation, Bijapur Hungund we have already completed work till date 767.24 Crores till the end of September. Total debt drawn down till September is 595.91 Crores and the rate of interest, which is being paid, is 10.50 Crores.

The schedule date of completion for this project is March 2013 but as per the present status the project is likely to get operational November 30 this month 75% and 100% it will be operational by February 28, 2012. So we see at almost around 13% to 14% average early completion in these projects. In case of Hyderabad Yadgiri we have already completed work till date to the extent of 242.89 Crores and till end of September 2011 debt drawn down is 161.12 Crores and the rate of interest is 12.75% in case of Hyderabad Yadgiri and the schedule date of completion for this project is May 10, 2012 and as per the present status basically because there is one almost to the tune of 3.25 km of the land which NHAI is yet to give but the considering that December end we will be able to get the 100% of the land. We expect that 100% completion will be done before March 31, 2012.

In case of Rohtak Panipat the work completed till date is 178.50 Crores and debt drawn down till September 2011 is 184.02 Crores and the rate of interest in Rohtak Panipat is 12.25% and the schedule date of completion for the project is October 14, 2013 and we propose based on the land availability because almost 100% of the land in Rohtak Panipat is available so we expect that the 75% project will be operational by December 2012 and we expect 100% by March 2013.

Also in case of Dhule Palesner the work completed till date is to the extent of 976.65 Crores and against these total debts drawn down till September is 608 Crores and the rate of interest in Dhule Palesner is 11.75% and the schedule date of completion for these project is June 17, 2012. We intend to start 75% operational of this project by December 15 and 100% by March 31, 2012.

In case of Maharashtra Border Check Post we have got the possession for 12 check posts out of 22 till date and all the 12 check posts has been commenced in full swing and based on the present status we expect that the first check post will be operational in between the middle of January 2012 and another two will be operational in February and before June we expect nine check posts will be operational out of the 12. So this is the status of Maharashtra Border Check Post and the total debt drawn in Maharashtra Border Check Post till September 2011 is 407 Crores and the rate of interest is 12.75% in Maharashtra Border Check Post. So this is the broad status of the BOT project.

Now looking to the order book status on a standalone basis in Sadbhav Engineering the outstanding order as on September 30, 2011 is totally 6259 Crores out of which road sector contributes 4368 Crores as against these road sector order book BOT outstanding order

book is 2511 Crores and cash contract is 1857 Crores. Irrigation is 1113 Crores outstanding order book and mining is 778 Crores. So this is the outstanding order book and the status of projects for which we have already submitted the bids in road sector particularly in BOT projects we have submitted the bids for six projects. The total value of these projects is to the tune of 7250 Crores we are awaiting the results. In case of irrigation we have submitted the bid for three projects. The total value of all the three is 525 Crores and in case of mining sector the outstanding bid which is yet to open is four projects. The total value is 1250 Crores. So this is the total status of the bids.

I am very much thankful 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 to the floor. Thank you.

Moderator: Thank you very much. We will now begin with the question and answer session. The first question is from the line of Nitin Arora from Angel Broking. Please go ahead.

Nitin Arora: Firstly EBITDA margins for this quarter were at 10.5%. So what is the reason for that is it because of subcontracting of several projects the EBITDA margin has gone down a bit?

Nitin Patel: No it is not the case actually but the basic reason if I tell that mainly the two important components in road sector is the bitumen and diesel price. There is straightway increase by all the petroleum companies in the beginning of the quarter the diesel price that was increase by more than Rs.3.5 to 4 later and also bitumen price which was 30,000 a tonne during the last quarter, first Q1 but in Q2 it has gone up to 40000 to 41000 a tonne because what will happen normally in our case in business we are spreading the escalation over the year actually on quarter-to-quarter basis. Similarly there is a reversal that in particular quarter because there is the rise in this quarter only and also the major work if I see that the Bijapur Hungund, Dhule Palesner and Hyderabad Yadgiri mainly because all these projects the bituminous work is going on a war footing basis where the maximum consumption of diesel and bitumen is going on now. These are the main reasons other than I do not see any other reason.

Nitin Arora: I think during Q4 you said Sadbhav Engineering had changed the policy regarding this escalation. So what you said was that going forward we will see that even though there is escalation it would not impact the margin so much because of the change in policy. So going ahead for this fiscal because diesel and bitumen price are not expected to be less during the second half as well. So should we expect the margins to stay around in 10% to 11% during June or around that?

Nitin Patel: Now I can again see because with this particular Q2 is the monsoon quarter normally we also do not presume that much work can be executed in the front but particularly when the

bituminous and monsoon has delayed so that is why we got the opportunity to execute the work on more front. So compared to that we have provide because escalation amount we are providing a fixed for the year and also it has been spreading fixed for the quarter actually. So that is why it is having the plus and minus from effect but I see that the overall average we will be able to earn the return in between 11 to 11.25 on a average basis what we are expecting in normal case. So we do not see any other challenge in the same actually.

Nitin Arora: Secondly last quarter you mentioned that there were mining orders in the pipeline of around 2200 Crores and irrigation were around 1140 Crores and so any status on have we won anything in this quarter in any of the segments?

Nitin Patel: In this quarter we could not get succeeded actually in mining and that irrigation front. Another bid is continuously it is going on even for mining also another three to four big size project has now come up because and we expect that it will continue to come on the faster pace now because the coal situation is getting deteriorated overall in the country. So I think there will be some major activity will be taken place over the period.

Nitin Arora: What about that freight corridor project you mentioned last quarter as well. Any update on that?

Nitin Patel: Update actually in between there was one news that the DSC Dedicated Freight Corridor they may cancel this prequalification and call for the prior qualification but the latest we have heard that I think we may there will again proceed because what we heard actually that the bidders are mainly some reputed players because is IRCON is there, L&T is already there so there is no such kind of possibility that the people can join their hands together. So that is why I think they will continue without making delay in this project actually.

Nitin Arora: Chhindwara project you expected to start from October have we started execution on that project?

Nitin Patel: Today there was a plug of actually this minister of transports Dr. C.P. Joshi and Mr. Kamal Nath. Today there was an opening ceremony in Chhindwara and from today onwards it has kicked of actually.

Nitin Arora: So next quarter we can see some revenues coming from this project?

Nitin Patel: Q3 and Q4 we will bring because lot of mobilization plant almost 90% of the mobilization plant has been completed and almost 25% of the project requirement of the materials we have already stopped we will start actually. We can go on the war footing basis.

- Nitin Arora:** Lastly, Mumbai-Nasik, have been bidding the tolling on the balance 36 km which was pending?
- Nitin Patel:** It is already operational now. Now both the toll plaza are under tolling and it is now and will except one 400 to 500 meters of the one ROB, two ROB's actually so for that portion because some work is balance because of the railway authorities approval it is not coming that much pace actually. Remaining entire land is under the tolling now.
- Nitin Arora:** With this 36 km coming under operation what increase in revenues can we expect in toll revenues?
- Nitin Patel:** The average of October is to the tune of near to 31 to 32 lakhs a day actually in October so we expect that if we consider the full year from now November 1 and October 31 next year so we expect that the average collection will be around 34 to 35 lakhs.
- Nitin Arora:** That it is all from my side. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Sagar Parekh from Enam Holdings. Please go ahead.
- Sagar Parekh:** Could you give us a breakup of in-house EPC order book as in BOT order book of 2511 Crores in terms of project-by-project?
- Nitin Patel:** In-house actually I do not have that much numbers in detail but the outstanding based on the actual execution done till date and what is outstanding we have made a just total of the same. So the outstanding it is coming 2510 Crores in terms of the BOT project and cash contract 1857 but mainly out of that 1857, 1411 Crores is from the Chhindwara project actually, which is just started from today onwards.
- Sagar Parekh:** In terms of your total equity contribution to your BOT how much is that right now?
- Nitin Patel:** Total equity actually if I see that the total we at FIP level I am telling that our percentage is holding for each of the SPV the total equity required is 848 Crores and out of 848 Crores we have already infused 580 Crores.
- Nitin Patel:** So where this additional because last quarter it was 532 if I am not mistaken so where did you put your additional money which project?
- Nitin Patel:** Mainly some in Dhule Palesner and mostly in Maharashtra Border Check Post.
- Nitin Patel:** Can you give us the quantity?

- Nitin Patel:** Please note down the total equity I am just telling how the breakup of 848, Ahmedabad Ring Road 41.68 Crores, already infused 41.68 Crores 100% funded. Aurangabad Jalna 82.93 Crores already infused 82.93 Crores, Maharashtra Border Check Post we according to our assumption the total equity required will be 140.40 Crores and we have already infused 127.67 Crores, Hyderabad Yadgiri total is 60 Crores against we already infused 31.14 Crores. Bijapur Hungund 105.49 Crores we have already infused 100% 105.49 Crores. Nagpur Seoni 54.88 Crores we have already infused 31.51 Crores but here we have to make one subtraction that I have not made because Nagpur Seoni no further equity will be required to be funded because further land has not been provided by NHAI. So this is 54.8 it is based on the 100% so now we have to make the number change, little big change to the extent. So we have to consider 31.51 instead of 54.88 and already infused 31.51 actually. In Rohtak Panipat 242.68 Crores is required against which 60.70 have already been infused. Dhule Palesner 95.85 Crores against which 75.27 Crores has been infused and Mumbai Nasik 24.12 Crores against 24.12 Crores have been infused.
- Sagar Parekh:** I just missed on Rohtak Panipat when you gave the numbers you said how much how much work is done in Rohtak Panipat; I just missed the number?
- Nitin Patel:** Rohtak Panipat we have completed total work of 178.50 Crores.
- Sagar Parekh:** You said you debt drawn is 184 Crores right?
- Nitin Patel:** Because of the initial mobilization advance so as per the contract 10% of the advance is to be given to EPC contract so that we are not considering into the work done actually.
- Sagar Parekh:** Out of your total debtor how much is Dhule Palesner right now?
- Nitin Patel:** Around 215 Crores in terms of already certified bills and around 80 Crores in terms of the bills which has not been certified because there was one 13 km of a developed section where the work is to be completed post October 2013 onwards actually within a one year but since the land is available we have already started the work and the 80 Crores we have already complete as the work done actually.
- Sagar Parekh:** Total is about 300 odd Crores.
- Nitin Patel:** Almost 300 Crores.
- Sagar Parekh:** Thanks Sir. That it is all from my side.
- Moderator:** Thank you. The next question is from the line of Parthiv Patel from Premji Investments. Please go ahead.

- Parthiv Patel:** Can you tell us what the order inflows were for this quarter?
- Nitin Patel:** This quarter inflow was only 101 Crores from only one inflow was there in road sector.
- Parthiv Patel:** Regarding this if you look at your debt, debt has gone up suddenly actually. Is there any specific reason for that?
- Nitin Patel:** What I would like to request you to see the position last year if you compare the last year's position outstanding it was 421 Crores against which if you see the cash and bank balance was 31.26 Crores. If we net off the net debt is around 389 Crores and against this if you see as on September 30, 2011 the outstanding debt is 456 Crores and against which the cash balance is 68.42 Crores. So the net debt is again 388 Crores. So almost it is the same. The other if you see actually in terms of the liabilities if we see the balance sheet position liabilities which were 877 Crores at the end of the September 2010 has reduced to 541 Crores. So there is a huge reduction actually in terms of the liability. So there is a lot of cash has been generated in the system and I think during the year actually compared September 2010 to September 2011 more than 250 Crores of the cash has been generated in the system.
- Parthiv Patel:** Any specific reason why liability suddenly went down so much?
- Nitin Patel:** Actually there are the two things, the mobilization advance, which was outstanding 700 Crores at the end of September 2010, which has come down to 362 Crores and also the sundry creditors for goods and expenses which was 109 Crores it has come down to only 7 Crores. So basically in actual terms the liability has been reduced in the company and debt level also remained at the same level.
- Parthiv Patel:** Sir, you mentioned for Dedicated Freight Corridor actually bidding may happen so will it happen in the current financial year or we will see that getting delayed?
- Nitin Patel:** We expect that RFP will be issued in December. It was the plan basically of the DFC so there may be issue the RFP in next month.
- Parthiv Patel:** Regarding this bids we have done let us say road project when are they expected to open up?
- Nitin Patel:** I think in this month all the six bids will be opened.
- Parthiv Patel:** For irrigation?

- Nitin Patel:** They will not take more time. I think before end of this quarter all this irrigation bids and mining bids also everything will be opened and finalized. Also new bidding will also take place because we are also in a process of submitting other bids actually in the roads and mining also.
- Parthiv Patel:** In case of Maharashtra Check Post you said first check post to be operational by what time?
- Nitin Patel:** Mid of January.
- Parthiv Patel:** By March how many ways we are targeting?
- Nitin Patel:** March five check post will be operational and by June all 8 to 9 check posts will be operational.
- Parthiv Patel:** What is the revenue we would be expecting from the check post?
- Nitin Patel:** If I consider the 12 check posts for which possession we have already received we expect that almost 70% of the revenue will come from this 12.
- Parthiv Patel:** Which would be?
- Nitin Patel:** Which would be around almost to the tune of 150 and 160 Crores?
- Parthiv Patel:** In Dhule actually what is the amount of work we have completed?
- Nitin Patel:** Dhule already around 78% to 79% in terms of the financial performance has been completed so we have already issued a notice to client NHAI that we are now eligible to start the 75% of the toll to require phase are under process. So we expect this by end of November all the phase will be completed because safety stake and other driving quality and everything is being taken because third party dates are required to be completed before NHAI ask us to go ahead for collecting the toll and the pre-notification for Dhule has already been approved by the Government of India, it has been published in the gadget also. So we expect that broadly this on conservatively by December 15 the 75% will be under duly.
- Parthiv Patel:** In terms of FY'13 we would not on any order in current scenario what would be our revenue guidance in that scenario?
- Nitin Patel:** Based on the current order book we can expect almost to the tune of 2800 to 2900 Crores of the business. In FY'13 also we do not bring the single bid and also.

- Parthiv Patel:** How is the scenario at NHAI looking at in terms of competitiveness?
- Nitin Patel:** Competitiveness obviously it was there but what we understand that it will come down slowly as the time will go and in particularly in our case we can tell that we are not this kind of race actually because it is clearly evident that the people is going to lose the money heavily.
- Parthiv Patel:** I think we signed some couple of NDAs for acquiring some BOOT assets where construction work is pending. Can you throw some light on those bid part Sir?
- Nitin Patel:** Obviously we are on exclusivity on this basically NDAs. We expect that because this is one of the good opportunity where we can focus and practically we are focusing on the same likewise if you see in Aurangabad Jalna we have already acquired 49% of the stake of that SPV then obviously the 151%. We have witnessed that the toll growth actually, which is more than 15% in terms of the traffic and even in today October also we have witnessed whole of the October month the traffic growth is more than 15% as compared to October 2010. So it is better always to go because instead of taking the huge construction risk and everything open and also if the revenues also little bit we want to go little bit conservative, so this is the strategy of the company.
- Parthiv Patel:** Are there any opportunities available in terms of let us say where the contractor has defaulted and bank has taken over asset and now probably the bank is searching for another buyer?
- Nitin Patel:** One or two projects we have started hinting by the some of the lenders but depending on the present situation it seems in the market basically because the landing institutions are of the view that the February-March 2012 onwards there will be the numbers of cases available, so I think that will be the proper time and also for the bidding also we expect that the mostly February-March whatever bids are coming that should be the proper time for the bidding actually.
- Parthiv Patel:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Devam Modi from Equirus Securities. Please go ahead.
- Devam Modi:** Very Happy New Year to you Sir, I just wanted to ask a two book keeping questions. One more Sir there is a small other income of around 5.2 Crores so just want a clarification on what exactly that pertains to?

Nitin Patel: That is mainly interest income because 3.5 Crores plus is the interest income actually. We will see the cash on bank balance so that money is lying actually in the bank FD.

Devam Modi: Just extending one of the earlier questions in case of figure that there is no order book growth or very minimal. Because I believe there was a guidance that you will be looking at around 2500-3000 Crores order growth in this year itself, fresh order this year. So that is clearly looks slightly difficult given the current kind of competitiveness in the BOT projects as well as sort of slow down in mining as well as orders?

Nitin Patel: See actually two things are there, the BOT obviously because how the current bidding is going on during the last at least 12 months obviously I will agree to you, but in terms of the cash contact if you see the order book what we have received during the last 14 months, so that is also again more than 3500 Crores so and also the new bids which are coming particularly in irrigation and mining, because one bid in irrigation is coming for bidding to the tune of almost 2500 Crores in the state of Punjab. Hardly there are the four or five parties are getting qualification in that bid apart from that, as I have told that lot of other opportunities coming in the mining sector. So obviously in particular situation where the BOT seems to be more risky business as of now we will continue to focus on this cash contact particular irrigation mining. Apart from this BOT, because their bidding is going continuously we are putting as I have mentioned the six bids we have already submitted to the almost 7250 Crores and another we have got the qualification for another 47-48 bid, which is almost costing more than 50,000 Crores. So we see the lot of happening will go on, at proper time we will struck same because if you see the current order book all of these five BOT projects, which are under implementation now, we won just within the period of four to five months actually all the five bids so that why the more important is the real timing actually rather than the every quarter to get the business so that is why little bit we are thinking differently as compared to what our peers are thinking actually.

Devam Modi: I agree with you there will be a clumping of your order book probably, but in this states, would you foresee a situation like some of the other players who do not EPC experience or road building experience, but they are in the BOT projects and its there a chance or is there any visibility that there will be subcontracting happening from those guys to play out like you?

Nitin Patel: Obviously it will be there because we have already given our offer to at least couple of developers and almost we are quite hopeful that at least one of the project we will get actually out of the same. So this way it will continue but obviously again it will be the we have seen the terms and conditions and whether it is at what price and how it is coming actually. So we do not want to, by the risk what we would like to, even though the money is

available in the SIPL because the sufficient equity is available still in SIPL we do not want to go in that much aggressively actually in bidding actually.

Devam Modi: That is it from my side.

Moderator: Thank you. The next question is from the line of Madan Gopal from Sundaram Mutual Fund. Please go ahead.

Madan Gopal: Good evening Sir. Sir I had one small clarification on this Aurangabad Toll revenue, last time when I met you, you give me a figure of roughly 24 Crores for the year, I am I missing something is it only, what is the full year total revenue that you expect for this year?

Nitin Patel: This year also we expect more than 24 Crores actually.

Madan Gopal: This is for the entire 100% stake that you are talking about right, for the entire project?

Nitin Patel: This is 100%.

Madan Gopal: Okay and sir can you give some more detail of the DFC front, you said probably the RFP will be called in December can you give just split on what will be nature of your work how it is shared between the JV partner and what will be your share of that?

Nitin Patel: Actually as per submission it is like that in our case because we have joined the hands with Sumitomo they will be owning 55% particularly in JV and remaining 45% there is three partners, one is Gammon, one is Sadbhav and third is C&C, Chadha and Chadha. But as per the understanding the work is to be executed by all of three basically, because Sumitomo is not going to execute and again with the Gammon also we are discussing that if they can offload the work to Sadbhav, so we will be interested to take up the job. This will be the basic understanding broadly, but obviously, as you have mentioned that bid has to happen.

Madan Gopal: But Sir what are the critical things that bid is waiting for?

Nitin Patel: Nothing is critical actually see what has happened at some point of time somebody has might have discussed internally there because only three participants are there, but there after they thought that because all these participants where the, because one side L&T and all three Japanese company are already there. So they will also control and they will not go in any kind of understanding kind if situation so that is why they might have decided that we will continue to proceed currently, because in any case if you see all of the three these Japanese companies are holding more than 51% in all the three consortiums.

- Madan Gopal:** Because not fear here like L&T does not share the same, is a kind of expecting this DFC to come up only next year that is why we were surprised when you said that this would come back again in December, is there is recent change which you are saying?
- Nitin Patel:** Two things, RFP is one part because once we will issue the RFP and whole of the detailing to be done by the contractor, because over there contractor has to make their designing, own study and there after he has to submit the bid actually. Because of these reasons L&T might have told that the tender, the actual work will start during next year actually so that may be.
- Madan Gopal:** Okay, so that do you expect six months from the RFP date would be the request for court?
- Nitin Patel:** Obviously minimum 90-120 days they have to give us basically for preparation of the complete bid actually.
- Madan Gopal:** Thank you Sir. Thanks and best of luck.
- Moderator:** Thank you. The next question is from the line of Rahul Metkar from Marwadi Shares & Finance. Please go ahead.
- Rahul Metkar:** Good evening Sir. Can you share with us the revenue booked on each of the BOT projects till date?
- Nitin Patel:** In Bijapur we have completed the work to the tune of around 760 Crores, Rohtak 178 Crores, Hyderabad-Yadgiri 242 Crores, Maharashtra Border Check Post again 315 Crores, Dhule Palesner 976 Crores so these are board numbers basically in terms of the execution.
- Rahul Metkar:** Okay and Sir in the DFCC projects which are the other two bidding consortiums if you could name those?
- Nitin Patel:** One is Ircon and they might have joint the hand with Mitsui and these Obayashi with L&T.
- Rahul Metkar:** Okay and Sir finally you had earlier when the SICL deal was done even an option to increase you stake by increasing some about that option if I am not wrong expires in January or February sometime January or February?
- Nitin Patel:** I think it will be in March 2012.
- Rahul Metkar:** Okay, so you are planning to increase the stake?
- Nitin Patel:** Yes obviously we are planning to increase that.

- Rahul Metkar:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Naveen Jain from JM Financial. Please go ahead.
- Naveen Jain:** Good evening. Sir my first question is on EBITDA margin you said in this quarter some of the key raw material costs have gone up yet for the full year we expect the margin to about 11%-11.25%. So just wanted to ask in this quarter have you seen those costs started to come down or what makes you so confident about that?
- Nitin Patel:** Actually little bit different, now I would like to just give one more elaborate, if suppose particular for the whole of the year, if we have provided the escalation amount to the tune of say for Rs.100. So what we are doing generally Q1 we might have done the Rs.20, Q2 only Rs.12 because it is the monsoon quarter. Q3 and Q4 it will be more 30-40 what are may be what is the balance actually. So against these what will happen actually suppose particularly in Q2 we might have expected that the business will grow to the tune of almost 30%-35%, but instead of that it has actually gone by 65%. So that what has happened to major of the consumption that happen, but their component allocated for escalation particular in the quarter is fixed actually. So that is why it is giving the effecting and earlier what had happened just beginning of the quarter it has increased actually, pricing has gone up particularly diesel and bitumen both. Suppose in the end of the month, in September it could have increased so that the impact will be difference. We might have ended about 11% or 11.1% or whatever may be like that actually.
- Naveen Jain:** Basically what you are saying is in this quarter you have already provided some extra escalation that was possible on the raw material side?
- Nitin Patel:** No not extra, it was the escalation component was fixed actually, but against that the actually cost incurred is higher. Suppose for example we might have provided the escalation for 100 tonnes of bitumen or 1000 liters diesel instead of that the actually consumption of bitumen has gone 150 tonnes and diesel consumption have also gone to 1500 liters. The escalation amount has been provided for 100 tonnes and 1000 liters actually.
- Naveen Jain:** Basically going forward.
- Nitin Patel:** Yes obviously somewhere it will match actually so that is why on average basis it will on a whole of the year it will come down, maintained actually. We do not see any big challenge.
- Naveen Jain:** Last year in the Q4 you had done some provisioning because of which your EBITDA margin in that particular quarter was very low, so you do not expect that kind of situation to repeat in the three quarter?

- Nitin Patel:** Even the Q4 also I have at that time also told because if you see the turnover has increased heavily in that particular quarter. Because the component of the escalation provided in that quarter was basically it was limited. We also do not have thought that it will grow by 80%-85% actually. So that is why some time it is happening. So particularly if see on an average, it is remaining 11%-11.25%. So I do not see there will the big challenge in terms of the present perspective.
- Naveen Jain:** Second question again basically your mobilization advances have gone down from 750 odd Crores to about 350 odd Crores now it is just because of execution that is happening in the project, which is pretty smooth and ahead of our expectation or is there any issue?
- Nitin Patel:** No only that reason because of the early completion and it is getting recovered on a faster pace, so that is why it has come down significantly.
- Naveen Jain:** So but since now we do not have many new projects, which we are going to start work on right now because order inflow has been fairly low and even BOT projects are there not now, so that will come down further?
- Nitin Patel:** No actually see now Chhindwara, I have just mentioned that Chhindwara we are eligible to get 15% advance so 1511 Crores so almost to the tune of 200 Crores of the advance we are eligible to get.
- Naveen Jain:** So that is expected to come in this quarter?
- Nitin Patel:** It will improve the cash flow position again.
- Naveen Jain:** That will come in this quarter itself?
- Nitin Patel:** I think 10% will come in the Q3 and remaining 5% will go after to 20% so it may come Q1 of the next year.
- Naveen Jain:** Sir one question was on your basically your projects schedules you said that I think the dates that you have shared this time for Dhule project or Hyderabad project or Rohtak project as compared the last quarter what dates you have shared they just been some slight delay it seems. Like for example Dhule you said 75% you will start collecting toll from October and something like that and now you saying about December mid and similarly for Hyderabad and Rohtak about a months delay kind of thing is there. So is there any possibility of any further delay in these projects?
- Nitin Patel:** This an important point, what has happened in case of Dhule 75% work has already been completed as I have mentioned and we have already intimated to the client just 20-25 days

back. Now because they are conducting the various states and that is why they are taking more time even the fee notification has been approved by the government. It is because of the procedural things that are taking more time, because once the IC will come and also third party inspection will come then before allowing starting collecting the toll. We have already recruited the whole of the tolling team actually in Dhule also in Bijapur also. Because people are on the job now because at any point of time we get the letter to start collecting that, by the giving the of 10-15 day notice in newspaper we have to start collecting the toll. So at any point of time we can get the order from NHAI, but conservatively we can tell that yes Dhule will start operational in December 15 and particularly Hyderabad-Yadgiri also last time also I have mentioned that some of the land is critical basically it is not getting through. Still 3.5 kilometers of the project length is not been handed over by NHAI. So we will wait up to December then after we have to start pressurizing them that they have to issue the COD pending that 3.5 kilometers because it is ultimately the balance of the work we may complete by the time actually so that why we are debating with them. Accordingly we have considered that it will be 100% operational by March 31 in any case.

Naveen Jain: And sir your Nagpur Seoni project you said that no further equity infusion would be required because NHAI is not giving land. So basically the project is now cut to half basically whatever is there you bill that you get your annuity further will not been done is it like that or that further is still to be done?

Nitin Patel: Yes it is like that actually, because it will cur to half, only thing is that NHAI as internally that variation committee has taken the decision that 20 kilometer they may takeout from the total project actually, but there is another challenge is that how to maintain the existing carriageway. So again the maintenance of the existing carriageway they want to give the job to the existing construction, so that way because the debate will happen and annuity amount will change to that extended actually by considering this all aspects.

Naveen Jain: Till now have we received any annuity on this project?

Nitin Patel: No because the issue we are continuously debating with them, so that why actually annuity has not started flowing, but I think within a couple of months the annuity will start coming.

Naveen Jain: Sir one last question on this mining thing large MDO project that we were expecting, last time you said that they will become rebid and all that will happen, so is there something happening in this?

Nitin Patel: The sale deed we have canceled, but again rebidding, we are not hear they issued the bid document, but apart from that another three bids actually that has come out for bidding and the duration of this bids actually the contract is more than 20 years and the size is also

reasonable quite large. So also now also we are in a process of forming a joint venture with some of the international players actually because we also independently not getting qualified, so that is why we have to make the plan and accordingly we will proceed further, so we are making some long-term arrangement for bidding this kind of projects, which we expect a lot of new bids will come continuously in mining sector.

Naveen Jain: Three four bids that you are talking about is from?

Nitin Patel: One is from Coal India, one is from obviously GSPT in Gujarat State Power Corporation and one is from in think again the Punjab State Electricity Board so this three is main basically and also one private sector bid is also coming for the longer period actually.

Naveen Jain: But it will take some time before this actually come through?

Nitin Patel: Not much actually what I expect that the bidding will start basically for one of the bid the bid submission date is 20th of this month and also the 21st of this month and also another bid will happen before December actually all the four will happen before December.

Naveen Jain: Thank you Sir.

Moderator: Thank you. The next question is from the line of Pranav Gokhale from Religare Asset Management. Please go ahead.

Pranav Gokhale: Good evening Sir. Congrats on good set of numbers. This question is again on the order book or the order inflow. This 6200 Crores of order inflow which have 6259 Crores what could be the execution period for this order?

Nitin Patel: If I see one by one, if I see that 2510 Crores of BOT that in any case we have to complete before December 12, we are planning to complete before December 12 and cash contract of 1857 it will take maximum two half of years from now.

Pranav Gokhale: From current?

Nitin Patel: October onwards; irrigation maximum one year and mining again two and half years.

Pranav Gokhale: What I wanted to ask in that case do we forget the 60 odd percent growth, which we are doing in the current year, will you expect this current order inflow and based on what your numbers do you still expect to still grow 20 odd percent next year, 15%-20% could be your numbers if you look at in FY'13?

Nitin Patel:

It seems to be because particularly the phase how the bidding is happening, we also expect that there will be the reasonable bid will come. The only thing is that since we do not want to grow beyond our certain limits actually. So that is why we are waiting for that period and we are confident that period will definitely come actually. Because such a large number of projects and day-by-day when the things are becoming more and more challenging and rather we would like to concentrate. Vertically if we see that this year and next year we are completely in this existing five projects and we are starting the revenue actually toll revenue at SIPL level itself the toll revenue is going to cross 850 Crores and in terms of the profit actually cash profit it will be after providing the interest it will more than what Sadbhav Engineering is running actually on construction business basically. It will be much more than that actually, so in real terms we would like to add basically value in the business and also we do not want to get deteriorated because of the certain aggressive calls actually, that is the basic principal what we have adopted.

Pranav Gokhale:

But you have not moved your goal post in terms of project level margins over the current bids, which we have in the pipeline?

Nitin Patel:

Obviously because if we go beyond certain limits, so definitely the things are going to affect and also this important nowadays when some of the bids are completely then particularly we have to go for the more detailed study because there may be the chances that because today there is some profit, because of the certain development of the other roads because many of the roads are now coming under the BOT. So now the operator the truckers will have a choice that where he will go from one road to other roads actually. So this we have to do very careful study otherwise the whole things will be ruined actually. I am telling if we were see that in particularly in our case the Ahmedabad Ring Road and also in Aurangabad Jalna, you will still this is the fifth year of the operational in Ahmedabad Ring Road the traffic is growing more than 13% every year CAGR. While in Aurangabad Jalna we have witnessed a 15% growth actually and expect that this will continue for another two to three years.

Pranav Gokhale:

Even on construction contracts the bid pipeline, which you have on the cash contract basis, is the margin similar to what you have in the current order book?

Nitin Patel:

Obviously, it will remain the same because basically it depends upon the how you are operating the projects. So naturally there may be some curtailing may happen, but beyond certain limits it will be not be able to sustain actually and even everybody has witnessed that these kind of aggressive call what has resulted actually in the actual numbers today in the whole of the industry actually.

Pranav Gokhale:

Have you seen some rationality now coming in the BOT pricing or still some projects are being bid?

- Nitin Patel:** Rationality will come February March onwards after that.
- Pranav Gokhale:** Another small book keeping question on the current numbers, this 29 odd Crores of other expenditure what do they comprises because that number seems to be going?
- Nitin Patel:** Mainly it is an indirect tax, major component is indirect taxes.
- Pranav Gokhale:** In the other expenditure?
- Nitin Patel:** Yes exactly.
- Pranav Gokhale:** Okay, but as percentage it seems to be fluctuating or going up a bit, so generally it is around 3.7% to 3.9% but this time around we have seen it more is it to do with the higher sort of tax rate or something or how do we actually look at it?
- Nitin Patel:** Last year it was around 8.45% last year in the same quarter.
- Pranav Gokhale:** This was for one quarter I was taking about the full year about 85 odd Crores 3.9% of the total sales, Q2 it tends to be higher that is why I am you this question Sir?
- Nitin Patel:** Correct.
- Pranav Gokhale:** Is there something the Q2 itself or what is that number, because Q2 only that numbers tends to be higher?
- Nitin Patel:** It depends basically, suppose in particular year or particular quarter if the some kind of work has happened more particular where the tax out go is actually. In case of earth work and other items, there will not be more work contracted, no more payable actually, but in case of the all kind of bituminous and concrete was basically all kind of VAT is payable. So that why it may differ basically particularly, suppose in particular quarter if some nature of work has happened more so then the tax component will go higher actually or suppose now Chhindwara will be started to initial three months or five months there will not be much more outgo of the tax, if I add all that revenue also for the year then average will come down.
- Pranav Gokhale:** So Q2 always tends to have a lower revenue so that number is not kind of tracking the turnover numbers so that is why the question was more sort of?
- Nitin Patel:** See actually it depends upon the particular, as I have mentioned earlier in today's call also suppose bituminous and other work as taken more basically we have executed more

bituminous, so naturally the tax component in this diesel and this bituminous is highest actually compared to all other materials.

Pranav Gokhale: Thank you.

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

Devang Patel: Good evening Sir. On the Multi project do we have 100% land in possession and can we go full stream ahead on that project now?

Nitin Patel: Now it is 100%, we have got the environmental clearance for whole of the project, even forest clearance for whole of the project, just cutting of trees in some of the area is happening and going on. Now it will be expedited more, but the land issue has gone more or less.

Devang Patel: Sir the advance that we are eligible to receive, is this interest free?

Nitin Patel: Actually the component in terms of the equipment component it is a 10% interest bearing and mobilization it is interest free.

Devang Patel: How is that breakup?

Nitin Patel: 10% is mobilization advance and 5% is equipment advance.

Devang Patel: Equipment advance you said is interest free?

Nitin Patel: No interest bearing.

Devang Patel: 10%. What is our cost of debt right now for this quarter?

Nitin Patel: Average it is around almost 11% to 11.5% average.

Devang Patel: So we are likely to draw down the full mobilization advance on the project?

Nitin Patel: Yes. Absolutely yes we will take it.

Devang Patel: Sir on the NHAI competition intensity you were saying that by February it is likely to go down are you facing this judgment based on the number of projects which are coming up and which are in the pipeline?

Nitin Patel: Not only that actually, but rather also even today also internally what we are getting the feedback that the financial closure is now becoming tough and tough day-by-day because of the naturally the nature of bidding happened and also the cost of funds which has gone up, and again third because naturally the risk factor and the availability of the equity in the market to the bidders who have already won the job, so these three four components are now becoming more and more challenge day-by-day, so we expect that this will again tighten the situation and further the operational project, which is coming in the play one-by-one and that will also start witnessing some of the gaps basically and even you might have seen lot of projects now in the market are coming for selling, lot of other developers are coming for selling and they want to get rid of the existing projects, now that feeling has already started in the market.

Devang Patel: Sir, on this debt availability is there are general reluctance from banks to lend to road projects or for selective good quality players there will still be debt available?

Nitin Patel: Naturally lenders now they will be more particular to see the viability first of all. One is viability and naturally also what existing call, what is the present call taken by the particular developer means what is the existing liability he is incurring and what is the equity commitment is already there, so all these factors we will take into the account, which earlier this was a little bit lenders were just getting based on somebody's assessment they were just contributing their share actually, so now this has little bit been changed actually, this is what we understand.

Devang Patel: Equity component that the banks are asking developers to bring upfront, has that proportion changed or still 70% debt is available?

Nitin Patel: Even that proportion has got changed, even they are asking some more equity commitment upfront, third also lenders have all started asking there is some kind of guarantees also either from the promoting company or from the promoters or whatever it may be actually, so these kinds of situations is now happening plus what was happening in earlier days there some of the banks were underwriting the project so this year also now is becoming a little bit reluctance by the lenders. We have also seen that some of the projects are not getting any underwritten or perform any of the banks.

Devang Patel: Sir, on the mining business here again we are hearing of new players entering the market last quarter, players like Shriram Vision, IVCL, bagged some mining projects, so what kind of competition intensity are you seeing in this in terms of price bids, what kinds of difference are you seeing between your bids and competition bids?

Nitin Patel: Competition naturally it will be there, but it will not be there, so what is happening particularly in BOT 15, 18, 20 people's are putting the bid and also in case of BOT because

you are taking the call of 20 years, 25 years and so that kind of situation is not there in mining business actually plus if you see the mining investment is going to upfront because you have to invest all the equipment and bring everything upfront so that is why and also it is not that kind of SPV kind of situation how the market has witnessed. So that is why there will be the number of players will be little bid lesser than the road sector and irrigation actually.

Devang Patel: With the number of bids that are coming up are the qualification norms being diluted by the clients?

Nitin Patel: No, I do not see that will be diluted because the requirement of mining is becoming huge and huge, so rather it will go up actually. So that is why lot of people have started some of the forming the consortium because and also the conditioning particular in mining they are having the clear condition that even joint venture partner is must have some of the minimum qualification criteria.

Devang Patel: Sir for the Rohtak project the situation is peculiar where the execution is lower than the debt that is draw down is it because it is early stages of the project and eventually even there the debt may lag in the execution?

Nitin Patel: No, it is not like that if you see that because the debt is more, because mobilization advance has been paid to the EPC contractor by the SPV, so because of this Rs.95 Crores of the mobilization advance has been paid. If I add Rs.95 Crores to Rs.178 Crores what actually work done. So it is Rs.273 Crores against with the debt drawn is Rs.184 Crores.

Devang Patel: Okay, and the bonus payment how it is would be similar as in other projects with 75% competitions 75% COD we would be entitled to our share of revenues?

Nitin Patel: Yes, in Rohtak also it is the same actually like to other projects.

Devang Patel: Sir on your liabilities amount has come down is there any credit squeeze being faced by suppliers and subcontractors, which is by the credit you are getting from them has been reduced?

Nitin Patel: No, actually see there are two three reasons. One is the major reduction is coming because of the repayment of the mobilization advance as per the terms of the EPC contract. We have lot of work EPC working has happened so that is why advances has come down actually. Second one is in terms of the creditors basically what we have started thinking that we will continue to procure the material by paying the advance payments. Third point actually I can tell that because of the current market scenario we need to fund some of the working capital to some of our small, small subcontractors basically all labor contractors because in current

scenario they are also unable to get the funds, which earlier they were getting by managing something whatever maybe actually, but nowadays they have to look against us, so that is why it has come down.

Devang Patel: Sir on the Bijapur-Hungund project the 3.5 kilometers of land, which is stuck up what is the nature of problem there is this, which can be resolved in three months time?

Nitin Patel: It is not in Bijapur, it is Hyderabad-Yadgiri. Actually there is a one of the ROB where we are already 90% of the ROB work has been completed but what is that the adjoining portion of the ROB just where the ROB is connecting to the main carriageway there is one private building and some small colony is there actually so that has not yet been cleared, 3D notification has happened, but we expect that based on the previous experience once the 3D is through now so the land will be available in that portion plus near to one toll plaza actually that land was not available now we have shifted the toll plaza location. So that is why it will take some more time actually to complete the toll plaza so that is why we have considered two months will be additionally required otherwise practically today also we have completed 75% of the project length in Hyderabad-Yadgiri where we can start the toll, but because these two toll plaza is not operational and it has not been constructed in full so that is why we are unable to start the toll.

Devang Patel: Right, sir on the interest income treatment in the numbers earlier I think used to net it off against the interest cost are we again reversed the treatment of interest income?

Nitin Patel: I agree with you to certain extent now because what we are doing earlier we had the income maturity of the income earlier was from the interest only because there was a loan outstanding to the subsidiaries for against, which we were charging the interest now that loan has also been recovered from subsidiaries. So that is why no other interest is being charged. The only other income is from the money, which is kept as deposits in the bank, so that only it is coming so now we are making it under this what is the expenditure, and what is the income.

Devang Patel: Right, sir other than cash is there any other surplus investments?

Nitin Patel: Other than cash there is no surplus, because all the investments in the SIPL now.

Devang Patel: Thanks sir. That is all from my side thank you. All the best Sir.

Moderator: Thank you. The next question is from the line of Vinay Rohit from ICICI Prudential. Please go ahead.

- Vinay Rohit:** Good evening Sir. Just wanted on confirmation you mention that interest rate is 11.5 so that is for the standalone debt?
- Nitin Patel:** This is general of all in working capital it is 12.5%, in equipment loan it is near to 10.25 what was earlier because it was a fixed rate actually and also one of the ECB we have taken by it is costing around near to 8% actually so all average of the same is coming near to 11.5% on a standalone basis.
- Vinay Rohit:** You were executing several of new projects with GKC so any particular reason behind that?
- Nitin Patel:** No, such particular reason, basically they are also building up their execution capabilities, number one and also practically we see that this is some kind of geographical advantage by joining the hands together. So that is the main reason basically why we are making a consortium with them.
- Vinay Rohit:** Okay, and what is the order intake for first half of this financial year?
- Nitin Patel:** For this entire first half it is around near to Rs.340 Crores.
- Vinay Rohit:** Thank you Sir. That is all from my side.
- Moderator:** Thank you. The next question is from the line of Jiten R from BP Wealth. Kindly go ahead.
- Jiten R:** Good evening Sir. Congratulations for the good set of numbers. Sir I just wanted to know we have bidden for six new BOT projects. So are these projects bidden on the premium or it will be probably standalone projects and are these projects are 100% it is JV?
- Nitin Patel:** Out of the six, five we have standalone 100% and one we are in consortium.
- Jiten R:** So, what is the percentage share?
- Nitin Patel:** It is we own 60% in that and 40% is owned by hold by GKC.
- Jiten R:** Sir, these are the projects, which are being bidden on premium or is it basically bidden on little bidding like?
- Nitin Patel:** See, actually it is a mix of that some of the project has been bidden on grant and some are on premium actually.
- Jiten R:** Because usually as you said last quarter also that we are not going for project which have being bidden on premium?

Nitin Patel: Bidding will happen. Beyond certain return we will not go actually. Say even in case of Hyderabad-Yadgiri, Rohtak also we have shared the premium to the client but there is also some kind of beyond certain premium we do not want to pay that is the reason.

Jiten R: Like 50-50 the three projects on premium and three projects future and grant like?

Nitin Patel: That I cannot tell now actually.

Jiten R: Some other question on mining which is the last quarter there was a order book is pending from sale which you had bid it is a long-term order, but sir this quarter we do not see any information given on that order?

Nitin Patel: Which one?

Jiten R: Sir, the order, which you were supposed to get from SAIL mining order?

Nitin Patel: That has actually been canceled now. SAIL has canceled that up of that dealing. Now they have mentioned that they will again come for the rebidding so that they have not issued the RFP documents. So that is why I have not mentioned that it has come up for bidding actually.

Jiten R: Since last two quarters we were quite optimistic about the order to come?

Nitin Patel: Because you see what has happened in first time when we had submitted the bid there were only four bidders and three bidders only and second time there was only five bidders. So that is why we were hoping that yes we may get if the but ultimately they have canceled both the times.

Jiten R: So now, when can you expect the fresh bids to open sir?

Nitin Patel: That they have not here mentioned, but I think they are getting some more information and they are changing some of the proposition of the bids so then after then we have to see that what proposition they would changed actually and based on that we will decide whether to go for bidding or not.

Jiten R: Sir, just one question like the equity contribution is set for Dhule-Palesner 95.7 Crores right Sir?

Nitin Patel: Yes.

Jiten R: Thanks a lot sir and all the best.

- Moderator:** Thank you. The next question is from Denil Savla from Keynote Capital. Please go ahead.
- Denil Savla:** Good evening Sir. Just few questions what is the tone expected on Dhule-Palesner, Hyderabad-Yadgiri or Bijapur-Hungund and Rohtak this four projects because the rest is have given the details but I hope I may not missed this one?
- Nitin Patel:** See, actually because these projects have not yet started but based on the financial closure happened and the assessment made by the lenders Dhule-Palesner first full year operational toll they have envisaged at Rs.158 Crores for full year of the total land. Hyderabad-Yadgiri again some Rs.61 Crores in Bijapur-Hungund again Rs.144 Crores in first full year of the operation and Rohtak-Panipat is near to Rs.168 Crores to Rs.169 Crores.
- Denil Savla:** Okay, and Sir if I am not mistaken Mumbai-Nasik would be what you have told is currently you are getting Rs.32 Lakhs per day right?
- Nitin Patel:** Rs.31 to Rs.32 Lakhs average of October is near to that.
- Denil Savla:** Sir what is the interest rate on this?
- Nitin Patel:** I think it is very pile-o-pile as I understand it is around close to 10%.
- Denil Savla:** Sir the one which you told about Bijapur-Hungund the interest rate is around 10.5% and Sir the last question on the Hyderabad Ring Road there was some toll hike is expected the 9.5% toll hike was expected so is that like done or I mean?
- Nitin Patel:** It is already done now 10.6% toll rate has been increased from September onwards.
- Denil Savla:** Okay, September onwards so is that figure included the one month figure would be there in I mean one month impact would be there in Ahmedabad Ring Road right?
- Nitin Patel:** It is there and also they correspondingly in the same quarter of the previous year one month impact is there already for the previous year.
- Denil Savla:** That is all from my side.
- Moderator:** Thank you. The next question is from Subramaniam Yadav from Pinc Research. Please go ahead.
- Vinod Nair:** Sir this is Vinod Nair here. Sir, firstly can you give us the percentage of the amount of sales that we have booked this quarter from the outsourced to contract, road contract specifically?

- Nitin Patel:** The outsourced actually it is mainly this were two Hyderabad-Yadgiri and Bijapur-Hungund these two are the main contracts.
- Vinod Nair:** So, sir how much must be the booking this quarter for the half year any sense on that?
- Nitin Patel:** See, I think it is around close to Rs.90 Crores to Rs.95 Crores near to.
- Vinod Nair:** Okay, and Sir what is must be the amount, which is left that is we will be booking over the next few quarters?
- Nitin Patel:** See, I could not understand.
- Vinod Nair:** The total outsourced the contracts, which we have given the three contracts, which we have the amount of revenue that we have booked and the amount, which is left out yet to be booked?
- Nitin Patel:** I think yet to be booked is around to the tune of around near to Rs.500 Crores to Rs.550 Crores.
- Vinod Nair:** Sir we will be executing this in what timeframe?
- Nitin Patel:** Before March this year itself.
- Vinod Nair:** So, next this quarter or the next quarter this amount should come?
- Nitin Patel:** Yes.
- Vinod Nair:** Thank you for that and Sir you have mentioned 3.25 kilometers of Hyderabad-Yadgiri similarly any other case for any other project?
- Nitin Patel:** No, except that the land some of the check post where the land we have not received in Maharashtra Border Check Post.
- Vinod Nair:** Sir Chhindwara we have got 100% land?
- Nitin Patel:** The environmental and forest clearance we have received. There is no because NHAI has already acquired of the land but majority of the forestland is there. Some of the area tree cutting is going on so I think it will take some additional time, but the majority of the area is available for construction.
- Vinod Nair:** Majority Sir can you give us some sense of the percentage like 90% - 95% how much percentage?

- Nitin Patel:** Near to 65% to 70% is available for construction.
- Vinod Nair:** Sir this Nagpur-Seoni project do we have anything on the order book that is work not yet completed?
- Nitin Patel:** No, now it is not there anything.
- Vinod Nair:** So, nothing is there in the order book?
- Nitin Patel:** 58 kilometers work we are left out because that 8 km NHAI will insist to complete once they get the forest clearance from government MOEF. But only that portion is pending and that is continuing.
- Vinod Nair:** Is that portions have included in our order book or not?
- Nitin Patel:** Yes, that has been included actually.
- Vinod Nair:** That is included, so how much is that portion?
- Nitin Patel:** Around Rs.60 Crores to Rs.65 Crores.
- Vinod Nair:** So, we need to reduce that net-net and sir lastly any likelihood of we booking any bonus revenue say next quarter?
- Nitin Patel:** Next quarter it will be very small amount but Q4 it will be because the Bijapur and Dhule we expect that the bonus will start flowing, but next year it will be the major amount.
- Vinod Nair:** Sir, in quarter four what is your assessment of the amount that we can book from both this projects?
- Nitin Patel:** Early Rs.15 Crores to Rs.18 Crores.
- Vinod Nair:** Sir this will be reported how this will be part of our revenue?
- Nitin Patel:** That will be the straightaway it will come either in terms of other income or it may go below the line actually.
- Vinod Nair:** Okay, as exceptional sort of?
- Nitin Patel:** Correct.
- Vinod Nair:** Thank you so much sir for taking my question.

Moderator: Thank you. The next question is from the line of Hardik Shah from Religare Capital Markets. Please go ahead.

Hardik Shah: Hi, good evening Sir. Most of my question has been answered. I just wanted your view on one thing on the proposed land acquisition. Sir is this one of the major key hurdles, which NHAI is facing right now as far as the land acquisition for the projects are concerned, because during last couple of months we have not seen much of the project awarding activities?

Nitin Patel: See, on project awarding it is going on even what I have mentioned the six bids total nine bids has been called by NHAI, which has not been open now yet by NHAI. But what we understand and our experience tells that be if the project is just near to the some of the bigger or major city so there is some problem of land acquisition, but particularly if it is a routine highway and where there are no such much more big cities there. So that challenge is not much actually.

Hardik Shah: So, going ahead do you see the proposed land acquisition build to become a hurdle as far as the activities is concerned. Right now what I believe is that many farmers who are waiting to get this bill implemented to get the higher compensation for their land?

Nitin Patel: Correct, that I agree what you have mentioned but there maybe some of the issue what you have told actually, because some of the farmers may wait for more time and they may come into the huddle till this bill is passed actually. But it depends upon the how the government rates fast actually, but according to our estimates generally what will other than land acquisition the biggest challenge is how the bidding is happening that is the biggest challenge rather than any other issues.

Hardik Shah: Thank you.

Moderator: The next question is from Sujit Jain from Asian Market Securities. Please go ahead.

Sujit Jain: Nitin Bai, good evening. Sir in Nagpur-Seoni in this project how much of revenue we have booked in FY'11 and how we have booked in Q1 and Q2 this year?

Nitin Patel: May last year we have booked only some Rs.28 Crores.

Sujit Jain: Which quarter in last year?

Nitin Patel: Sujit you are telling about your execution?

Sujit Jain: Revenues that we have booked in terms of annuity?

- Nitin Patel:** Yes, annuity it is not reflecting in 430 numbers basically. It is because all that we have discusses standalone basically. So annuity last year we have in FY'11 we have booked Rs.28 Crores and this year we will be booking near to around Rs.36 Crores to Rs.38 Crores full year.
- Sujit Jain:** This FY'11 Rs.28 Crores you have booked in Q4?
- Nitin Patel:** This is for the whole year actually.
- Sujit Jain:** What I am trying to ask is since this will be due for more than six months easily?
- Nitin Patel:** I could not understand.
- Sujit Jain:** More than six months will be this will be due this Rs.28 Crores revenue that we have booked in consol?
- Nitin Patel:** This revenue is booked into the SPV not in Sadbhav Engineering standalone books actually. So that is why it is booked in the SPV only and it is shown as the money receivable from NHAI.
- Sujit Jain:** Okay, and Sir this Dhule dues of Rs.300 Crores since how long these dues have been there in the books getting in the debtors?
- Nitin Patel:** Now I got the point where what is your exact question. Say the total debt of the outstanding total debt as on September 30 it was to the tune of I think around Rs.554 Crores out of which Rs.73 Crores must Rs.74 Crores is beyond 180 days and remaining Rs.480 Crores fees have within the six months so Dhule entirely within the six month period actually.
- Sujit Jain:** Okay, Sir any particular reasons in this Dhule project that be do that this money is pending?
- Nitin Patel:** Actually as per EPC contract terms the money is to be paid based on the draw down schedule agreed at the time of signing the EPC contract irrespective of the actual execution on the sight. So what has happened because of the faster execution we have completed the work ahead of schedule but the payment is being released by SPV exactly as per the terms of the that financial model actually what we have agreed with the lenders.
- Sujit Jain:** Sir what guidance we can give for the full year revenues FY'12 roughly?
- Nitin Patel:** See, FY'12 we will be close to near to around at Rs.2700 Crores this year actually.

- Sujit Jain:** Okay, and sir regarding this bonus that we were speaking of about Rs.15 Crores to Rs.18 Crores might come in Q4 total Rs.100 Crores you have expecting from Bijapur and Dhule-Palesner of both put together?
- Nitin Patel:** For all the projects we are expecting near to Rs.100 Crores as a bonus.
- Sujit Jain:** So the remaining Rs.80 Crores would be booked, what will the estimated split between Q1 for the first two quarters and next year FY'13?
- Nitin Patel:** It will be Dhule will be booked by Q1 itself actually whatever bonus will come because that our schedule completion date is ending on June 2012 and Bijapur it is to March 2013 so it will be spread whole of the year actually equally all the quarters.
- Sujit Jain:** That is it from my side. Thanks.
- Moderator:** Thank you. The next question is from Abhinav Bhandari from Elara Capital. Kindly go ahead.
- Abhinav Bhandari:** Nitin Bai, good evening congratulations on a great quarter. On the irrigation projects which you have mentioned three projects Rs.525 Crores that you have bidded for are these the same ADB projects which were there last quarter as well?
- Nitin Patel:** What you have mentioned the three quarter has been project what we have bidded.
- Abhinav Bhandari:** Yes, on the irrigation front?
- Nitin Patel:** No, these are the different one actually.
- Abhinav Bhandari:** So, those earlier projects we were not able to win is it?
- Nitin Patel:** We have already it was in the first quarter we won the job of Rs.236 Crores in irrigation actually.
- Abhinav Bhandari:** Right, and the second quarter also I guess there was a similar Rs.200 Crores kind of a project?
- Nitin Patel:** No, in second quarter in Q2 we have not won any irrigation job Q2 only one road job of Rs.101 Crores we won actually.
- Abhinav Bhandari:** Yes, sorry that was the one in Bihar?
- Nitin Patel:** Yes, and that is the ADB job again.

- Abhinav Bhandari:** How much would be our execution portions for both these projects?
- Nitin Patel:** This was at our portion actually only the figure what you have mentioned.
- Abhinav Bhandari:** GKC is just lending the name is it?
- Nitin Patel:** No, actually there is an understanding is that irrigation there are two projects. One is being executed by GKC, and we are executing one. So by averaging we are going to execute 50% they are going to execute 50% so what we are going to execute that we have mentioned here actually.
- Abhinav Bhandari:** Okay and on these three projects so these are what again ADB funded projects in Gujarat or some other projects?
- Nitin Patel:** See, there are two in Madhya Pradesh and one in Gujarat actually.
- Abhinav Bhandari:** Okay, and given the fact that we have not got huge orders in the first half so would we cut down on the CapEx what we would have planned earlier or for the full year?
- Nitin Patel:** Naturally actually if there is the no new that mining jobs will come actually particularly in road sector we did not have to incur any new CapEx till the end of this year because everything has been planned even though today see when the any of these BOT job the actual execution will start basically Q4 onwards actually mostly because some of the part of the Q4 it will take, but particularly in mining if we won the job then we have to go for the new CapEx otherwise there is no new CapEx till the end of this year.
- Abhinav Bhandari:** Okay, and few question on our BOT this Dhule-Palesner you said your equity portion is about Rs.95 Crores, which you have to fund. This is for how much stake this is considering the (indiscernible) 1.30.27 stake or excluding that?
- Nitin Patel:** Excluding that.
- Abhinav Bhandari:** So, if we had that how much more it could add?
- Nitin Patel:** Around I think it will be to the tune of around total will be around Rs.138 Crores – Rs.139 Crores.
- Abhinav Bhandari:** So roughly another Rs.50 Crores you would need to fund?
- Nitin Patel:** Exactly.

- Abhinav Bhandari:** Right, and on Maharashtra border the progress has been pretty slow I guess this 11, 12 Check Post this number was there since last two quarters. So have not been a major progress on their in that vertical project?
- Nitin Patel:** See, it is handing over land handing over. Basically government has to complete that entire process of land acquisition and what we understand that they will be able to give another four check post by December this year actually and remaining I do not know they may take another one year or one and a half year or so.
- Abhinav Bhandari:** Who would be the appointed subcontractors who are doing this work?
- Nitin Patel:** Ultimately the entire EPC is awarded to Sadbhav Engineering actually for whole of the job.
- Abhinav Bhandari:** Okay, and on Chhindwara as well you are doing the entire work or there is the subcontractor there?
- Nitin Patel:** Some of the part we have given to KLR, near to Rs.500 Crores of the job we have given to KLR.
- Abhinav Bhandari:** Remaining is with you?
- Nitin Patel:** Yes, remaining lead with us.
- Abhinav Bhandari:** Okay, and SIPL how much cash we would be left now at the end of September?
- Nitin Patel:** SIPL at the end of September the cash balance it is near to around Rs.180 Crores.
- Abhinav Bhandari:** On your Rs.200 Crores that would come this fiscal or the early part of next fiscal.
- Nitin Patel:** In this fiscal money end of March I think near to almost last week of March.
- Abhinav Bhandari:** So, our internal accruals would be good enough to fund that Rs.200 Crores.
- Nitin Patel:** I think there will not be big challenge basically if we consider the money receivable from Dhule-Palesner and also the some of the further internal accrual basically for the balance of the period we are expecting as I have mentioned Rs.2700 Crores of the business out of which almost Rs.1050 Crores we have already booked. So another Rs.1650 Crores work of the business is likely to happening these two coming quarters actually. So that will also add the reasonable margin actually cash margin.

- Abhinav Bhandari:** Right, and just one last question on Nagpur-Seoni again what would the total project cost that we would have incurred how much percentage we would have completed?
- Nitin Patel:** Total actually will be around to the tune of Rs.270 Crores total project cost.
- Abhinav Bhandari:** Against which you will now receive you are saying around Rs.18 odd Crores of Seoni annuity?
- Nitin Patel:** Around Rs.18 Crores to Rs.19 Crores exactly.
- Abhinav Bhandari:** Okay and so last year what we have booked was pertaining what some seven, eight months or something?
- Nitin Patel:** Yes, ten months.
- Abhinav Bhandari:** That is from my side. Thanks and all the best sir.
- Moderator:** Thank you. The last question is from Naveen Jain from JM Financial. Please go ahead.
- Naveen Jain:** Sir, just one small followup actually on your cash contract you are saying you seem to be pretty positive news you are seeing some pipeline can you throw some light on that in road?
- Nitin Patel:** In roads actually cash contract means it is from the developers. Suppose some of the developers who are winning the job and when we feel that it is a repayment at reasonable terms if we are getting their job actually. So obviously we will try to get through the SPV only not directly through the any of the companies or contractors through the SPV. So that kind of opportunity we are looking actually.
- Naveen Jain:** Okay so not really from directly from NHAI or any other state boarding?
- Nitin Patel:** No, NHAI may not come that much kind of contracts directly in cash front they may rather go for the annuity if further viability is not there in tolling actually.
- Naveen Jain:** Thanks a lot.
- Moderator:** Thank you. I would now like to hand the floor over to Mr. Nitin Patel for closing comments.
- Nitin Patel:** Thank you very much everybody for taking the valuable time and for taking the interest in the business of the company. As everybody knows that yes there are some limp period is there actually, but as a policy matter it is very much clear in the minds of the management

that will remain little bit conservative or beyond certain limits they will not go particularly in BOT projects yes obviously cash contract we will be a little bit more bullish and we will try to get more and more cash contracts kind of business particularly in irrigation and mining and BOT we will wait for the proper opportunity and proper timing and rather for going that kind of taking that kind of risk company had also decided that they may go for and for some kind of acquisition through the SIPL for growing the business of SIPL actually over the period of time. Thank you very much to everybody for taking their time again. Thanks bye.

Moderator:

Thank you. On behalf of Collins Stewart Inga that concludes this conference. Thank you for joining us. You may now disconnect your lines.