



“Sadbhav Engineering Limited and Sadbhav Infrastructure
Project Limited Q2 FY '21 Earnings Conference Call”

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MODERATORS: MR. SURAJ SONULKAR – ASIAN MARKET SECURITIES

Moderator: Ladies and gentlemen, good day, and welcome to the Q2 FY '21 Earnings Conference Call of Sadbhav Engineering Limited and Sadbhav Infrastructure Project Limited, hosted by Asian Market Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Suraj Sonulkar from Asian Market Securities. Thank you, and over to you, sir.

Suraj Sonulkar: Thank you, Rujuta. Good afternoon, everyone. On behalf of Asian Market Securities, I welcome you all for the 2Q FY '21 Earnings Conference Call for Sadbhav Engineering Limited and Sadbhav Infra Project Limited. We have with us today Mr. Vasistha Patel, CEO of Sadbhav Engineering and MD of Sadbhav Infrastructure Project Limited; and Mr. Nitin Patel, ED and CFO of Sadbhav Engineering. I now request Mr. Patel to take us through our quarterly results and the outlook of the company. Post that, we shall begin with the Q&A session. Over to you, sir.

Nitin Patel: Thank you very much, Suraj bhai. Good evening to everyone. On behalf of Sadbhav Group, I warmly welcome all the participants, and thank you for taking your valuable time for the earnings call for quarter and half year ended 30th September 2020. I also wish everyone Happy Diwali and Happy New Year in advance to you and your family members. I hope and wish that everyone is safe in these challenging times of worldwide pandemic.

Now, I will first start with SEL financial numbers, and then we'll update for SIPL financial numbers. Post that, Mr. Vasistha Patel will update for status of various under construction projects and bidding details. The income from operations for the quarter stood at Rs. 412 crores and for half year stood at Rs. 642 crores. EBITDA for the quarter stood at 49 crores and for the half year stood at 69 crores. Profit before tax for the quarter stood at 2.9 crores. And profit after tax for the quarter stood at Rs. 5.24 crores. EBITDA margin for the quarter stood at 12.08%, which was 8.46% in Q1 of FY '21. The segment-wise revenue breakup for the quarter is already mentioned in the media release. For the gross debt as on 30th September 2020 stood at Rs. 1,224 crores versus 1,242 crores as of 31st March 2020. Loans given to SIPL stood at Rs. 368 crores as of 30th September 2020. Order book as on 30th September 2020 stands at Rs. 9,397 crores. The segment-wise order book has been provided in the media release.

In SEL, we are yet to receive the balance mobilization advance of Rs. 328 crores from 2 projects, mainly Kim Ankleshwar, Gadag-Honnali and the Ahmedabad-Dholera project. We expect to receive 173 crores in the current month and balance in Q4. In SEL, one HAM project namely Sadbhav Gadag Highway Private Limited from Karnataka State Highway Project, which is largely funded by the ADB, where we have the balance equity commitment outstanding is 102 crores.

Now the breakup of the debtors as on 30th September 2020 is as under. For the EPC segment of the highway sector, its outstanding is 325 crores. For the HAM for the benefit of understanding, we have break up into 2 parts, 2 of the HAM projects, namely Jodhpur Ring Road and Kim Ankleshwar, the outstanding is 336 crores. And rest of the all HAM project is 486 crores. The price escalation from all the HAM projects for the work have already been completed, outstanding amount is 247 crores. The GST receivable as the change in law from the HAM as well as the EPC projects is 41 crores. In mining sector, outstanding is 63 crores and in irrigation is 192 crores. So the total becomes 1,692 crores as reported on the balance sheet number as of 30th September 2020.

Regarding update for the merger of both the companies post getting approval from both stock exchange as well as the SEBI, we have already filed an application with NCLT, Ahmedabad and expecting to start hearing soon immediately post Diwali.

Further, I would like to give the update about the arbitration award status, in Dhule Palesner Tollway Limited, as we have informed in the last concall that we have agreed to waive the interest portion of the award amount and the same was approved in NHAI while conciliation process. The required documentation has been passed. And yesterday, the NHAI has disbursed the agreed amount of 43.95 crores into the SPV. Out of these, the 40% belongs to SIPL and 60% belongs to HCC Concessions Limited. Further in the other arbitration award in the Rohtak-Panipat, the outstanding amount, where the company has already received the unanimous award, the outstanding amount is 121 crores, including accumulated interest thereon. The matter is pending before the Honorable Delhi High Court and most of the hearing is completed, we are expecting to come to a decision from the Honorable High Court very soon. So as soon as we get the basically judgment, we will be able to start process of getting the amount from NHAI. Apart from the same, we have also lodged the claim of 1,706 crores on NHAI pertaining to Rohtak-Panipat towards the construction of alternate route by the Haryana State Government as well as the NHAI, which is deviation and the breach of the concession agreement. And because of the same, we have seen the basically significant reduction in the toll revenue in this particular project. So this arbitration has already been started. The claim has been submitted from our end, and we expect that within 1.5 years, the award basically of these proceeds will be through. Apart from that, there will be Mumbai Nashik project. We have also received an unanimous award of 192 crores in our favor. The interest there was the actual payment, see, out of the same, 72% belongs to SEL and 28% belongs to Gammon Group.

Now starting with the SIPL financial numbers. In standalone business, revenue from operations for quarter ending 30th September 2020 stood at Rs. 39 crores and for the half year ending 30th September 2020 stood at Rs. 88 crores. Finance cost for the quarter has remained at 27 crores as compared to corresponding quarter, which remains at 55 crores, whereas it remains for the half year at the level of 54 crores as compared to half year of 107 crores in the same half year in the previous year. Profit after tax for the half year ending 30th September 2020 stood at 7.2 crores as compared to the corresponding half year figure of 3.7 crores.

Now due to the start of festive season as well as backed by the lockdown phase, we have seen significant development in terms of the toll revenue, the improvement also. The traffic has also surpassed of the pre-COVID level. Also the traffic, the toll collection revenue for the month of October 2020, which has just been completed, in all 4 operational assets, namely Maharashtra Border Checkpost, Rohtak-Panipat, Rohtak-Hisar and Ahmedabad Ring Road, with the corresponding toll collection of October '19 as compared to same month of the previous year, the toll revenue has increased by 17%, what we have seen in the month of October.

The SIPL has a current outstanding order book of Rs. 121 crores towards the maintenance and advisory related to 9 HAM projects, which is to be executed over a period of next 18 months. The revenue of 39 crores has been booked in this quarter. SIPL also has an order book of Rs. 4,000 crores towards the maintenance from IndInfravit Trust for the 9 assets sold. The revenue has been started to flow from this now. And in this quarter, it was only Rs. 8 crores because of the monsoon. And on a quarterly basis, this will continue to increase further as and when the further work of the maintenance will continue over the coming quarters.

The consolidated debt of operational SPVs as on 30th September 2020 is Rs. 3,124 crores, including Ahmedabad Ring Road. The consolidated debt as on 30th September 2020 for under construction SPV is around 2,184 crores and standalone debt for the SIPL is around 828 crores, including the SEL loan of 368 crores. In HAM projects, we now infused 733 crores of the equity till date and balance equity infusion remains 281 crores for all the 9 HAM projects of SIPL. We have already made discussions for entire stake sale transaction in our last concall, further to provide update that the last labor state sale of the 9 assets, that is the Ahmedabad Ring Road, we have received the Board approval from Ahmedabad Urban Development Authority, which is a client for the project. Now we have initiated the process of transferring the state asset to IndInfravit Trust. And we are expecting to close the transaction by the end of quarter 3. With this, we are expecting to receive 340 crores of the proceeds, including 73 crores of holdback amount from IndInfravit Trust in relation to the stake sale deal.

So with this, now I will hand over the call to Mr. Vasistha Patel to discuss the operations of Sadbhav Engineering and the overall group level. Thank you very much, everyone, for listening to me.

Vasistha Patel:

Thank you, Nitin bhai. Good evening to all the participants and thank you for taking your valuable time to attend the earnings call. I wish all the participants a very happy and a safe Diwali to you and your family.

Now as we are in an era of a new normal situation post lockdown, hence, we have started shifting ourselves in adapting to the newer methods for safety while doing execution at site level. Construction has resumed in all projects. Presently, the labor and material availability has come to pre-COVID level from last month, which will help to bring execution of our work at a fast pace and can be visible from Q3 onwards.

Coming to the under-construction project, status of the major projects are as under. Bhavnagar-Talaja, we have received the PCOD for 34 kilometers out of 48-kilometer length with effect from 28th February 2020, and also we have received first proportionate annuity of Rs. 31.80 crores from NHAI for this project. Udaipur Bypass project, we have received PCOD for 18 kilometers out of total length of 23 kilometers with effect from 31st July 2020. We expect to receive first annuity in January 2021. Rampur-Kathgodam Package I, PCOD has been approved by NHAI with effect from October 2019 for 31 kilometers out of total length of 43 kilometers, and we will get 2 annuities for this project in the current quarter. BRT Tiger Reserve to Bangalore project, we have already applied for PCOD for 78 kilometers stretch out of total length of 170 kilometers and expect to achieve PCOD in the current quarter. Una-Kodinar project, we expect to receive the PCOD for 20 kilometer out of total length of 40 kilometer before the end of Q4.

Rampur-Kathgodam Package 2, we expect to receive the PCOD for 20 kilometers out of revised length of 43 kilometers before Q4. Waranga-Mahagaon, 67% of work has been completed and we expect to reaching PCOD before the Q1 FY '22. Jodhpur Ring Road, 27% work is already completed and work is going on. Kim Ankleshwar, 7% work is completed. In Gadag-Honnali, we have resumed the work past lockdown and work has been started to resume from this month. In Lucknow Ring Road, EPC project, we expect completion in Q3 FY '22 as almost 30% work has been completed. Ahmedabad-Rajkot Package 2 and 4, we expect to complete the both project in Q2 of FY '22. Mumbai-Nagpur Package 5, 14% work has been completed so far and still HAM has also been reviewed in the 4Q, in current quarter also. Ahmedabad-Dholera project, currently, we are awaiting NOA from authorities, which is expected by end of current month. So we have received PCOD in 3 HAM projects. One more HAM project is expected in current quarter and 2 more HAM projects shall achieve PCOD before end of Q4. So all put together, we expect to receive PCOD for 6 HAM projects in the current financial year out of 9 HAM projects.

On the bidding activity, NHAI has called bids for 22 EPC projects worth Rs. 14,386 crores, for which bid submission date is before end of November, December 2020. And NHAI has also called bids for 34 HAM projects worth Rs. 31,496 crores, for which bids are to be submitted before end of November, December 2020. There are 2 road EPC projects worth Rs. 3,120 crores, for which we have submitted the bid and this shall hopefully happen in next couple of weeks. In the metro segment, we have submitted bid for one project worth Rs. 850 crores in Surat Metro project, and this hopefully shall happen in next couple of weeks.

With this, we complete our opening remarks. Thank you very much for listening to us. Now we may please start the Q&A session.

Moderator:

Thank you very much. So we will now begin the question and answer session. The first question is from the line of Mohit Kumar from DAM Capital. Please go ahead.

Mohit Kumar: Sir, my first question is on the last quarter, you had guided that we could reach 9 to 10 crores per day run rate from Q3, given that we are midway in Q3. Do you maintain the guidance for 9 to 10 crores? And how do you see Q4?

Nitin Patel: See, obviously, in a particular current quarter, the execution has ramped up and mainly because of the starting of the 2 another major projects, first is the Gadag-Honnali and Kim Ankleshwar where the execution has been now started. So this will additionally add the incremental topline. And also, we are expecting to start the construction of Ahmedabad-Dholera project from December onwards. So obviously, the per day run rate has been increased. I can say that by almost around more than 50% basically in the current quarter as of now. And we are expecting to further go up as and when basically we can continue to ramp up. So December and in the Q4 itself, we see that almost our run rate will be there actually.

Mohit Kumar: You're expecting 9 to 10 crores per day by December. Am I right in saying that?

Nitin Patel: Yes. See, obviously, currently, we have surpassed more than 7 crores a day, and we are expecting to reach 9 crores by December. So that will continue in the quarter 4 also.

Mohit Kumar: And sir, on the receivable side, we have 1,692 crores right now. What is the number we are looking at by the end of Q3 and Q4?

Nitin Patel: See, in out of the same one, the Kim Ankleshwar because we are expecting because within the last 2 days, all the documentation for the release of the proceeds has been completed. So within a week or 10 days' time, we are expecting to receive almost more than around Rs. 150 - 170 crores of that particular project. One in Jodhpur Ring Road basically since we are also in a process of getting with the financial growth again, so that also we are expecting because the outstanding in Jodhpur Ring Road is more than Rs. 170 crores. And the rest of the other things basically is on ongoing the way. So these two, I think, which will add in. So to that extent, we are expecting that these are through, to that extent our receivable will further go down.

Mohit Kumar: Last thing on this sir, the approval of Ahmedabad Ring Road, when do you expect the transaction to complete and how much amount you're expecting to see? And what will be uses of the proceeds of the transaction?

Nitin Patel: See, there are 2 things. One is regarding the transaction, post getting the approval, we have already initiated the process of completing the asset sales along with the IndInfravit Trust. So we expect that it should be over by December end, and the outstanding amount from the entire stake sale is around 340 crores, including 72 crores from the hold back, which is outstanding other than the Ahmedabad Ring Road. So Ahmedabad Ring Road will have a basically value of around 267 crores odd.

Mohit Kumar: And what are the uses of the proceeds? It will reduce the standalone...

Nitin Patel: obviously, this will require to mitigate the obligation of SIPL, including the repayment of the facilities as well as the funding of the balance HAM projects all put together. So obviously, this is the equity, so it is free for utilization, actually.

Moderator: Thank you. The next question is from the line of Ritesh Badjatya from Asian Markets. Please go ahead.

Ritesh Badjatya: I have a couple other questions. So firstly, like, can you please throw some light on the order pipeline? Secondly, guidance on the order inflow and topline on the FY '21 and '22, top line as well as margin? Yes. So first, these 2, 3 questions.

Nitin Patel: See, first of all, regarding the order, see, we are in a continuous process of submitting the various bids. And we expect that the bidding activity will be very hectic basically now onwards. And a lot of projects are also coming and being announced from the authority, from NHAI as well as the other central government authorities. So we are expecting to add basically at least 3,000 to 3,500 crores of another orders by the end of the current fiscal. So that is what the thought process and the bidding activity has been lined up. In terms of the topline for the current year, based on the current order book, we are expecting that we will be a little bit over around 2,200 crores, and eventually, we are expecting to cross 3,500 to 3,600 crores in FY '22, actually. And any further, you understand everything, basically, obviously, this will also help further visibility in FY '23 onwards. So that is how we are planning up.

Ritesh Badjatya: And on margin side, '21 and '22?

Nitin Patel: Largely, by and large in this year also, we'll be able to mitigate around 12% our EBITDA on the construction business. Because post the merger, we are looking apart from the EBITDA the margin of the current order book, the margin from the O&M activity will also be add up, plus the dividend flow from the units of the IndvIT, that will also flow. So we are expecting that should be also within the vicinity of around 70 to 80 crores of dividend income. And apart from the SIPL topline, we are expecting, it should be almost around 300 crores odd, with almost around 18% to 20% of the EBITDA on O&M business.

Ritesh Badjatya: Secondly, how is the labor availability now? And how is the execution going on?

Nitin Patel: See, now the availability of the labor is almost at the pre-COVID level. So we are not seeing basically any challenge, okay? And the construction activity has, as we have mentioned, it has ramped up because the availability of the construction material has also been completely lined up. And post the monsoon because there was delayed monsoon also, monsoon activity is also very high. And particularly, in our case, basically, some of the projects are the greenfield projects, particularly, with Kim Ankleshwar, Lucknow Ring Road and Udaipur Bypass. So all this basically. Now it has been even Jodhpur Ring Road also. So now the things have moved in a completely positive manner, and we are off the mark, basically, so far as topline is concerned.

Ritesh Badjatya: And last one, is there any slow-moving order in our order book? And if you can throw some light on the collection side from the government kind of the client?

Nitin Patel: See, as such not that cheap as we on last call also when we have mentioned that being Jodhpur Ring Road because, one of the bank has already given the financial clause post that, basically they were unable to fund the project as per the agreed financing document. Wherein basically the company has to basically support in terms of the working capital, and we are in a process of getting it tied up with another set of lenders. So as and when we will be through, that project also will have further progress, basically in terms of the ramp-up. The execution ramp-up will also be more actually once it will be through. The rest other projects, we don't see any other challenge.

Ritesh Badjatya: And the payment collection from the government side?

Nitin Patel: As per some of the contractual and some of the milestone-related payment, which is there, obviously, the raising has been done. But the certification also because of the COVID situation, traveling for basically independent engineers and everything, but largely, by and large, we are seeing that it is coming on the track. In HAM, obviously, NHAI has basically increased their payment flow. And even the payment cycle has also been raised actually under the Atmanirbhar scheme. So that is also helping to by and large.

Moderator: Thank you. The next question is from the line of Mohit Kumar from DAM Capital. Please go ahead.

Mohit Kumar: Sir, you received from Dhule Palesner roughly around 43 crores, out of which 40% will come to us. And is there any update which you can share on the other arbitration like Rohtak-Hisar or Rohtak-Panipat? Is there something which you can update right now?

Nitin Patel: See, apart from Dhule Palesner, Rohtak-Panipat, as I have mentioned, 121 crores is an outstanding amount, including interest. So this is a unanimous award. So all the 3 arbitrators has given the award in our favor. And their hearing, it was challenged in the Delhi High Court, where High Court has ordered NHAI to deposit 50% of the amount in the court, which NHAI has deposited. And the hearing is almost completed. So once the judgment will come, we are expecting the judgment very soon, so we'll be able to get these proceeds early. Apart from that, in Mumbai Nasik, also unanimous award of 192 crores has been received in our favor and the process is also under the challenge in the High Court. So obviously, we have initiated the conciliation process like Dhule Palesner with NHAI, but because this Dhule has just been resolved, now we will take up the other projects also for conciliation. And as we have mentioned, the 72% of the same belongs to SEL and 28% belongs to Gammon Group out of the same. And apart from that, as in the Rohtak-Panipat because of the creation of alternate group by the Haryana State Government and the NHAI, but we have lost the fresh claim of Rs. 1,706 crores towards basically all the losses as well as the premium loss of the project, including the interest

for the last 6 years, 6.5 years, actually. So the arbitration proceeds for the same has been started, and it will take another 1.5 years to complete this.

Mohit Kumar: And then secondly, on the appointed date for the 2 EPC projects, which you won in the last quarter. We're expecting in December, am I right for the Ahmedabad-Dholera Greenfield Highway?

Nitin Patel: Obviously, the execution will start from December onwards, actually, because certain land have been acquired by the NHAI, but the payment to the landowner was in the process. And also there is basically standing crop. So that basically, NHAI has asked us to basically let them take. So we have requested them to give the LOI just after completing this. And once you make the almost more than 70%, 80% payment to the landowners, so we expect that by the end of this month, we should get the LOI and we will start the construction. Whereas other activity like basically the construction of the camp area, the crusher establishment and everything is going on parallelly.

Mohit Kumar: And sir lastly, sir, what is the total standalone gross debt and the SIPL standalone debt as at end of September?

Nitin Patel: See, in Sadbhav Engineering, as I have mentioned that it is 1,224 crores is our gross debt in standalone. And in Sadbhav Infra, it is Rs. 828 crores on a standalone basis. See, on a consolidated, we have already mentioned that the total consolidated debt at Sadbhav Infra, it is around Rs. 5,274 crores.

Moderator: Thank you. The next question is from the line of Jiten Rushi from Axis Capital. Please go ahead.

Jiten Rushi: Sir, my question is on the order backlog. So in the opening remarks, you mentioned that we are getting **(Inaudible) (31:25)** out of the total kilometers. So now are the order backlog of BOT and HAM 2,983 crores? So now, sir, how we should understand is whether this is the complete order backlog or this is the adjusted order backlog because, as you said, in so many projects at the PCOD is only at the 50% for the execution, balance the status is unknown. So how we should understand that revenue will come going forward, sir?

Nitin Patel: See, this is based on what execution is balanced. So PCOD is in terms of the concession agreement. There is a clear provision that the land which has been handed over to us on 146 days or 182 days, as the case may be, in different considerations due to different conditions. But on that particular land, when we complete the construction, so then we are eligible for the PCOD, for which we have already started, as we have mentioned, 3 we have received, another 3 we are targeting to complete by end of current fiscal, actually. So the obligation, basically the cost what we've incurred, the investment what has been made, that has been completely covered. The balance, basically, the execution that will continue and based on the required extension of time, which has already been granted by the authority. So in all the projects, we are well within the contractual construction period. So that will take care of the balance construction. So outstanding

order book of 2,983 crores, that includes some of the amounts of the work, which is a balance on the projects where we have received the PCOD also.

Jiten Rushi: So that what would also go on parallelly. Do you mean to say that?

Nitin Patel: Yes. That's why it is our outstanding order book, wherein we will continue to get all the basically via the right price escalation and everything else. But even the date to that extent is also undrawn basically in those projects.

Jiten Rushi: Sir, this Jodhpur Ring Road, sir, this XT has been pending for now almost 1 year now. We are trying this for last 1 year. So what are the difficulties and challenges that why we are not able to close the project and replace the old banker? So what are the challenges because that banker has refused last year only, sir?

Nitin Patel: See, they have given us the basically intimation post March actually, right? Even last concall also, we have mentioned. And during the pandemic situation, we were basically not able to take up. So now it has been taken up. So we are expecting that within a couple of months, this will be through.

Jiten Rushi: And sir, debtors, you have given a good breakup, sir. I appreciate for that. Sir, in the mining and the irrigation side, obviously, the number is around 250 crores. So these are the debtors for more than 6 months? Or because irrigation, as we see, there is no movement in terms of order backlog and mining also almost very negligible. So these are outstanding for more than 6 months or how is it, sir?

Nitin Patel: See, actually, particularly in irrigation, some of the projects, basically, where we have already completed the work and the balance work is pending only because the land area is not made available. And client is consistently asking to basically remain present. We've already intimated them better you basically foreclose this because for completing almost around 150 crores or 200 crores of the work, we are basically keeping the resources with them. But this amount, which is outstanding, obviously, some of the amount is outstanding for more than 6 months, actually. And the remaining are already well within the timeframe, actually.

Jiten Rushi: I'm saying, was the price escalation of 247 crores, these are also more than 6 months? Or as and when it will happen, it's added? How is this, sir?

Nitin Patel: So this is for all under construction HAM projects, actually. So this is an ongoing proceed. And as and when, as we have mentioned, once we start getting the PCOD as we have started getting, so some of the amount we'll start also getting back. In a couple of projects, we have already have the sanction from the lenders. Once we achieve the PCOD, the price escalation component will be discussed by them. This is a sanction available with us. And remaining, we will complete the refinancing as and when basically and to get back this price escalation amount.

Jiten Rushi: So basically, sir, we can expect the debtors to come down to 1,500 crores by end of this year, sir?

Nitin Patel: See, in this particular year, the Jodhpur Ring Road once it is closed, obviously, it will substantially bring it back. GSE, we are planning to complete the collection by obviously very soon. So that will also bring it down. And in Kim Ankleshwar, the amount is a little bit higher because this month itself is taking place just now. So that will also come down to that extent. Remaining all under construction projects that will continue because in by 1 or 2 way, because one of them interchange or so. Basically, it is also there, which has been included here. Apart from that, once we complete that, if you can do the refinancing, then obviously, the price escalation amount will start continuing to come down. Particularly, 2 of the projects were Bhavnagar and Una where the sanction is there, we will get. Bhavnagar, we already received. So now we will start getting the proceeds of the same.

Jiten Rushi: And sir, what is the outstanding mobilization advances as on September, sir?

Nitin Patel: See, outstanding as of September 30th advance to be received is 360 crores as of now. And the outstanding to get recovered is almost around Rs. 375 crores.

Jiten Rushi: So this 360 crores, you are going to receive you said in Q3 and Q4 for this Gadag-Honnali, Kim Ankleshwar and Ahmedabad-Dholera?

Nitin Patel: See, out of that, 173 crores will come in this month only. So the proceeds have been completed. So we are expecting that just within a couple of weeks, this 173 out of 360 will come. And balance will come once we take the expected of the Ahmedabad-Dholera project. The amount is 155 crores in that project.

Jiten Rushi: Sir, my question was on the outstanding as of September. So what is the outstanding balance?

Nitin Patel: It's around Rs. 375 crores to be recovered.

Jiten Rushi: And sir, on the Ahmedabad-Rajkot and the Mumbai Nasik, the land availability, now available because Mumbai-Nagpur we have done only 14%. So that is something which is very slow I assume. So why it is slow? And what is the land status now? Because most of the other contractors have done significant execution on these projects?

Nitin Patel: See, actually, in particular that project, there was an initial challenge. And now the official extension of time of 395 days has already been granted by MSRDC and that's why you can see that compared to the last March 31, it was hardly around 7%. Now we reached to 14% as of now, even though that basically and now the constructions phase has been gone up. Ahmedabad-Rajkot also, we are expecting that this will be completed by the June of 2021.

Jiten Rushi: 395 days extension is for your section only or for others...

- Nitin Patel:** It is entire project, our package, Package 5.
- Jiten Rushi:** This is only for your package.
- Nitin Patel:** Yes.
- Moderator:** Thank you. The next question is from the line of Rithvik Sheth from One-Up Financial. Please go ahead.
- Rithvik Sheth:** Sir, a few questions from my end. Firstly, sir, there are some news reports, which indicate a bit of makeover for the HAM model. Can you throw some light, how does it change versus the current model? And how do you think going forward, your view on HAM will change on this?
- Nitin Patel:** HAM new, obviously, recently, it just came actually. So we are also now evaluating. But as of now, our understanding is that the new model concession agreement has been understood. You are going to see the HAM model, right?
- Rithvik Sheth:** Right.
- Nitin Patel:** Yes. See, that has been understood. Obviously, the relaxation has been given in a decent manner, and this will be really helpful basically for all the developers to come forward for the bidding. But what we understand that the retrospective effect of the same is under process. So I think that once it will be through and approved by the ministry, and it will be applicable to the current HAM project also.
- Rithvik Sheth:** And so how does that change our outlook on HAM? And what is the competitive landscape currently on the HAM based bidding?
- Nitin Patel:** So obviously, it will aid the equity infusion plan, number one. Obviously, because grant payment has been distributed into the 10 installments instead of 5, so that is a big help from the authority. Second thing, in terms of the valuation perspective for all the purposes, because it has been linked to the average rate of the MCLR of the 5 scheduled commercial banks, the large banks actually, was 125 basis points. Obviously, for even mobilizing advance on everything, the same rate will be applicable. And the third is the most important is post completion after the 6 months, 100% stake sale can be done also. So this is also the good development earlier as compared to the 2 years, basically.
- Rithvik Sheth:** So for us, it will be beneficial because we would have 6 projects PCOD in next 6 months. So we could look to divest those assets.
- Nitin Patel:** See, our first priority, we are now in a process to complete our balance equity requirement. So we are trying to complete our balance equity requirement within a couple of months from now so long as entire commitment from the root level of the ongoing existing HAM projects will be

over. So once it is through, then after, basically, obviously, we can look into the same because first, the commitment existing is over. And also, by the time, we'll be able to complete the Ahmedabad Ring Road transaction. And also at least when the portfolio of the fixed projects were not there actually on a PCOD stage, so definitely, this will be a very good, basically, helpful and clear visibility in terms of the creation of this and getting the equity back from all these projects.

Rithvik Sheth: What is your sense going forward? What is NHAI preferring? Whether it is more on the HAM side, on the EPC side? Or will BOT make a come back? What is your sense? What can happen over the next 2 years, 3 years in the medium term?

Nitin Patel: You see, ultimately, HAM because, see, there is HAM condition. So definitely, NHAI's focus on HAM will also continue. In EPC front, they will also come forward because there is a competitive advantage is there in EPC because EPC construction cost will be reasonably less to NHAI as compared to the HAM construction cost. So definitely, NHAI will do the mix of the same for the coming period of time.

Rithvik Sheth: And at a group level, what is our reference? Would it be HAM going forward or EPC? What is our preference?

Nitin Patel: See, currently, we are focused on the EPC as of now. So obviously, we evaluated the HAM projects. As we have mentioned, once we complete the equity commitment as of now, from a couple of months we are targeting to complete current commitment and when the certain projects reach to a level and we can start the refinancing process, so there we can clearly demonstrate our equity coming back, so that can be utilized for the portfolio of further HAM projects.

Rithvik Sheth: And sir, you mentioned that 3 projects have received PCOD and 3 in H2. What could be the annuity from FY '22 onwards for all these 6 projects combined and for the 3 we have already received?

Nitin Patel: In Bhavnagar-Talaja, we already received 31.5 crores odd actually just day before yesterday. And in this Rampur-Kathgodam Package 1, we have applied for 2 annuities because PCOD has been issued straight from 31st October 2019, so almost to the tune of around 57 crores to put together. So we can say that around first, basically, around 29 crores or 27 crores each actually. And the third one is the Udaipur Bypass where the first annuity should be almost same around Rs. 34 or 35 crores. And this will keep on increasing once another project will start getting, plus the O&M revenue from all these projects will also start flowing within the SIPL. And post-merger, it will start flowing within the group also.

Rithvik Sheth: So cumulatively, from FY '22, is it possible that we could receive 150 crores of annuity from these 6 projects?

- Nitin Patel:** Obviously, it should be there, okay? And almost we should get the O&M revenue of all these 6 projects also to the tune of around Rs. 55 to 60 crores additionally after the 6 projects.
- Rithvik Sheth:** Right. So that will reflect in SIPL standalone books?
- Nitin Patel:** Standalone, obviously, till now. Post-merger, it will come into that, if we can say.
- Rithvik Sheth:** And sir, on the standalone debt at both entities, what is the road map? We are about 1,700 crores of external debt. If I exclude the loan given from SEL to SIPL, so about 1,700 crores of external gross debt. What is the road map here in the next 1 year? Where would we like to see it?
- Nitin Patel:** See, the total debt outstanding at SIPL standalone is 1,224 crores. So which includes the loan given to SIPL at SEL, right? So if it comes back, actually, the SEL standalone debt should fall below Rs. 900 crores.
- Rithvik Sheth:** Right. Sir, but will we receive the entire amount from SIPL?
- Nitin Patel:** See, we are targeting to retire almost around Rs. 170 to 180 crores in the coming 2 to 3 months, actually. So that's why it has been planned, obviously. And post-merger, obviously, both will be knocked off, actually. And once some say, HAM will start getting the refinancing or monetizing, so that we have further, basically, the debt will continue to start reducing actually. So obviously, it will take place then after the next year.
- Rithvik Sheth:** Yes. So at standalone level, at SEL level, we are looking at around 800 to 900 crores of debt. And at SIPL, what are we looking at 1 year down the line once we get Ahmedabad Ring Road money and the dividend from the IndvIT starts-up flowing in?
- Nitin Patel:** See, actually, frankly speaking, SIPL outstanding debt is 450 crores of the NCD. Obviously, it has its own repayment period, okay? And the Ahmedabad Ring Road portion, which is coming, so we will utilize this in such a way that the balance equity commitment also should be completed, and we should be also retire some of the NCDs also. That is how it has been planned.
- Moderator:** Thank you. The next question is from the line of Parvez Akhtar from Edelweiss Securities. Please go ahead.
- Parvez Akhtar:** A couple of questions from my side. Sir, in terms of the equity that we need to put in for our HAM projects, would it be possible to tell us how much do we need in second half of this fiscal and how much in FY '22?
- Nitin Patel:** See, actually, out of the total equity requirement, I'm including the even SEL portion of Gadag-Honnali, which is almost around Rs. 385 crores all put together, because Gadag-Honnali outstanding is Rs. 102 crores, which SEL has to put and the rest of things basically of the under

construction HAM projects, okay? So as per the called planning, around 210 crores will be completed by the end of this year, actually, and rest will be completed in the next year itself.

Parvez Akhtar: Sir, what do we expect the tax rate to be going high?

Nitin Patel: See, tax rate, we are already in a normal tax regime actually. And as and when we have mentioned that basically once the execution ramp up because ATI advantage almost more or less it is completed, actually and considering the net and put together, we are expecting that the average tax rate will be 22% for the company on a stand-alone basis.

Parvez Akhtar: You're talking about only H2 of FY '21 or FY '22 also?

Nitin Patel: It is both actually. H2 of FY '21 and even FY '22 also, it will be around 22% only.

Parvez Akhtar: What is the CapEx that we incurred in Q2?

Nitin Patel: See, CAPEX, actually not much has been incurred as of now, but maximum, it should be around, say, around Rs. 15 crores to Rs. 20 crores it may go, okay? In any particular quarter, there is no CAPEX, right? But in the second half, we can have somewhere round Rs. 15 crores, Rs. 20 crores of this CAPEX. And also for this tax purpose, as we've mentioned that we are yet to basically, outstanding net credit of around Rs. 110 crores is available on a stand-alone basis at SEL level.

Parvez Akhtar: Sir, we mentioned that we will get something like Rs. 340-odd crores from the Ahmedabad Ring Road sale and Rs. 73 crores of holdback amount, so by when do we expect to receive this money?

Nitin Patel: See, this Ahmedabad Ring Road as I mentioned that we'll be able to complete the transaction by end of December. Because the process has been started. It is already agreed position. All the SPA has been signed. Rest all the CP has been completed by us. It was only that pending for the approval from the Ahmedabad Urban Development Authority, which is now in place, actually.

Parvez Akhtar: So we can expect money coming in Q4?

Nitin Patel: I think we should target in Q3 itself, actually.

Parvez Akhtar: And lastly, would it be possible to get the toll collection figures for the toll permit for Q2?

Nitin Patel: Can you repeat the question, please?

Parvez Akhtar: Would it be possible to get the toll collection figure for our toll projects in Q2?

Nitin Patel: Just a minute, I can give the details. See, if we see in terms of basic cost, you want month wise or...

- Parvez Akhtar:** For the entire quarter figure?
- Nitin Patel:** Now what we have basically, after we make the most, what I can have month-wise detail I can share, see, in the month of July, Ahmedabad Ring Road was Rs. 7.98 crores. August, I'm telling, see, obviously, see, July '20, it was Rs. 7.73 crores; August '20, it was Rs. 7.43 crores; September '20, it was Rs. 8.92 crores.
- Parvez Akhtar:** For the Border Checkpost project?
- Nitin Patel:** In Maharashtra Border Checkpost, in July '20, it was Rs. 18.85 crores; in August '20, it was Rs. 19.26 crores; and in September '20, it was Rs. 21.42 crores. And in Rohtak-Panipat, in July '20, it was Rs. 6.55 crores; August, it was Rs. 6.76 crores; and September, it is Rs. 6.99 crores. In Rohtak-Hisar, in July, it was Rs. 5.64 crores; August, it is Rs. 6.08 crores; and September, it is Rs. 6.32 crores.
- Parvez Akhtar:** And lastly, what is the kind of cash support that we expect will need to provide to the 2 Rohtak projects in FY '21?
- Nitin Patel:** See, obviously, on a yearly basis that we have reported on last time also, currently, because moratorium facility has been taken by the company. So we don't expect the cash support to be given for basically the moratorium has been worked out for the coming 2 years, actually and we are also parallelly working there other alternate possibilities basically, NHAI as well as the lenders of the project because in Rohtak-Panipat, as I've mentioned, there is a clear deviation of the concession agreement by the authority. So that process we have initiated with them also.
- Moderator:** Thank you. The next question is from the line of Sanjay Parekh from Nippon India. Please go ahead.
- Sanjay Parekh:** And just to the team, just, see, I was trying to understand, let's say, the external debt today is Rs. 1,674 crores. And Nitin bhai, considering that we had issues around debt and leverage and funding, clearly, I'm sure our endeavor is towards making this company as a debt-free on a merge number. So in terms of assets, monetizable asset, one is, I mean, I'm just saying all the recoveries, one is Ahmedabad Ring Road Rs. 340 crores, IndvIT of Rs. 700 crores, Rs. 781 crores of equity increase in HAM, which you can sell down later and Maharashtra Border Checkpost, which could be an equity value of Rs. 1,200 crores to Rs. 1,400. So these all put together is Rs. 3,000 crores of monetizable assets, while you have Rs. 1,674 crores of external debt. So in the next 12 months, can we say that from a bad debt company, we would become a net cash company and then we would have EPC business that we do, because very clearly, Nitin bhai, you see that the market is certainly of appreciating leverage at even a little bit at the HAM level, even it's clearly it has been a challenging time for us. Now we have very well closed the transaction, got all the proceeds. We're yet to receive the proceeds. But from an economic return point of view also, it will become very simple for like you have EPC revenue, EPC EBITDA, and you'll actually

become a net debt company. While today, as you know, the market cap is Rs. 1,000 crores. So if you take the merged equity and you are going to have a net cash of Rs. 1,300 crores in 6 to 12 months and these are all monetizable assets. So just even to reflect that rightly in the value of the stock, what is your thought on this, please? Please guide us.

Nitin Patel:

Sanjay bhai, obviously, I'm really thankful, very unique, basically, thought process you have shared here. See, you can see that basically the thought process of the management and their promoter side, the initiation because the monetization of the asset has already been started. So the first round of the monetization has already been completed, except for the Ahmedabad Ring Road when we'll complete as we will get another balance Rs. 340 crores, that is one part. Second, obviously, their target is to basically create a portfolio of the HAM and also parallelly monetize this. If you can see, while completing the transition with the IndInfravit Trust. So what we have agreed? It is a strategical deal has been executed with them. So it is apart from, basically, the transfer is selling the asset to them, we have entered, there is a ROFO agreement for all the present and future assets of the group actually. So as a trust level, and you can see the entire maintenance business has been given to SIPL, which is obviously; the hard-core activity at SEL group level actually. And we had a very clear thought that the same asset will get monetized as and when it gets complete. We are expecting that what NHAI has given under the new model concession agreement, the COD plus 6 months, that will continue, that will be extended for the current ongoing projects also because that parallel activities is under consideration by the authority. So that is the case. Number two, for the Maharashtra Border Checkpost, obviously, because, see, at the time of and initiating the transaction of these 9 assets, we have included the Maharashtra Border Checkpost also with the fact, they are, basically, the potential investors when we have started this transaction somewhere in the mid of around July 2018. And at that point of time, we have received the value of the same at that the investors who were there in the race, they have given the value. And we had a very clear thought process that once we complete this, these assets will also will go for the monetization because, ultimately, the turning up of the asset is very much required and the focus slowly coming on the EPC side. And that is also the main reason why basically is the decision to merging both the companies have been taken. On units, obviously, it is a liquid asset. So that can be basically done at any point of time. So as you rightly pointed out that all the 3 put together, there is a significant value and we are basically in the process of reducing the debt level. You can see that right from before this transition, basically the gross debt of both the companies SEL and SIPL was more than Rs. 2,600 crores, which has again come down to Rs. 1,600 crores. And as either we do the HAM monetization and the unit, that company will become a zero-debt company. Or even the Maharashtra Border Checkpost basically monetizing itself will make the debt-free company, actually. And that is what the thought process and we are taking that. And that's why the EPC's basically focus is increasing day by day. And that is where how we are basically, we have planned it actually. So the deleveraging will be very much on the cards, and we are confident that with all the things in place and the potential for all the agreements with the IndInfravit Trust, we have already joined the hands with them for a long-term period. So this will be very easily achievable. It will be one

more additional, we can say that the transition these kinds of transaction can be facilitated a little early also.

Sanjay Parekh: Sure. Only one thing Nitin bhai. So this equity that we already under construction HAM projects, when can we let's say, there is a buyer for the equity portion, what does the rule permit? When can we sell them down the existing HAM projects? I mean, normally, as I understand, it is 6 months after the commissioning, as you explained. So is there any midway through that you can pass on part equity to them and reduce the risk to that extent?

Nitin Patel: See, actually, if you see that currently in the market, and particularly, I can give the example on the the IndInfravit Trust also because it is a very large trust. The investors, who are backing the trust, they are also very big investors. So definitely, they will see basically the portfolio kind of transaction. So here, in our case, we have 3 PCODs already there. Another 3, as we have mentioned, we are expecting to complete by March. So definitely, the 6 of the FX portfolio will be ready. So immediately, after the same, we will start the process of the, basically, monetizing these assets also. And by the time, we will have the complete clarity from the NHAI's brand authority front also, where we can basically transfer the 100% of the asset actually.

Sanjay Parekh: Fine. And then last one from me, as a model, I mean, in future for bidding, considering that there are uncertainties, we keep the EPC part while the HAM project, you have all your knowledge and intelligence that you held one of these trusts to bid, let them have that get the project, but you get the EPC portion. And in a way then, it's an asset-light model for us and we get our EPC margins. Is that the model you would have in future bids in future? Or you still want to take future HAM projects in our balance sheet, fund it, go through the vulnerability and that risk could continue? What is the model you have in mind for future projects?

Nitin Patel: See, during the last 2 years, you might be seeing that we have not basically submitted a route something to HAM actually. So obviously, our focus, as we have mentioned, that is to visibly complete the current HAM and the current commitment. So that is very much required. So that will basically create a portfolio. Second thing, the possibility, obviously, we had a couple of proposal is already there in the cards, obviously. But for the purpose, as we have mentioned, that where somebody will take the equity risk and we can do that basically, we can bring the our strength of the execution. So that process is, as of now, it is going on. But obviously, it has not been concreted materially been done actually. And second thing what we would like to mention here that our first our focus and we mentioned that we complete the current commitment and also to bring some kind of portfolio kind of asset is ready where we just start the monetizing. And we parallelly, we can look to this kind of transaction. So this will be, obviously, the coming period of time. But directly, funding 100% of the equity and all the way because now what we have started seeing that even the new HAM projects, the public sector bank has also changed the debt-equity ratio. They are now not looking less than the even 70-30 debt equity. Earlier, we can see the current portfolio, almost all the HAM we have closed at 80-20, actually. So the equity commitment will also go high and definitely, there are certain ground level challenges that we

have seen there. So rather EPC will be more beneficial on a going-forward period of time. But in HAM, obviously, without taking the much equity risk, we can look into the same at an appropriate time, actually. But as of now, there is nothing has been materialized so far.

Moderator: Thank you. The next question is from the line of Manish Goyal from Enam Holdings. Please go ahead.

Manish Goyal: Just to clarify, sir, on the guidance part, when we mentioned HCL will do Rs. 3,500 crores for FY '22. Is it right?

Nitin Patel: Yes, based on the current order book, correct.

Manish Goyal: And does it include this SIPL Rs. 200 crores or it is excluding that?

Nitin Patel: That we have not yet included, actually. So that is exclusive of the same.

Manish Goyal: And what would be the EBITDA margin for FY '22 HCL EBITDA margin?

Nitin Patel: So on the current stand-alone business, which is there, we will be able to get around 12% of the EBITDA for FY '22 also based on the projects what we are having in our hand right now.

Manish Goyal: So with substantial increase in revenue from Rs. 2,200 crores to Rs. 3,500 crores, we don't expect any operating leverage benefit to come and EBITDA margins to be better?

Nitin Patel: See, actually, that benefit will start flowing from this Q3 itself, as we have mentioned that the ramping up of the execution has been started now. So in November this month and December, and again, the Q1, it will be what we are seeing that it will be there in November. But by and large, this will be the EBITDA considering the current business in the head actually.

Manish Goyal: Okay. And Nitin bhai, I'm a bit surprised that with the final proceeds coming in from the large project, we are not looking to reduce our external debt in the current year despite we're expecting that execution will be much better, profit generation will be quite strong. So ideally, earlier we were expecting that this external debt of Rs. 1,600 crores plus to at least fall, to say, Rs. 1,100 crores, Rs. 1,200 crores. So this is not the thing, which probably we will end up in FY '21 March?

Nitin Patel: See, actually, I can tell that currently we have a balanced commitment of the equity on the hand actually on HAM projects. So that is more important for us to basically mitigate that, okay? And once the monetization will start, as we have mentioned that, then definitely, it will be utilized for the purpose of reducing the debt actually. And that's because there is no additional debt will be required for the company. Rather some of the repayment, which has been lined up almost around, that will be made there especially out of the, basically, the earnings of the company, cash flows of the company. So to that extent, it will come down. So around Rs. 100 crores to Rs.

140 crores, Rs. 150 crores may basically can come down actually. Rate further will continue actually because the balance equity commitment is already there in the hand.

Moderator: Thank you. The next question is from the line of Nirav Shah from GeeCee Holdings. Please go ahead.

Nirav Shah: Most of the questions have been answered. Just one question. For the SIPL operational projects, sir, we have given the debt number for all the 4 projects. But can we provide separately as to how much debt is there in Maharashtra Border Checkpost and Rohtak-Hisar, Panipat and ARR?

Nitin Patel: See, in Ahmedabad Ring Road, it is Rs. 143 crores. Maharashtra Border Checkpost is Rs. 1,098 crores. In Rohtak-Panipat, it is Rs. 940 crores. And in Rohtak-Hisar, it is Rs. 942 crores. All put together is Rs. 3,124 crores.

Moderator: Ladies and gentlemen, due to time constraints, that was the last question for today. I would now like to hand the conference over to the management for closing comments.

Nitin Patel: On behalf of Sadbhav Group, we are very much thankful to all the participants who have taken their valuable time and we are also apologizing that the time period was basically a little bit short actually post the declaration of the result and starting of this call, and that is mainly because to basically facilitate, all the participants basically due to this festival scenario. So again, we are very much thankful to all for taking your time. Thank you very much.

Vasistha Patel: Thank you very much, sir. Happy Diwali, all of you, and Happy New Year.

Moderator: Thank you. On behalf of Asian Market Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.