"Sadbhav Engineering Ltd. & Sadbhav Infrastructure Project Ltd. 1QFY17 Results Conference Call"

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Moderator: Ladies and Gentlemen, Good Day and Welcome to Sadbhav Engineering and Sadbhav Infrastructure Limited 1Q FY17 Results Conference Call hosted by Equirus Securities. 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 require 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. Devam Modi from Equirus Securities. Thank you and over to you Mr. Modi.

Devam Modi: I would like to thank all the participants as well as the management of Sadbhav for this con-call. We have with us Nitin Patel and Varun from Sadbhav Group side. Without further ado, I would like to hand over the call to them to give their opening comments and then have the Question-and-Answer Session.

Nitin Patel: Thank you, Devam bhai and Good Morning to everybody for taking their time on this holiday actually. We are really thankful to all of you for your time and also we sincerely apologize for hosting this call on Saturday because there was a holiday on Monday and also there are three days there is a whole day travel program of all of us actually, so we are again thank you very much and again Warm Welcome for this Q1 FY17 Conference Call. I must you have seen the media release provided on stock exchanges for both the companies.

Now straightaway to start so we will first go to the bidding activity what has happened and what are the business in line actually, so to have idea about what is actually going on the ground and how the company is looking forward for the balance period of time for the year. So to discuss on the same, as discussed during our last con-call, NHAI has increased its exposure to the new Hybrid Annuity model since March 2016 and we also witnessed the same. We shall discuss Hybrid Annuity when we discuss SIPL actually, but in relation to EPC Projects, financial bid are to be submitted for 11 projects which are on for bidding as of now and total worth of the projects which are on is Rs.14,112 crores in the Road EPC Projects as of now. Also, now to give some update because we are also constantly interacting with NHAI on a regular basis. So what we have been told by the authority that there are a large number of contracts. So what they did actually is they have splitted the contracts between NHAI, Ministry and various state NH divisions actually. So all put together as we have been informed that around 98 projects DBR are there actually under final preparation and approval. So what we have been told by the authority that this bidding activity for all these 98 which has been finalized is these all are going to be completed by the end of this year. So in terms of the value also we have discussed that the value itself what they have indicated that it is between the range of Rs.70,000 crores to Rs.95,000 crores actually. So, once this number and everything will be finalized. So what we understand that there is a large traction, huge pipeline actually in the road sector and we firmly believe that not only Sadbhav, but all the Road sector EPC contractors bucket will be full by end of the year actually and obviously there will be a last stage construction because the construction activity of the bids which has been awarded during the last year in terms of the EPC, almost all of the projects have been started. NHAI is also pushing very regularly. Even we will see on a quarter-to-quarter even this quarter also it has witnessed in the numbers of Sadbhav Engineering. So, this is the update what we are getting from NHAI.

Now, on the mining segment, we have submitted, as we have discussed during last call also, one bid large size MDO for the Dulanga Coal Block actually. So, obviously the bidding activity is what NTPC has suggested that by end of September they will almost complete the bidding process. But apart from that there are another two MDO Projects for which the prequalification has been called, not only prequalification, because the first round of the bid has also been called by the client and these are the Gare Pelma-III for Chhattisgarh State Power Generation and Naini Coal Block from the Singareni Collieries actually. So these two are the large size contracts. For Chhattisgarh Coal Power, we are in a process of forming a joint venture with who is the technically qualified because the criteria which has been put that is a little bit higher than what Sadbhav actually is meeting, perhaps majority of the Indian players will not be able to meet on a standalone basis, but the government has allowed the joint venture for the same. So this is in terms of the mining what is happening actually. So obviously this bid will continue to happen but once the reverse option process will be completed, we will be able to know who has got the bid actually.

Now, in irrigation front, we have already submitted one bid amounting to Rs.475 crores to the Irrigation Department of Government of Telangana and also we are in a process of submitting another nine bids of almost costing around Rs.11,500 crores with the same Government of Telangana actually. We have identified that out of the nine, five we need to from a JV for submitting the bid because the criteria again the government has put in such a way that there may be a number of bidders may go down for the bidding. So this is in terms of bidding activity what is going on.

In nutshell, we continue to confident on ordering in Road sector. While we foresee a number of MDOs in this fiscal, the real-time bidding from Sadbhav Engineering will happen for some of the MDOs. For Irrigation, obviously, we will continue to build business on a selective basis depending upon where the comfort is there actually because more or less state governments we had very clear criteria that unless and until it is funded by some central government agencies or the clear funding availability is there, then only it will be a bid case for us.

Now, coming to our business, the order book as on 30th June 2016 stands at Rs.6,829 crores. So this is excluding EPC value of five new Hybrid Annuity Projects won by SIPL, EPC value for SEL for these five HAM Projects shall be around Rs.3,128 crores. So by adding these two, the gross order book will go closer to almost Rs.1,000 crores as of now. The segment wise breakup of order book has already provided in the media release. Now as discussed in our last couple of calls also, FY17 execution shall be driven by the EPC and we had also witnessed in the Q1 because we will discuss the numbers, I will also try to explain how the things are going for the company for execution level. So mainly EPC projects as of now for Q1 and Q2, Q3 onwards the Hybrid Annuity will start contributing in the top line also of the company and Q4 obviously will be what we are expecting that at least four Hybrid Annuity will have a full quarter's revenue for the Q4 apart from that EPC and all other business which is going on.

Also, the order intake guidance for FY17, we continue what we have discussed between Rs.5,000 crores to Rs.7,000 crores for the year. We will be able to make up actually. So that as I have mentioned around almost Rs.3100 to Rs.3200 crores has already been completed, rest we are in a process of getting the bid.

Now, let me start with the Summary of this Quarter's Financials: The income from operations for the quarter stand at Rs.806.9 crores as against Rs.829.3 crores for the last year. EBITDA for the quarter stand at Rs.86.8 crores against Rs.89.4 crores for the last year. Profit after tax for the quarter stood at Rs.58.7 crores as against Rs.40.5 crores of the last year. Obviously, there is a decline what we are saying that in the top line was due to one is obviously the construction business more particularly in the Road sector where from the majority of the turnover of the company comes, it was in a transition phase from BOT to EPC. Also, in Q1 of FY16 because everybody has witnessed that Rohtak Hisar, Shrinathji Udaipur and Bhilwara Rajsamand where all there were in the peak of the construction and almost high value items, all these bituminous work item were under execution during the Q1 of FY16 and which now taken over by the EPC business during Q1 of FY17 and the earlier stage item, structure work, earth work and all other GSP and other stuff is going on. So these are not the high value but that will start Q3 onwards real concrete work and everything or the PQC and everything will start from Q3 onwards for all these five projects. Also, we would like to reiterate again that the stoppage of execution in Bharat Coking Coal Project in mines due to the CENVAT credit issue, that has also impacted the turnover in the mining sector to that extent. So it could have now been not there. So obviously we might have surpassed the last year's numbers also. The EBITDA margin for the quarter stood at 10.76% as against 10.78% in the same quarter of the previous year. So other expenses have reduced in this year mainly because in the last year we had to pay VAT at 5%. On the execution of Rohtar Hisar in the State of Haryana which was we had executed almost Rs.148 crores during the Q1 of FY16. So that was the execution from Rohtar Hisar Project. Second thing, obviously, the finance cost has reduced on YoY, there are the main three reasons what we have envisaged that is the reduction in the base rate by the banks by at least around nearing to 50 basis points as compared to the Q1 of FY16. Second thing, the working capital consortium of Sadbhav Engineering has reduced the interest rate because the improving position in Sadbhav Infrastructure and SIPL has also now started, showing it is repayment of the loans to Sadbhav Engineering since last two quarters. Also, the entire working capital consortium has been reworked w.e.f. 1st of April 2016 for Sadbhav Engineering and almost we have seen the finance cost by the banks has reduced by at least 125 to 130 basis points, over and above 50 basis points what has been reduced by the banks. Also, the increase usage of the commercial paper because we had availability of Rs.200 crores of the sanction of the commercial paper and as the bond market has witnessed seeing the interest rate is going lower and lower so we got a very good arbitrate on the commercial paper and that has also impacted in the quarterly finance cost. So we expect the finance cost to reduce further because the debt shall reduce due to freeing of the working capital which is currently blocked in Road EPC Projects due to new payment mechanism by NHAI which we obviously had discussion in earlier concalls also. Also, the clients in Irrigation and Delhi Metro Projects have started to release the payments due to smooth progress of work in the stuck projects earlier. Here I would like to reiterate that in Irrigation alone we had the block working capital is almost to the tune of around Rs.175 to 180 crores. So what we are expecting that at least Rs.100 crores will be released by the end of this year and obviously every month it has started getting released. So month on month you will see the progress there. Delhi Metro, there is a working capital block is around almost Rs.95 crores. So, what we are of the view is this year it is 100% of the DMRC work is going to be completed so that entire we will come into the cash flow again. Also the initial working capital requirement for the EPC Projects where the payment mechanism is something different. That has already been pumped in by the company. So now we are expecting that post monsoon from September-October onwards every month both sides the working capital will go and also the new payment we will continue to have a regular monthly billing from all these projects.

Apart from that, we have seen that it is nil for the quarter because the maximum contributor came from the EPC Projects which are eligible under 80 IA exemption and due to which the normal tax is nil and hence company got the entire MAT payment as MAT credit actually and still we had yet to get around Rs.90 crores of the MAT credit is still yet to be claimed. So we are of the view that this situation will continue till the end of this year also even one or two quarters of the next year also because we had to get it exhausted from the projects because 1st April 2017 we will not be able to get the 80 IA credit because this has been eliminated.

Now, in execution front, top five execution during Q1 FY17 have been disclosed in the media release. Work has picked up tremendously well in all EPC Projects won by the company during FY16. Execution amount during FY17 in three projects is already mentioned in media release. The company has received appreciation letter from NHAI on 14th July 2016 for the pace of work in Eastern Peripheral Package-I and II. So NHAI Chairman himself has given a good recognition, this is the highest speed is thereby Sadbhav Engineering in the entire Eastern Peripheral Project work actually. So, thus NHAI has issued written appreciation to us. Till date we have received the mobilization advance of Rs.206.32 crores for the seven new EPC projects won by the company during the last calendar year and Rs.160.12 crores is yet to be received by the company from these projects.

So in Mining business, Amlohri Mine contributed around Rs.36 crores in Q1 of FY17 in the revenue. Also as discussed in the last concall to complete execution of all smaller size irrigation projects which company had taken over from JV partners, we are on the track to complete majority of the projects by the end of this year.

Also, let me give the changes in the order book of EPC business. So as discussed earlier, our subsidiary company, Sadbhav Infrastructure Projects Limited has won five new Hybrid Annuity Projects till FY17 as of now and we shall execute the EPC contract of Q2FY17, because the shareholders have given the approval for the EPC contract to be given to the Sadbhav Engineering because it is a relative party transaction now is required to get shareholders' approval if the contract value goes beyond 10% of the turnover of the company. So we have got the approval from shareholders. In relation to the new accounting standard in IND AS, which has been applicable from 1st of April 2016 because as we have seen that there is no much impact in Sadbhav Engineering of this IND AS accounting standard. So that has been disclosed in the results also.

In nutshell, now we continue to remain confident obviously of scaling new highs in both Construction and BOT business. We expect growth in Construction business will lay largely by the Roads and Highways sector and more particularly the four Hybrid Annuity Projects for which the company is in a process now to take the appointed date from October 2016 itself actually.

So this is broadly from my end. So now I will hand over the call to Mr. Varun Mehta who is the CFO of Sadbhav Infrastructure Projects Limited to give the complete insight of Sadbhav Infrastructure and all other related stuff of the business under results. Over to Varun. Thank you very much for your patience.

Varun Mehta: Thank you very much, Nitin bhai. Good Morning to all the participants and welcome to the Q1 FY17 Earnings Call of Sadbhav Infra. I am sure you must have seen the Q1 FY17 SPV wise revenue data which was shared with the stock exchanges on 7th of July and the media release for the financial results shared on 2nd September. Now, I will start with the Updates on the Bidding in the new projects and then the Business Updates and then we can go on to the financial numbers and the impact of new IND AS which has come in and then we can start the Q&A session.

Post the start of the new HAM model by NHAI, NHAI has till date called the bid for more than 34 projects of length, 1850 Kms worth Rs.27,190 crores. Out of which, SIPL has participated for 22 projects, of that SIPL has won 5 projects of total length of 353 Kms worth Rs.3348 crores. SIPL was L2 for 7 Projects and L3 for 3 Projects. All these numbers are based on the NHAI cost.

Now, coming to the fresh bids, there are three HAM Projects worth Rs.3846.08 crores, of which bids have been called by NHAI. There are two HAM Projects worth Rs.1806 crores, for which the financial bids have been submitted but bids are yet to be opened. There are three projects in the BOT Toll segment worth Rs.2759 crores, of which the RFQs have been called by NHAI and we await the financial bid submission date from NHAI. There is one project in the BOT Toll worth Rs.7523 crores, this is particularly the Vadodara Expressway. So here the NHAI has called the bid for the development of the New Expressway along with the NH8 Expansion Program, for which the RFQ has to be submitted by the players. At the SIPL level, we shall continue to bid for the new hybrid annuity model and the BOT Toll because we continue to remain bullish for both these segments.

In relation to the Updates of the five new HAM Projects won by SIPL, the total estimated gross equity for this five projects comes to Rs.461 crores on the basis of the current discussion which we are having with the lenders for the closure of the debt in those projects and which we expect to meet the required equity from the internal accruals which we shall discuss during the call.

Rampur-Kathgodam Package-I and Package-II: We have received the project debt sanction for both the projects and currently the transaction documents are under preparation for the same. We expect both these projects to achieve the appointed date in the month of October 2016. The concession agreement was signed on 2nd June 2016. In terms of approvals, we have received the approvals for the environmental and the forest clearance is available for both the projects. In relation to the land acquisition, 95% of the land is available for both these projects and more than 50% of the land has been acquired under 3G for Package-I and more than 90% of the land has been acquired under 3G for Package-II. Effectively, we can say that we can achieve the appointed date in the month of October 2016. Estimates of the utility shifting has been submitted to NHAI for the approval for both the projects.

Coming to the projects won in the State of Gujarat, that is Bhavnagar - Talaja and Una-Kodinar, we expect both these projects to achieve the financial closure immediately post the completion of the financial closure for Rampur-Kathgodam. The Concession Agreement was signed on 19th July 2016. In terms of approval, the environmental and the forest clearances available for both the projects. 100% of the land has been acquired under Regulation 3D and more than 90% of the land has been acquired under 3G for both the projects wherein definitely we can start the projects in the month of October 2016.

In relation to the BRT Tiger Reserve Boundary to Bengaluru Section Project, we are yet to receive the LoA from NHAI on the same because NHAI has asked for certain information from Sadbhav Infra in relation to this and we are in discussion with NHAI for the same.

Now, coming to the updates on the SPV from the last concall are as follows: Aurangabad Jalna and Nagpur Seoni, we have completed the majority of the maintenance work for this project and the maintenance of this project was done by Sadbhav Infra and this has been reflected in the standalone revenue of Sadbhav Infra. MBCPNL, Government of Maharashtra has approved the increase in the service fee rates by the amount of service tax. So we await the final fee notifications from the Government of Maharashtra for the same and we expect it to receive in this current quarter. So the impact of this service tax in Q1 FY17 was to the tune of Rs.5.45 crores and the impact in FY16 was to the tune of around Rs.19 crores. So from Q3 onwards, this amount will go away and our revenue will increase from this amount. BRTPL received PCOD on 4th of June and Toll Collection started from 9th of June. The current average daily Toll collection for this project is around Rs.10.5 lakhs per day. RHTPL received PCOD on 30th of July and Toll Collection has been started from 3rd of August. Average daily Toll Collection for this project right now is around Rs.20 lakhs per day. With this the entire portfolio becomes operational except Mysore Bellary which is expected to achieve COD in Q3 FY17 and this removes the majority of the uncertainty in terms of the revenue. So probably we have completed the entire portfolio, that is the 11 assets within the time and within the cost also.

The YoY traffic growth during the quarter stood as follows: Aurangabad-Jalna for LCV and MAV category is at 15.4%, for Bijapur-Hungund is at 4.8%, for HYDPL is at 7.9%, for Dhule-Palesner is at 7%, Ahmedabad Ring Road is at 3.5%. Traffic growth for MBCPNL in 9 check posts which were also operational during Q1 FY16 stood at 7.3%. The traffic growth in Rohtak Panipat has still not picked up and we are in continuous discussion with the NHAI and the state governments to extend the local support as discussed during the earlier calls also that we are facing certain issues in terms of the local agitations in the local problems. So we are in continuous dialogue with the state government and the NHAI to extend the support for the Toll Collection. So the average traffic growth during Q1 FY17 except Rohtak Panipat stood at 6.6%. The important point here is to note that this traffic growth is on 9% traffic growth in FY16 and approximately 8% traffic growth achieved in FY15. So probably pure traffic growth which has happened and this is not only due to the base impact which was there in FY15 or say in FY16. In relation to the refinancing of the debt, we have already committed the refinancing of the debt in five SPV, so that is Dhule Palesner, Nagpur Seoni, Hyderabad Yadgiri, Aurangabad Jalna and Bijapur-Hungund. With this the credit rating for Dhule-Palesner, Aurangabad Jalna and Bijapur Hungund has been upgraded from BBB category to A category while Nagpur Seoni has been upgraded to AAA. The credit rating of Hyderabad Yadgiri is under process. The 7 projects out of the 8 eligible projects would be under the rating of A or Above.

Refinancing of Maharashtra Border Check Post, Ahmedabad Ring Road, Shreenathji-Udaipur is under process. The average cost of debt for the operational SPV during Q1 FY17 stood at 10.4% and which will reduce to around 9.75% post the completion of refinancing of debt in Ahmedabad Ring Road, Maharashtra Boarder Check Post and Shreenathji-Udaipur. Probably, we shall continue to look at the various structures and the new markets in order to reduce the cost of fund because the cost of fund in Q1 FY16 was somewhere around 11.3% and now it has been reduced to 10.4%, continues to look for the new structures and new market to reduce the cost of fund from here on or so.

In relation to the financial numbers, the breakup between the operational SPV, under construction SPV and the SIPL standalone for the P&L has already been forwarded in the media release. Company's consolidated total income including the other income for Q1 FY17 stood at Rs.369.41 crores. The total income for SIPL standalone increased due to the major maintenance activity of Aurangabad Jalna and Nagpur Seoni conducted by SIPL, EPC work in Maharashtra Border Check Post and the routine maintenance activity at the various SPV. The cash profit for the operation SPV stood at Rs.46.51 crores, post adjusting the one-time MMR in Aurangabad Jalna and Nagpur Seoni. Cash profit for the SIPL standalone stood at Rs.17.02 crores in Q1 FY17. We expect the cash profit for the operational SPV to increase significantly because of the increase in the traffic volume which we have seen in the last 8 to 10 quarters which we expect to increase going forward with increase in the economic activity. The addition of the new check post in Maharashtra Border Check Post and with the reduction of the financing cost due to the completion of the refinancing activity in the five SPV which we already done and the three SPV which is work in progress as of now.

As discussed during our last concall that the cash profit in SIPL standalone is expected to increase further because from Q3 FY16 we have started doing the routine maintenance activity of the SPV and the major maintenance activity of the SPV by SIPL. So we expect that the next two to three years the SIPL standalone should generate a healthy amount of cash profit on a quarter-to-quarter basis.

Coming to the major impact of the IND AS on the consolidated numbers, they are as follows: In relation to the Toll under construction project, the construction related expenses incurred during the period now needs to be recognized in the P&L consolidated expenses in the finance cost amount. Since our SPVs do not have any construction margin, the same amount shall be reflected in the consolidated revenue. So if you see the results of SIPL, there is a one more segment which shows the under construction revenue and the under construction expenses.

In relation to the Toll operational project, the provision for MMR expenses which is a non-cash item now needs to be accounted in the present value and the interest on the same needs to be accounted in the finance cost. Because of that if you see the amount of non-cash finance cost has increased drastically in Q1 FY17. The premium payment to NHAI needs to be considered at the present value again and the interest on the same needs to be accounted in the finance cost and the same is reflected in the non-cash finance cost which has been provided in the media release. 0% subordinated debt which has been provided by SIPL to the SPVs, earlier, this was been shown under the long-term debt, now this amount needs to be shown under the other equity in the net worth. So this has been transferred from the long-term to the other equity under the net worth of the SPV.

With this, we complete our opening remarks. Now, we can start the Q&A Session.

Moderator: Thank you very much. Ladies and Gentlemen, we will now begin the Question-and-Answer Session. We will take the first question from Amit Sinha from Macquarie. Please go ahead.

Amit Sinha: My first question is on your mining segment. So now with the stoppage of work in the BCCL Project, what should we expect in terms of revenue for the full year and is this project completely scrapped or is there a possibility of revival?

Nitin Patel: No, the project has not yet scrapped. We are obviously making a various possibility with BCCL and even if required we may induct one more agency based on the BCCL's requirement, but what we understand these two projects are there mainly, rest of the projects are there on the track. Second thing, the project which we have already won in the Badwar of almost costing around Rs.440 crores which has not been taken off. That will start execution from Q3 onwards. So on an average on ballpark we are of the view that by the end of the year we should be closer to almost between Rs.350 to 370 crores of the top line in the Mining sector is concerned. So this is so far as Mining is concerned.

Amit Sinha: So for the overall Construction segment, what is our guidance now for FY17?

Nitin Patel: What we are of the view, the Irrigation as compared to the previous year because the projects which were stuck during the last year that has started by taking off because you have seen the Omkar Aishwarya is among the top five revenue generated projects as we have stated in the media release. Now the certain amounts of bills which have not been booked by the clients, they have started because here in this month itself even in one small project in Halol itself Rs.35 crores worth of the invoice has been approved by the client for the month of August. What we are of the view is that Irrigation we will surpass and we are expecting closer to Rs.750 to 800 crores of the top line in Irrigation sector. The Road sector we have started seeing obviously we have completed the transition because if you see in the media release also, the EPC business which was of almost Rs.100 crores in the Q1 of FY16 which went to Rs.450 crores in this quarter and again the BOT which was Rs.407 crores it came to Rs.111 crores. So this transition is almost completely through now. So every quarter we have a strong top line from this EPC and Q3 onwards as we have mentioned that because four projects we are almost through in terms of getting the appointed date and all these related activity is more or less we have completed. So by the end of September, everything will be on track. So in October we will take the appointed date and actually start the execution. So we are very clear in terms of guidance what we have stated in the last concall also that this year we will have at least 15% jump over the FY16 number what we have stated there. So this we have mentioned around closer to Rs.3700 crores. So we are very much there actually, because this quarter was very much important for us and mainly because the EPC which has done very well and the execution in all the five projects is now coming on the track. So that is in terms of our guidance.

Amit Sinha: My second question is now you have transitioned into the EPC projects and therefore the first quarter when you saw significant EPC execution. So what is the margin profile of all the EPC projects which you have won last year from NHAI?

Nitin Patel: In terms of the margin, almost it is 11% there actually. So we are of the very clear view that in EPC business we will continue to have 11% throughout the lifecycle of the execution and also the escalation is also plus and minus adjustable for all these EPC business, even in the Hybrid Annuity also because Hybrid Annuity we will see little bit incremental margin. So Q3 and Q4 we may see some incremental margin from the Hybrid Annuity execution of the projects actually. So what we understand is that some hit was there in terms of the irrigation and that is being mitigated by this EPC as well as the Hybrid Annuity. That will also take over further.

Amit Sinha: Lastly, on the interest cost front. Now, what is the interest rate which we are paying on our working capital loan?

Nitin Patel: On the regular working capital, that is around 10.25 what the lender banks have sanctioned but as we mentioned that at least 40% of the same we are regularly utilizing the commercial paper. So the cost of this 40% is almost closer to again nearby 8.25 or 8.50. So average we can say that the full whole year it was around 9.5 to 9.6%.

Moderator: Thank you. We have the next question from the line of Ankit Fitkariwala from Jefferies. Please go ahead.

Ankit Fitkariwala: On SEL you mentioned in your opening remark that this NHAI new payment mechanism has impacted working capital a bit. So can you just elaborate a bit on that that what is expected over the full year, when do you expect the payments to come and all?

Nitin Patel: Just to give you a brief, there are three ways, particularly this EPC contract, we have already funded almost Rs.175 to 180 crores of the working capital for these five EPC projects for which the normal course what was happening every time once the completion of the month item rate payment and almost within say 30-days or say 45-days we were getting the payment. So the initial pumping of the working capital is over. So what we are of the view that from Q3 onwards regular cash flow will start. Certification is one part. Second thing is the cash flow and payment from NHAI. Even the NHAI 10-days back they have taken the decision that for a particular Eastern Peripheral Expressway they want to complete very fast. So for all the contractors, they have taken the board approval that every month they will release the payment based on the certification by this independent consultant. So that also we are expecting from September or October onwards there will be the working capital what has been pumped there so that will come back. Second thing, the Irrigation Projects which we have taken over from GKC almost we have around Rs.150 to Rs.160 crores of the additional capital has been blocked during the last six to seven-eight months actually. So that has also been started flowing back actually. So in last month we get almost around Rs.10 or 15 crores back but coming six to eight months, all these projects will be over and everything will be back on the track by the client itself. Third, Rs.95 to Rs.100 crores of the additional capital has been blocked in (DMRC) Delhi Metro. So that has also now started showing the positive working capital on month-on-month basis. So these three put together we are of the view almost around Q3 and Q4, we will be back in the overall financing utilization by the company, added by the Sadbhav Infrastructure is also going to repay because almost around Rs.200 crores has been repaid by Sadbhav Infrastructure post IPO to Sadbhav Engineering. Also, there is a plan for the year end because we have planned to repay almost around Rs.200 to 250 crores back to SEL before the end of this year. So we summarize that the finance cost on every quarter will continue to go down gradually. Over FY18, obviously, it will be a much-much better position because all these working capital stuff will be through.

Ankit Fitkariwala: Secondly, Nitin bhai, one more question on the cabinet decision to expedite whatever has been going on with NHAI. So do we have any money stuck with NHAI? What do you make of this cabinet decision of putting money in escrow for money that has been awarded and arbitration and all, what is the macro impact do you feel?

Nitin Patel: First of all, in Sadbhav Engineering we generally do not recognize revenue of the claimed amounts. There are claims on NHAI for Rs.750 crores for four of the SPVs mainly one is the Mumbai Nasik, second, Dhule Palesner, third is Nagpur Seoni and fourth is the Rohtak Panipat. So that Rs.750 crores, the arbitration process is going on for three of the SPVs and the fourth one, this Dhule-Palesner, the arbitrator is yet to be appointed by both of us actually. So what we are of the view is that within one year because now the new rule has to close all these processes within one year. So as and when we will have the award, then obviously we will determine this window what government has now opened up and this is really good for the construction sector. So that process will come. As of now, immediately there is no impact.

Ankit Fitkariwala: Just to clarify, so you are saying that once the arbitration award has come, only then the 75% of money gets transferred to escrow which we can use, right, not till the point the arbitration award has been given?

Nitin Patel: No, we are of the view is that the when this process is on, we are also discussing with the legal department of authority, so they had also internal discussions that maybe certain disputes which are pure of the commercial or financial nature. So there they are internally asking to the team that better you sit with the developer and close so that should not be referred to the arbitration. Only those where they have some the contractual issues and they are not in a position to take the decision. So that will go to the arbitration. But obviously this payment 75% will come only when the award is there.

Ankit Fitkariwala: As you said, Rs.750 crores in four projects which is under arbitration, right?

Nitin Patel: That is with NHAI.

Ankit Fitkariwala: But we have not booked it till the point it has come, right, so whenever it comes we will be booking it if it happens in our favor?

Nitin Patel: Yes, obviously.

Ankit Fitkariwala: Second question is to Varun, on the SIPL side. On SIPL, now we have done MMR of Aurangabad Jalna, and Nagpur Seoni. Broadly, the cost is around Rs.30 crores for both these two projects. But if you look at per lane kilometer wise, it comes out to be much lesser than what our guidance has been around like Rs.7 crores. So can you just throw some light there as to what is the per kilometer cost in major maintenance and what margins we will be booking going forward?

Varun Mehta: Effectively these two projects, in that Aurangabad Jalna is a state project, so there the requirement of the technical specification in the consortium agreement is lesser as compared to the NHAI project. So there per kilometer cost would be less. Again in case of Nagpur Seoni it is annuity project. So definitely there is not much major maintenance which is required in this particular project. Because of that also per kilometer requirement is less. But on an average, the per kilometer cost is somewhere around Rs.1 crore per kilometer which we normally sort of consider on the basis of NHAI project assuming the traffic is mostly a commercial vehicle traffic. So that is what we normally consider. I think going forward our EBITDA margin for major maintenance would be somewhere around 30% in this particular segment.

Ankit Fitkariwala: What I am trying to understand is that we will be making provisions on a yearly basis at the rate of Rs.1 crore per kilometer for a four lane road, right, and on this we will be booking margins of 30% in SIPL standalone on a regular basis now?

Varun Mehta: No-no, we would not make any margin on the provisions. SIPL will book the margin on the actual incurrence of the major maintenance. On yearly basis we will do the provision for MMR and once there is an incurrence of MMR in the fifth or the sixth year, so at that point of time the revenue we will book in SIPL and the corresponding margin on that.

Ankit Fitkariwala: In SIPL standalone we will be having the marginal tax rate, is it?

Varun Mehta: Yes.

Moderator: Thank you. We have the next question from the line of Aditya Mongia from Kotak Securities. Please go ahead.

Aditya Mongia: Sir, the first question which I had was on the SEL part. Now, this quarter about 50-60% of your revenue maybe more is coming from Roads and you have achieved 10.8% kind of a number. Does it change the full year guidance for you because I think that number was 5% or slightly below that?

Nitin Patel: If you see the order book actually, at least last year and this year because the first quarter itself, everything is coming from the Road sector. So the order book position in totality as I have mentioned that Rs.10,000 crores, so out of this Rs.10,000 crores, closer to Rs.6,500 crores is from Road sector alone and going forward as we have discussed that the large number of projects are there in the pipeline. So what we are of the clear view is that obviously the Road order book construction will go up and up every quarter and quarter from now because the incremental increase in the irrigation and mining may not be there actually. So obviously Road sector will take at least from two to three years from now. Depending upon what the mining actually MDO is coming under the kitty, so once it will be there, then we will work out actually. But based on these numbers and how the EPC has been progressed, the mobilization has been effected, I would like to reiterate here that during the last year itself we did CAPEX of almost around Rs.70 to 75 crores in the Road Equipments only and that is mainly because we had envisaged that this is going to happen. So we should be very much equipped in terms of all the plants, pavers, rollovers and all kinds of equipments. So that has been completely aligned. Now the focus is completely on the execution.

Aditya Mongia: Again, just to clarify, margin for the full year can be closer to 1Q levels or do we envisage Irrigation to bring it down over the remaining year?

Nitin Patel: Because the impact of the VAT was there actually in the Rohtak Hisar Project. So that has gone. So we are of the clear view that at least 55 to 65 basis points of the EBITDA will definitely increase in terms of the other cost, #1 and second thing the EPC new contracts which are there and the Hybrid Annuity put together actually the margin will further increase and obviously the impact of the Irrigation will also get nullified. So we are of the clear view that around 10.75 to 11% we may be able to achieve in this full year.

Aditya Mongia: On the debt side, what will be the current levels and do you then envisage from current level another Rs.250 crores of reduction happen by the year end?

Nitin Patel: Currently, in standalone Sadbhav Engineering is Rs.1250 crores outstanding debt is there and as I have mentioned that is mainly because of the additional incremental working capital where we have infused in at least the three of the Road EPC, DMRC as well as these Irrigation Projects actually. So that will again further come down. I think the according to us peak has reached. So now every month-on-month and every quarter-on-quarter it will start coming down and down actually.

Aditya Mongia: On the tax side, as you are saying whatever projects we have done before that deadline of 1st April we will be able to get benefit from the tax side which is as of now accumulated Rs.90 crores is what you are saying?

Nitin Patel: It was around closer to Rs.100 crores, so out of that 10.43 crores has been utilized for this quarter, so remaining we have to utilize for coming third quarter and this year and next year because the majority of the turnover is coming from the EPC for this year itself.

Aditya Mongia: Sir, a few questions for Varun also on SIPL. Varun, the first question which I had was on the SIPL standalone the revenue has been booked on routine and major maintenance. Is there an estimate of what all expenses for SIPL and thus the revenues for SIPL standalone over the next three years?

Varun Mehta: Yes, if you see as we discussed in the last concall that probably in the next two years we expect a significant amount of revenues in SIPL standalone, particularly in relation to the major maintenance the three SPVs that is Bijapur-Hungund, Hyderabad, Yadgiri and Dhule Palesner, so these three SPVs will have to incur the major maintenance in FY17. So the amount in these three SPVs comes to around Rs.240-odd crores, so probably we expect this to be booked in FY18 and FY19. This is the one revenue which will be there. The other revenue would be in relation to the EPC of Maharashtra Border Check Post because the non-civil work that is in relation to the ITI, Furniture, Electrical, Canopy work, this has been done by SIPL. So here we expect roughly around Rs.40 crores of revenue to be booked in FY17 and in some part of FY18 and then the revenue comes from the routine maintenance and EPC work of the new Hybrid Annuity Projects because as we just discussed in the last concall also that now SIPL will be doing the work for the Toll Plaza construction and the other similar activities in the under construction projects also. So probably this we expect that amount would be somewhere around Rs.400-odd crores in FY17, FY18 and FY19.

Aditya Mongia: If I understand, essentially SIPL standalone will typically be doing internal jobs?

Varun Mehta: The main focus right now is to do the internal jobs for our own SPVs but going forward probably if there are any other stretches nearby to our stretches probably then also we can look to do the major maintenance in that particular stretches because already we would have the machineries lying at the site. So probably any nearby stretches we can also look for the sort of doing the major maintenance for those particular stretches also.

Aditya Mongia: For the standalone operations, essentially EBITDA of 30% there is no cost below EBITDA typically, in the sense that there is no working capital requirement or any CAPEX requirement for the SIPL standalone operations, is that the right way of looking at things?

Varun Mehta: In terms of working capital, definitely there is no working capital required because it is a small, the funds are lying with the SPVs also because we have done the major maintenance tie-up in the refinancing. So the funds are lying with the SPV. So definitely there would not be any major working capital requirement on that front. In terms of machinery, there might be certain machineries which we require to purchase to do the major maintenance but the amount would not be too high.

Aditya Mongia: Rohtak Panipat as we had discussed earlier, we had anticipated some benefit coming in from let us say non-NCR traffic not entering NCR and basically going through our route, have that started happening?

Nitin Patel: NCR during last four to five months they have changed the revenue collection agency for all the Delhi entry points. So the new agency who has taken over he has just settled during the last two months. So they are putting some pressure obviously. So we have seen slight improvement during these last two months. But because of the heavy monsoon in the country, because almost major part of all the roads and everywhere we have seen because of the cyclical movement the traffic has reasonably gone down but when compared to the previous year same period we have seen slight increment overall over the last two months which was not there throughout the year actually. So some impact, but obviously once the monsoon will be over and the new season will start, then we have to actually envisage. But obviously currently the impact is not much high.

Aditya Mongia: Tax rate for SIPL standalone why would it be fairly a small number?

Nitin Patel: Tax rate for SIPL would not be any small number, it will be a normal MAT rate or the income tax which is there on the standalone level.

Moderator: Thank you. We have the next question from the line of Parthiv Shah from Trackom Stock Brokers. Please go ahead.

Parthiv Shah: Sir, my first question was regarding the joint venture for mining that you told of where I believe it is internal competitive bidding and as per what you talked in the concall it seems that there is some technical aspect which only international bidders would qualify for. May I know what exactly is that and if at all we can work it out in a JV with any international bidders because as I assumed Gare Pelma-III and Singareni are quite large size contracts and Mining has been reasonably good margin projects for us, so what is the scope of we bidding for these projects and increasing in our order book kitty?

Nitin Patel: As you rightly mentioned, it requires JV from some international players because the technical criteria they have mentioned that minimum average obviously around 5 mt of the coal mining is required with a certain size of the equipment. So these two are main criteria which majority of the Indian players might not be having actually. So three days back we have finalized the terms and conditions with the joint venture partner and this MOU and all others stuff is going on actually. So once it will be through, officially everything we will come in the forum that we have formed the JV, this partner for these two projects or whatever the business is coming where the technical support is required. So that is where how we are working of now.

Parthiv Shah: For Irrigation, as you told there are total of nine bids worth Rs.11,500 crores coming from Telangana, of which out of the nine bids, five will be the ones in which we will need to a JV.

So what scope are you seeing of this total Rs.11,500 worth of projects for SEL? Sir, traditionally as I understand the Irrigation margins have always been quite low. So is there any scope that these new bids will have a better margin or with some different executional techniques we will be able to ramp up the margins for the Irrigation work that we do?

Nitin Patel: Two things: One is what is the exact competitive intensity. That is very much important. Second thing, what is the probability of getting the business. So here what we are of the view is that now the other sector more probably the Road sector has now opened up. Obviously, the large number of work is coming to this urban infrastructure and a lot of companies have bagged the business there actually. Third thing, we are of the view that Railways have now started floating the tenders in a very big way and that sector is according to us is one of the large construction sectors which is there in the pipeline in the country. So everybody will have sort of the business in the hand. Then after obviously what we are of the view is that competitive intensity will little bit go down and the margin levels will start going further improving. But here in our case we have a clearly view, once we are not within the net of our return, so we will not take that job actually but we will put the bid at our desired margins only.

Parthiv Shah: Again, coming back to Mining, any kind of traction you are seeing from companies like NTPC and even as we know in Coal India they are targeting around 1 mt of production by 2020, even if they reach close to that target, I believe there will be lot of work coming from Coal India for contractors like SEL especially we having the experience. So what kind of traction are you seeing in these kinds of projects, any long-term contracts that you are planning to have with these companies say a five year or ten year with the fixed margin kind of a profile?

Nitin Patel: We have mentioned this Dulanga, Dulanga is almost 25-year contract, then again this Gare Pelma-III and this Singareni Collieries is the project, almost all projects are 20-year and above size, and the size is also quite reasonable, and going forward initially what we are seeing the pressure is there from the coal ministry or the various state governments that to open up their mining because they have been allotted post the Supreme Court reallocation. So that is going on. Initially, we are of the view that major bids will come from all the state governments, then after the various other areas like say iron ore and other kinds of things will start opening up. But initially this is the only focus in the coal mining as of now.

Moderator: Thank you. We have the next question from the line of Nilesh Bhaiyya from Yes Securities. Please go ahead.

Nilesh Bhaiyya: Varun, regards to SIPL's equity commitment. What is the figure that you told for the five HAM Projects?

Varun Mehta: Total gross equity commitment is Rs.461 crores across the five projects to be spent over next two to three years depending on the execution of the project.

Nilesh Bhaiyya: Regarding the debt, at standalone level of SIPL, so I understand that the Toll revenue will increase and at the consolidated level there will be lot of cash generation. But how will that money be routed through from the subsidiaries to prepay the debt at SIPL level be it regards to other income or interest or dividend, how will that money flow?

Varun Mehta: The flow from the SPV to SIPL generally happens by the way of the repayment of sub-debt in our case, because SIPL has invested total around Rs.2150 crores of equity plus sub-debt in the SPV and out of that Rs.600 crores by way of pure equity and the rest is by way of sub-debt. So this debt is the debt given by SIPL to SPV which is the low cost sub-debt. So whenever there is any free cash flow generation from the SPV, so the SPV will do a repayment of the sub-debt and then the money will come to SIPL. So this is the first option which is there.

Nilesh Bhaiyya: Can you tell me which SPV will be the biggest contributor in terms of your sub-debt?

Varun Mehta: The biggest contributor is obviously Maharashtra Border Check Post.

Nilesh Bhaiyya: How much is the SEL debt out of the SIPL standalone debt currently?

Varun Mehta: So right now as on June the amount is Rs.480 crores, and this amount was around Rs.530 crores in March 2016.

Nilesh Bhaiyya: If you can explain what will be the impact of GST on this Maharashtra Border Check Post if any?

Varun Mehta: Particularly if you see in GST, probably though it is a centralized rate but then again having a share of 67% in the GST in every Centre and the Centre will have 33% share. So effectively what I understand from the user department is because in this project there are three user departments that is the RTO, sales tax, and the excise. So we had a discussion with the sales tax and the excise that exactly what is their views also on that. So according to their view also and what we understand from the operations also that probably there would not be major impact of the GST, in fact, now each and every state will have to implement the check post at the borders. In the GST also there is a fight between both the states say like Maharashtra and Gujarat and Maharashtra and Karnataka. If any vehicle is coming from Gujarat to say Maharashtra, so the Maharashtra Border Check Post they will have to declare what is the quantity of goods they are carrying and sort of who is the state which is eligible to get the tax on that. We understand under the GST there the state bound still remain, so because of that there would not be any impact of the GST on the border check post and in fact now there are many states who have planned the implementation of the border check post, for example, states like Karnataka, Telangana, Chhattisgarh, West Bengal, Gujarat.

Moderator: Thank you. We have the next question from the line of Parvez Akhter from Edelweiss. Please go ahead.

Parvez Akhter: A couple of questions. What is the gross debt at SIPL both standalone and consol level?

Varun Mehta: At the SIPL standalone, the debt from SEL is Rs.480 crores and the external debt is Rs.540 crores. The consol debt at the SIPL is around Rs.8,000 crores.

Parvez Akhter: For FY17 as a whole, what is the kind of tax rate that we may see in SEL – would it be similar to what we witnessed in this quarter?

Nitin Patel: Majority of the turnover we are envisaging for Q2 obviously from the EPC business, Q3 obviously the higher share of the EPC will be there but the HAM will also start generating the revenue, Q4 we have to see that depending but we are of the view that whole of the year we will be able to get the credit of this which is already available and obviously as early as possible we should get it through actually. So post FY18, we have to see what the department is taking the view on this.

Parvez Akhter: For the year as a whole it will still be let us say lower than 20%-odd, would that be a fair assumption?

Varun Mehta: Yes, it will be lower than that.

Parvez Akhter: On Ahmedabad Ring Road, I guess we get the Toll hike in September. So have we received this year's Toll hike, if you could share the quantum of this hike?

Varun Mehta: Yes, right now, if you see the comparison for the WIP between March '16 and March '15, it is almost a nil hike which is there.

Parvez Akhter: Now the check post as they become operational and what is the total trajectory that we will see over the rest of FY17 in the Border Check Post Project?

Varun Mehta: If you see right now the current status of the project is like we are collecting revenue from 13 check posts and there are 3 more check posts where we have received and we await the final pre-notifications from the government. So we expect that to be received in this month or say in the next month itself and there are 2 more check posts where we expect the COD to be received in this month, so effectively this will take to 18 check posts say by end of October and the rest 6 check posts, out of that 5 will be completed by end of March and 1 will be completed in say Q1 of FY18.

Parvez Akhter: So by this year-end what is the kind of Toll Collection trajectory that we expect there?

Varun Mehta: So by March end, probably the Toll Collection is expected from the 23 check posts will be somewhere around Rs.70 lakhs per day.

Parvez Akhter: When is the Toll hike due in Shreenathji-Udaipur project?

Varun Mehta: Shreenathji- Udaipur is a normal NHAI projects. So there the Toll hike happens every 1st of April.

Moderator: Thank you. We have the next question from the line of Ankit Fitkariwala from Jefferies. Please go ahead.

Ankit Fitkariwala: Nitin bhai, one clarification on the mining side. I believe we might have committed a bid for a couple of MDO contracts but in the last call probably you talked about that they have gone into some litigation from the incumbents. So just wanted to get some color on that where all those things now?

Nitin Patel: Only one job, that is the (KPCL) Karnataka Power Corporation Limited. So we are already through in terms of the qualification, everything is in place now. So only thing is that the earlier developer who was working for KPCL and post once the Supreme Court has canceled all these contracts, so against that he has went to the court, so that is why the tender is not yet finalized. He was working for three, West Bengal, Punjab and even Karnataka also. In all the three places he put the litigation. I think one judgment will take over everything actually. Once it is through that KPCL we will be able to bid. Second, as I have mentioned that Dulanga is already on a track. So that we will be able to complete by end of September. Rest are in the pipeline, we are to yet to submit our financial and commercial proposals.

Ankit Fitkariwala: Varun, so Aurangabad Jalna has already seen 18% Toll hike, Ahmedabad you said is nil hike, except Nagpur Seoni, all the other five operational projects would have seen around 2.7%, right, because all are NHAI…?

Varun Mehta: Maharashtra Border Check Post we have seen hike in Bijapur Hungund, Hyderabad Yadgiri and Shreenathji Udaipur to the extent of 2.5 to 3%, in Dhule Palesner, the hike is more because there was one develop section where the Tolling was not started, so we got the COD in the month of February, so the hike in that project is somewhere around 10%, Rohtak Panipat is again 2.5% to 3%.

Ankit Fitkariwala: Maharashtra Border Check Post we have not seen anything because it is due in 1st April '17, right?

Varun Mehta: The hike is due in 1st April 2018.

Moderator: Thank you. We have the next question from Viral Shah from SBI CAP Securities. Please go ahead.

Viral Shah: In terms of bids submitted in terms of mining, what will be the quantum of that amount be?

Nitin Patel: In Irrigation, as I have mentioned, one bid we have submitted almost to the tune of around Rs.475 crores. In Road sector we have submitted an EPC three bids and these three bids are costing almost around Rs.1450 crores. In Mining, one Dulanga, we have submitted the bid, even for KPCL, the submitted bid is already there. But these two are large size, almost within the vicinity of between Rs.20,000 and Rs.25,000 crores each actually.

Moderator: Thank you. We have the next question from the line of Devam Modi from Equirus Securities. Please go ahead.

Devam Modi: One clarification on Maharashtra Border Check Post. We have shown that the technical evaluation committee I think has approved the claim of Rs.170 crores in terms of additional cost. So how will that work and what exactly is now the final project cost which will crystallize over there and how is the debt portion and equity portion work?

Nitin Patel: Another claims are also there on the Maharashtra Border Check Post, say for example, I would give some two-three examples – one is obviously the PC of 107 which is purely the price escalation because what has happened they were supposed to hand over the land for all the check posts within 90-days from the appointed date, so that is somewhere in October 2009. So delay has been happened. So as per the concession agreement terms, every year 6% escalation is to be added. There is a clear provision. So independent consultant of the project has approved the same, then after Maharashtra State Road Development Corporation (MSRDC) they have also approved. So there is a steering group as per the concession agreement consist of all the three commissioners – transport, sales and excise commissioners headed by M.D. of Maharashtra Border Check Post, the members are the independent consultant concessionaire, we are also there in the member. So they have approved and also based on the government's recommendation matter was given to the technical evaluation committee of the three retired secretaries of the Government of Maharashtra. So they have also completed and given the approval that this is to be paid. Now, it is done. Not only that, apart from that the extension of time what are there, they have also approved. The certain financial like some upfront payment which we have made to the MHRDC. So that was pertaining to all the 24 check posts and we were supposed to get the revenue of all the 24 check posts from a designated date. So whatever delays happened, all these delay costs and everything has been approved by them actually. So all put together, there will be a large number of claims but it will be adjusted in the term of the time period. The bid project IRR is 17% for these projects. So government has to ensure 17% IRR in present value terms and accordingly they have to enhance the construction period as per the terms of concession agreement.

Devam Modi: So you are saying that the project had an extra IRR of 17% and if that is the case, then till 17% IRR increased raw material give you an extension or something like that?

Nitin Patel: It is already there. The approval of the technical evaluation committee is also exactly on the same line. They have also clearly told that these IRR on the present value terms whatever basically cost incurred that is to be compensated with 17% IRR.

Devam Modi: At SIPL standalone level, do we have the losses of PAT credit which will lead to lower tax rate and effective standalone level?

Varun Mehta: Yes, if you see in FY15-16 we had some of the PAT losses, but we had got adjusted particularly in Q4 of FY16 and also again in Q1 FY17 we got the revenue of the major maintenance activity. So there are no major outstanding PAT losses in SIPL standalone as of now.

Moderator: Thank you. We have the next question from Barani Vijay Kumar from Spark Capital. Please go ahead.

Barani V Kumar: Just one clarification; this MMR income that we have booked in the SIPL standalone, it has been the similar way we have been booking in the previous year also, right, for example, in FY16 the revenue was about Rs.70 crores or in FY14 the revenue was Rs.91 crores, it all corresponds to the MMR we would have been doing for projects in those years, right?

Varun Mehta: If you see till now we did the MMR for only one project which was in Ahmedabad Ring Road and that was in FY15, in current financial year we did the MMR of Aurangabad Jalna and the Nagpur Seoni. So what you are referring to is in FY16. So that was particularly in relation to the routine maintenance activity of the under construction project.

Barani V Kumar: I did not quite catch the project opportunities in the BOT and in the new HAM Projects you were mentioning the quantum number. Could you just repeat that sir?

Varun Mehta: In case of Hybrid Annuity Projects, there are three Hybrid Annuity Projects worth Rs.648 crores, of which the bids have been called by NHAI, so now we need to submit the financial bid on that. There are two projects; Rs.1806 crores for which we have submitted the financial bid but the bids are yet to be opened. There are three projects in the BOT Toll ligament worth Rs. 2759 crores, for which the RFQs have been submitted and we await the date from the NHAI in relation to the financial bid submission. There is one project worth Rs.7,523 crores, this is the Vadodara Expressway Project. So here basically we are supposed to submit the RFQ.

Barani V Kumar: So this Vadodara Expressway Project would be on BOT basis?

Varun Mehta: Yes, it is on BOT basis right now. So this includes the construction of the Greenfield Expressway and the expansion of the NH8.

Barani V Kumar: So our earlier guidance for FY17 which is about Rs.6,000 crores of order inflow, so we would also target one or two BOT projects to be part of it?

Varun Mehta: Yes, if you see the guidance of SEL for FY17 is in the range of Rs.5000 crores to Rs.7000 crores. We will probably sort of bid for both say all the segments effectively Hybrid, Toll and the EPC segments.

Moderator: Thank you. We have the next question from Raghavan from Spark Capital. Please go ahead.

Raghavan: As far as Telangana Irrigation Project is concerned, what are the typical ticket size of the projects you are looking for? You told Rs.11500 crores worth of projects out of it. Why do we need typical partner in this – is it because of project size or is it because of scope?

Varun Mehta: Some of the tenders they have asked for example some pipeline kind of work where somebody might have to do 1500 diameter of the pipeline. So that qualification we do not have. Second thing there are certain height of the reservoir where they have asked for some around 15 meters height. So we had qualification up to 12 meters. So then if he had to go for that particular tender, then we have to form a joint venture with that particular partner and so we can take it forward. So this is way also out of this nine we have worked out, four we will have qualification and five we need a joint venture partner. In terms of the ticket size, it ranges from again Rs.500 crores to Rs.1600 crores. So the way it has been designed depending upon the various projects and the locations itself.

Raghavan: Outside Telangana, is there any other state showing visibility as far as Irrigation project is coming?

Varun Mehta: Recently, the prime minister has opened a one link from the Narmada connectivity in the Saurashtra region. So another three links are yet to be now bidded out and opened up and the size depending upon the estimate of the Sardar Sarovar Narmada Nigam, it is almost to the tune of around Rs.22,000 crores to Rs.24,000 crores. So that will continue to come in the State of Gujarat. Madhya Pradesh will have a continuous bidding activity. Rest of the states are under process, but no yet significant concrete bid came out. So we have to just wait and watch for the same.

Moderator: Thank you. We have the next question from Asish K Nainan from Moneylicious Capital. Please go ahead.

Asish K Nainan: Are the Irrigation Projects limited to Telangana or do you have some order book from Maharashtra as well? Secondly, there have been some cancellation of projects in Maharashtra in the past days. So the company has some exposure towards that?

Nitin Patel: We do not have any other project in Maharashtra, even the past also we have not done any single project in Maharashtra. So only the Irrigation business we are having in Gujarat, Madhya Pradesh and earlier it was Andhra Pradesh, now in between Telangana and Andhra Pradesh. One small project we have completed around Rs. 165 crores in the State of Uttar Pradesh, that was the central government funded, that project is already over. So rest other things we do not have.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

Nitin Patel: Thank you very much to all the members who have participated for today's conference call. Myself and Varun bhai on behalf of Sadbhav Group again sincerely apologize for taking at least couple of hours of yours on this holiday and we are really thankful for taking the time. We have discussed almost all the angles during today's call. But here I would like to put forward that the Infrastructure sector the focus of the government is now consistently increasing. Obviously, some new entrants as well as the old players who will now get the benefit of window of this arbitration payment by the central government or the various government agencies. So the boosting in the sector will continue to come. But as a company we are very much of the view that the three sectors what we are having. Apart from that Railways EPC construction if it is coming to our vicinity and our area of construction so definitely we will be going forward to take it forward. So that is only from my end. Thank you very much again for your time.

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