



“ITD Cementation India Limited
Q5 FY2019 Earnings Conference Call”

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Moderator: Ladies and Gentlemen, Good day and welcome to the ITD Cementation India Limited Q5 FY2019 Earnings Conference Call hosted by ICICI 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 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. Adhidev Chattopadhyay from ICICI Securities. Thank you and over to you Sir!

Adhidev Chattopadhyay: Thank you. On behalf of ICICI Securities I would like to thank everyone for joining us on the call today. From the ITD Cementation India Limited Management today we have with us Mr. Jayanta Basu – the Managing Director and Mr. Prasad Patwardhan – the Chief Financial Officer. Over to you now gentlemen for opening remarks. Thank you.

Prasad Patwardhan: Good afternoon and thank you everyone for joining us on this earnings call. We just reported our results for 15 month period ending March 31, 2019 a couple of days back. I am sure you would have seen the results, but before we get on, and we start answering your questions a few things I would like to mention to begin with. In this 15-month period we have reported a topline of 3165 Crores and the profit after tax for the 15 month period is about 82 Crores. In this quarter that is the quarter ending March 2019 we have reported a loss of about 35 Crores which is largely on account of one elevated metro project where we have indicated earlier that there is a reduction in the value of work that we are executing and related to that we have recorded this loss in this quarter. We will speak more about this during the course of the concall as I am sure you will have many questions to ask us on this regard. I would like to mention here in terms of our debt, our net debt on a consolidated basis is about 442 Crores, which gives us a debt equity ratio of about 0.4 times so the debt has not increased during this quarter, we have been able to maintain or even reduce the debt to some extent during this quarter.

As far as our order book is concerned, we started this 15-month period with an order backlog of about 7500 Crores. During the course of this 15-month period we have received new orders worth about 5100 Crores and our closing order book as of March 2019 is almost touching 10000 Crores. In this quarter ending March 2019 as well we have received new orders worth about 650 Crores, after March 31, 2019 in the last couple of months we have received new orders worth about 350 Crores and in addition to that we are the lowest bidder on four tunneling projects to be executed in the North East part of the country, these four contracts all together add up to about 1900 Crores, so this is what I can share with you on the financial results that we have disclosed a couple of days back.

I will now hand over to our MD, Mr. Jayanta Basu and he will apprise you of our operational performance and then we will take questions from your side.

Jayanta Basu:

Thank you Prasad. Good afternoon everyone. As far as operational performance is concerned, our topline is almost flat in this quarter and we, declared some loss in this quarter and mainly from Bangalore metro, which was indicated before also. Nagpur elevated metro work progress so far achieved around 46%. Mumbai metro we are doing well, we have achieved around 29% progress and profitability maintained. In other metro sector such as Kolkata Biman Bandar, we are doing station building for Kolkata metro. In addition to the earlier contract, we have secured one more contract so total work around 800 Crores is under execution in these two contracts. In Bangalore metro as we said before the job value substantially has come down by about 20%. Our original value was around 2400 Crores, which is now around 2000 Crores. There have also been much delays in working front availability, which resulted delay in progress. We are supposed to complete the job by end of this year but now we expect it go up to next year June or July. This delay and reduction in Job value have compounded to some losses in this job and which we have reconciled this time.

Coming to marine project, as usual they are going on well. Udangudi is a big job and going as per our expectation. Out of 8 kilometer inside the sea, we are so far now executing upto around 4 kilometer inside the sea, all the fronts are working, payments are good from Client. The big Marine job we are doing in Haldia. Haldia we will be able to substantially complete this year, progress is close to 50% so far. At Andaman we have just started a Marine Job for Indian Navy and we expect to do well. Vizag Port 50% completed and we have also successfully completed a big job in Mumbai Port 5th oil terminal. It was a difficult job and done very well.

Recently we have secured some jobs in marine, one is in JNPT, the job is yet to start. We may get Notice to Proceed (NTP) any time. We have also secured one medium-size marine job in a place called Chhara from Shapoorji. Order received last month. In sector such as Airports and Buildings -Trichy Airport and Pune Airport, which we have secured a couple of quarters back, progress is as per schedule and as Mr. Prasad said in North Bengal we are L1 in four tunnel jobs that is for new railway line to be done from Siliguri to Gangtok actually Sivok to Rangpo and the total value of the jobs is around 2000 Crores. We just received the LOI yesterday for one job, which is around 600 odd Crores and balance LOIs are expected maybe by couple of days or weeks. So this is a nutshell about the operations and the jobs in pipeline. If you have any other question we will be happy to reply.

Moderator:

Shall we open up for Q&A?

Jayanta Basu: Yes.

Moderator: Sure, thank you. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal: Since 2009 we have seen significant deleveraging in ITD and we had almost reached near zero debt and now after the QIP we have again gone back to the debt levels of 500 we have again started seeing losses in projects after the Delhi metro project was behind us. Even till last quarter last couple of quarters we have been saying that this project will be almost breakeven at the EBITDA level, now we started booking losses even if I see your standalone numbers your 450 Crores of topline you should have ideally recorded at least 10% margin on that so 45 Crores EBITDA, but even if you take this 40 Crores of hit in elevated so I do not know how you ended up making 10 Crores of EBITDA loss. So what has gone wrong this entire process I can understand that you can take up some project well you will not make money, but EBITDA margin level of 10%, 11% how can you go wrong in a project, a big project like 1900 or 2000 Crores project of elevated metro?

Prasad Patwardhan: Thanks for your question Parikshit. What has gone wrong in the elevated metro project is something that was not in our control, we bid for the project based on the quantities that were indicated to us by the client and those quantities have reduced whereas the actual physical work that we are doing has not really reduced proportionately so that is a change, which has resulted in the margins vanishing as far as this project is concerned and we have indicated this in our earlier concalls as well. If you recollect in the previous concall and even before that we had indicated that the margins would be substantially lower on this project and we were reassessing the margins at our end and that is why we could not really come back to you with the number at that point of time, but having done that we have recorded the anticipated loss on this project in this quarter. As far as the debt levels are concerned, yes it has reduced significantly after we did the QIP issue last year, but the money has to be finally used in the execution of the projects and that is what has happened in fact if you see our debt levels in March 2019 as compared to the debt levels in December 2018, but debt has all actually fallen by about 75 to 100 Crores, I am talking about the net debt basis.

Parikshit Kandpal: So contractually how are you protected by this reduction in your scope of work and this overrun so how are you parallely taking up with the client and recover the dues, which is like the losses, which you are incurring in this project?

- Jayanta Basu:** Yes, we have contractual avenue to claim compensation which is under evaluation in light of the provisions available, timing is also very important but all those things we cannot consider now in our numbers. We hope that the things might improve at Bangalore Metro.
- Parikshit Kandpal:** This project has a share of equity, stake of the parent and now we are already incurring cash losses so how does the parent bring in like because even in Delhi metro I think there was a part like loss funding, which was like funded by us the parent did not contribute anything so in this project also like are you looking at any support from the parent to make good shortfall or are we thinking anything on something doing on the royalty side if we can cut down the royalty pertaining to the parents part?
- Prasad Patwardhan:** Actually if you see this project we have taken on our own because they have just supported us to get qualified for this job and it is totally under our control so all the pluses or minuses of this project will be in our account. I will not be able to comment about royalty part at this stage, we can take a decision later on.
- Parikshit Kandpal:** Okay, just lastly sir I mean we are doing lot of complex projects, but it is not delivering for us, our margins have been like low single digit margins, your peers in roads and other segments are making 16%, 17% margin so despite having such a complex capabilities we have not been able to return to our shareholders so I understand that we are not looking to bid for any road projects and in future also we will not be able to I think we are not considering new elevated projects, so what benefit our business model has despite doing complex project we are not able to deliver on margins in our own?
- Prasad Patwardhan:** No I will little bit differ with your view here if you see the margin what we have declared quarter-to-quarter last year or a year second last year that was not bad and that has mainly contributed from our marine jobs and way forward we still have a good work in marine jobs 3000 Crores plus and another thing we have got good underground jobs in Mumbai metro and Kolkata metro, which will be giving us good margins. Yes we are staying away from roads I do not know which company is doing margins there but I do not see that even now also it is a good prospect unless there is drastic change from the government's policy on this.
- Parikshit Kandpal:** Okay Sir. Thank you, that is all from my side and all the best.
- Moderator:** Thank you. The next question is from the line of Vibhor Singhal from PhillipCapital. Please go ahead.

- Vibhor Singhal:** Thanks for taking my question. Sir just one clarification do we not book the Bangalore metro numbers at the consolidated level, does it come in the standalone level also because I was under the impression because it is an 80% subsidiary we would be only doing at the consolidated level?
- Prasad Patwardhan:** You are right Vibhor line-by-line consolidation is done at the consolidated level, but in our standalone numbers we report our share of the profit or loss after tax of that JV and this we have been doing over the past many years there is no difference or there is no change in accounting. So the only reason why the standalone results today are showing a loss is because the Bangalore metro loss gets accounted in the standalone numbers as well.
- Vibhor Singhal:** Okay, so the Bangalore metro profit or loss either ways will get counted in the standalone numbers also at EBITDA level also?
- Prasad Patwardhan:** Right in the consolidated number there will be a line-by-line addition of the standalone plus the subsidiary it is a line-by-line consolidation whereas in the standalone result there is only a single line, which gets added the share of loss or profit gets accounted for as a single line item.
- Vibhor Singhal:** And that comes above the EBITDA level you are trying to say?
- Prasad Patwardhan:** Yes.
- Vibhor Singhal:** Because generally what happens in these cases we show them as below EBITDA share of profit from JV or associates, but here we include them in the EBITDA level itself?
- Prasad Patwardhan:** That is right.
- Vibhor Singhal:** Sure Sir that explains the difference. Also Sir now that this year now that it changes financial year to March ending if I look at the last four quarters we have done a topline of around 2500 Crores now considering that we have taken all the hit that we had to take in the Bangalore metro what is the prospect that we are looking for next year in terms of growth potential?
- Prasad Patwardhan:** As I mentioned to you just now our order book has grown from 7500 Crores in December 2017 to about 10000 Crores and in addition in April and May if you take into account the orders that we have been awarded and the L1 positions our order book is close to 12000 Crores you will see that getting translated in our revenue in this yearend going forward.

- Vibhor Singhal:** Sure Sir and if I look at a strong growth let us say driven by the strong order book do we have basically an internal target or internal benchmark as to where we are comfortable with the debt level now that we are at let us say the debt level is almost at around 500, 530 Crores what is the kind of number that we are looking at not to cross or maybe the target or maybe what is the kind of debt number that we are looking at for that maybe next one or two years?
- Prasad Patwardhan:** Well one or two years is too far.
- Vibhor Singhal:** Okay let us say FY2020.
- Prasad Patwardhan:** The present debt levels we are comfortable with these debt levels and we do not want the debt levels to rise significantly beyond where they are today unless we see a significant growth in our turnover as well. So basically the increase in debt will fuel the increase in our revenue otherwise the aim is to keep debt as low as possible.
- Vibhor Singhal:** Would you be able to give me a number for FY2020 as to what could be the debt level or that would not be possible?
- Prasad Patwardhan:** The debt level is a function of many different things, it is a function of the capex, it is a function of the execution, the function of a new order that we secure so it will be difficult for me to give you a number of what debt levels we expect by march 2020, but as I mentioned my endeavor is to keep the debt levels as low as possible.
- Vibhor Singhal:** Sure Sir, that is helpful, thanks a lot for answering my questions. I will come back in the queue if I have anything more.
- Moderator:** Thank you. The next question is from the line of Shreyans Mehta from Equirus. Please go ahead.
- Shreyans Mehta:** Thank you for the opportunity. Sir pardon my accounting ignorance. Sir just wanted to understand in case other expenses have gone up by 40 odd Crores because of Bangalore metro where is the corresponding entry?
- Prasad Patwardhan:** No I did not get your question. It is the share of loss, that is getting recorded, that is being clubbed under other expenses over there.
- Shreyans Mehta:** But there is no actual cash outflow right?

- Prasad Patwardhan:** This is the loss anticipated on completion of the project that we have accounted for.
- Shreyans Mehta:** Alright. There will be a corresponding entry to it right?
- Prasad Patwardhan:** Of course right we have corresponding entry to it.
- Shreyans Mehta:** Just wanted to understand that one is at other expenses the other would come at?
- Prasad Patwardhan:** That could be in the balance sheet, it will not be in the P&L. Yes we will take this accounting entries offline we can discuss that in more detail later on.
- Shreyans Mehta:** Sure. Sir secondly can I have the order book breakup for the metros the different metros?
- Prasad Patwardhan:** Order book breakup for metros yes sure we can share that with you. You want the project wise breakup or what exactly are you looking at because the urban infra order book is about 4200 Crores.
- Shreyans Mehta:** No, not the Urban infra sir like Pune, Bangalore?
- Prasad Patwardhan:** See Pune, Trichy airports both put together the order book was about 900 Crores.
- Shreyans Mehta:** Sir breakup between Pune and Bangalore?
- Jayanta Basu:** Yes I will try to help you, you are asking for the metro or airport?
- Shreyans Mehta:** Metro.
- Jayanta Basu:** Okay, we are not doing any metro in Pune we are doing metro in Bangalore. Bangalore the total value came down to 2000 Crores and now out of that we have got around 50% slightly above 1000 Crores so balance work is around 1000 Crores there. Similarly Mumbai metro our share of work is around 1800 Crores and out of that we have executed around 30%, so around 1200 Crores is the balance work.
- Shreyans Mehta:** Sir just one clarification out here in the presentation our share has shown 60% and the order book 100% has also gone up vis-à-vis last quarter, last quarter it was say 2000 odd Crores?
- Jayanta Basu:** Yes.
- Shreyans Mehta:** And I guess this quarter it has gone up, so 60% of that is that right?

- Jayanta Basu:** Yes, our portion is 60% .
- Prasad Patwardhan:** The order value has not gone up and executed portion is about 2000 Crores and our share of that is about 60%.
- Shreyans Mehta:** That is it from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Srinivas Rao from HDFC Mutual Fund. Please go ahead.
- Srinivas Rao:** Hello Sir, congratulations Mr. Basu for your elevation. Sir my first question is on the guidance for the current year in the sense based on the current order backlog what kind of revenues do you expect for the current financial year and profitability on that?
- Jayanta Basu:** Topline Srinii I think there will be around 25% to 30% we can see growth in topline.
- Srinivas Rao:** This is versus your FY2019 15-month number.
- Jayanta Basu:** 12-months number.
- Srinivas Rao:** Anyway based on we are not seeing revenues from additional orders, but based on the current order backlog and the execution timeline what is the likely revenues for year FY2020?
- Jayanta Basu:** Around 3000 plus.
- Srinivas Rao:** Okay that is helpful sir and on this what is the likely profitability at EBITDA level?
- Jayanta Basu:** It is difficult to say at this time, Prasad may highlight on this.
- Prasad Patwardhan:** Srinii the profitability on Bangalore metro where we have about 1000 Crores yet to be executed there is not going to be any margin recognition now and presently work is going on in two, three segments one is airports, one is urban infra and the third segment is marine. Now margins will ultimately depend on how much each of these segments contributes to our topline so it will be difficult for me to give you an offhand number.
- Srinivas Rao:** Some range would be good enough in a sense.
- Prasad Patwardhan:** No, you have seen our margins that we have reported in the past and we have been saying that the margins maybe a bit lower going forward because earlier we had marine the large

part of our order book was marine, which is at that time it was around 60% or higher today marine is just about 30% the third of our order book is marine. So there will be some moderation in the margins and again Bangalore metro there would not be any margin recognition.

Srinivas Rao: Also Prasad on this Bangalore metro for the benefit of everyone there is some confusion on the accounting treatment I think it will be good if you can explain once and how exactly this has been treated in the accounts?

Prasad Patwardhan: Sure. See the projects that we are executing in joint venture they can be classified into two parts, one our shareholding is say less than 50%, so these projects will not get reported in our topline either on standalone or on consolidated basis. The second part is the projects like Bangalore metro our stake is in excess of 50% and these are consolidated. So in either case whether we are consolidating or not consolidating our share of profit after tax in all these joint venture projects gets reported in our standalone numbers as well. So for example a Mumbai metro project the turnover will not get reported either in our standalone or in our consolidated numbers, but only the share of profit after tax gets reported in both standalone and consolidated. For projects like Bangalore metro project only our share of profit or loss gets reported in the standalone financials and in the consolidated financials for a Bangalore metro project it would be line-by-line consolidation in revenue as well as in different items of cost.

Srinivas Rao: But Sir that is where the confusion this Bangalore metro our understanding is only this whatever loss or profit will come at after PAT whereas I think what you are answering to the earlier question you are saying that this will come above EBITDA?

Prasad Patwardhan: No, in the standalone financials let us forget all other joint venture projects and only consider Bangalore metro. In the standalone financials our share of profit or loss after tax will get reported in the standalone numbers. In this quarter it is reported under other expenses if you have results in front of you, you will see a significant increase in our other expenses figure. That is where the loss on the Bangalore metro project is sitting even if you look at the consolidated financials there is a line-by-line consolidation so standalone projects plus Bangalore metro will be reported in the revenue and each element of cost as well.

Srinivas Rao: I understand and we are asking right now about the standalone the understanding is in the standalone Bangalore metro should come below PAT whereas you are saying it has come in the other expenses?

- Prasad Patwardhan:** Yes see that is the format for reporting to the stock exchanges and that is where it is getting reported there is no separate line where we can present our share of profit or loss it is getting included in the other expenditure.
- Srinivas Rao:** Okay fine and this Mumbai metro if 29% is complete so have you started booking profit where are we, what is our situation in terms of profitability of this project?
- Prasad Patwardhan:** We have started booking profits, but we have been conservative on recognition of profits today because there are a few critical activities where there could be some potential for maybe increase in cost or there are some risks that we perceive, till those milestones are crossed we are not recognizing the full margins today.
- Srinivas Rao:** You said we are done 29% till March 31, 2019 is that correct?
- Prasad Patwardhan:** Yes that is correct.
- Srinivas Rao:** So, what percentage is needed for you to start recognizing normalized margins and what is the visibility that you have on that?
- Prasad Patwardhan:** No, it is not a question of percentage Sriniv there are some critical activities, which we need to get over, once those activities are completed and we expect them to happen maybe in the next six to eight months time. So once we cross that milestone then you will see an increase in the margin recognition over there assuming that there is nothing to the contrary that we come across during execution.
- Srinivas Rao:** So what is the Bangalore metro, in Mumbai metro till now whatever work you have done in that how is the profitability versus what you expect?
- Prasad Patwardhan:** Well, we have been very conservative on margin recognition in Mumbai metro I do not have the numbers in front of me right now.
- Srinivas Rao:** In Mumbai metro profitability as of now is better than what you expected?
- Jayanta Basu:** Yes it is as per our expectation so far, but we can see that it will definitely increase substantially after four to five months time.
- Srinivas Rao:** Profitability margin will improve?
- Jayanta Basu:** Yes.

- Srinivas Rao:** Okay, thank you and all the best Sir.
- Moderator:** Thank you. The next question is from the line of Dhiral Shah from Asit C Mehta. Please go ahead.
- Dhiral Shah:** Good afternoon sir and thanks for the opportunity. So my question is regarding Bangalore metro once again so what is the total loss we have incurred you have booked in the other expense?
- Prasad Patwardhan:** This quarter we have booked a loss of about 40 Crores.
- Dhiral Shah:** And you do not expect any other loss to be booked in the rest of 1000 Crores order?
- Prasad Patwardhan:** Well this is a loss that we have estimated on completion and we have recorded that in the current quarter.
- Dhiral Shah:** And secondly Sir talking about the Mumbai metro you just stated after four to five months you will start going to report profitable number so can we expect at least by FY2020 end we will be having positive share of number in the JV?
- Prasad Patwardhan:** Yes that is what we are also endeavoring to be.
- Dhiral Shah:** So do you expect this 14 lakh of negative overall on the basis should be plus like 10 to 15 Crores at least?
- Prasad Patwardhan:** Well, I cannot put a number to it right now but as I mentioned there are some activities that we need to get over with. Once we are successfully put that behind us we will see better margin recognition on the Mumbai metro project.
- Dhiral Shah:** And Sir the overall order book if we see it is around 10000 Crores, so at least we can expect a double digit kind of a margins are there in this 10000 Crores order book?
- Prasad Patwardhan:** The margins are better definitely only thing is the accrual of the margins it may not be evenly spread throughout, like we mentioned in Mumbai metro just now today the margins are lower but we expect them to improve going forward. Similarly when we executed the new project there is a 10% threshold till we execute 10% of the project we do not recognize any margin.
- Dhiral Shah:** Okay and Sir what kind of order inflow you expect in FY2020?

- Prasad Patwardhan:** Well we expect to do better than what we did in the past
- Dhiral Shah:** So last year you booked around 5000 Crores so do you expect at least 10%, 15% growth?
- Prasad Patwardhan:** Well we expect to definitely cross this number. Actually if you see even now if you look at the order secured since April and the L1 position we are already close to 50% of this number.
- Dhiral Shah:** Yes and what is the share of total JV order book in the overall order book?
- Prasad Patwardhan:** Well our total order book as I said is about 10000 Crores out of that the JV order book is about 3000 odd Crores.
- Dhiral Shah:** Okay, thank you Sir. That is it from my side.
- Moderator:** Thank you. The next question is from the line of Vipul Shah from Sumangal Investments. Please go ahead. As there is no response we take the next question from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.
- Parikshit Kandpal:** Sir this new tunnel jobs which we are L1 in so these will be all direct jobs, these will be part of standalone?
- Jayanta Basu: Yes Parikshit all the four jobs where we are L1 in tunnel all are direct jobs and to be standalone.
- Parikshit Kandpal:** And do we need to incur any capex here because I think all tunnels, is the TBM intensive jobs do we need to invest lot of capex on this?
- Jayanta Basu:** There are some capex involved, but it is not like TBM. These tunnels are to be done by drill and blast method. We are required to have some drilling machines, which are cheaper compared to TBM.
- Parikshit Kandpal:** So what is the capex target for next year FY2020 how much capex we will be doing?
- Jayanta Basu:** We like to maintain the same trend this year so maybe around 10%, 15% increase from last year.
- Parikshit Kandpal:** What is the number?
- Jayanta Basu:** Number will be close to 130 odd Crores.

- Parikshit Kandpal:** On the marine side how is the order pipeline building up because last time we had discussed about the project Seabird and other orders. So if you can just highlight like what?
- Jayanta Basu:** In marine our present order book is around 3300, and we have just secured one job in a place called Chhara in Gujarat from Shapoorji. In addition, under bidding stage one Marine Job in Myanmar which could be around 1000 Crores,, The Sri Lanka job where there are three or four bidders is under evaluation by client . Two bids are due to be submitted for Indian Navy at Project Sea Bird, Karwar, each will be more than 1500 Crores, We have just recently bid one bridge in Pamban near Rameswaram day before yesterday, which is the small job close to around 300 Crores and then JNPT Phase II is also coming up shortly.
- Parikshit Kandpal:** All put together will be close to like how much 5000, 6000?
- Jayanta Basu:** All put together around 4000 plus.
- Parikshit Kandpal:** Sir what will be the debt in the Bangalore elevated metro and out of the total 450 Crores of debt how much will be this project?
- Prasad Patwardhan:** 300 Crores.
- Parikshit Kandpal:** One single project is having almost like your entire debt
- Prasad Patwardhan:** Actually Parikshit it is not a single project there are four big jobs you put it in one basket each job is around 500 to 600 Crores there are four different packages.
- Parikshit Kandpal:** No, no I am saying sir out of 10000 Crores order book 1000 Crores order backlog is consuming almost 300 Crores of your debt so out of the total 450 Crores of that 300 Crores is just in one just 1000 Crores job so by June next year so this entire debt will be like little devolved right?
- Jayanta Basu:** Yes, it will take some more time, by June 2020 we will physically complete the job which has been so far handed over to us, but then the financial things will go up to end of next year such as receiving final payment from client.
- Parikshit Kandpal:** Sir all our segments which is there in the order book so the lowest margin in any of these segments when we bid so at least we will have lower double digit margins in mind right 10% or somewhere around that and it may go as high as 13%, 14% for marine right?
- Prasad Patwardhan:** Yes.

- Parikshit Kandpal:** So in that range it should be typically there?
- Prasad Patwardhan:** Yes, you are right.
- Parikshit Kandpal:** Okay Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Rajiv Mehra from JM Financial. Please go ahead.
- Rajiv Mehra:** Sir just wanted to reconfirm, sir apart from the 40 Crores loss, which is anticipated in the Bangalore metro any other projects, which are having any runaway cost or any other anticipated loss, which going forward could be taken into consideration?
- Jayanta Basu:** No as of now we do not expect any of our projects to incur loss certainly nothing of this magnitude there could be something some pluses or minuses here and there, but nothing significant .
- Rajiv Mehra:** And just coming back to the Mumbai metro you had just mentioned that you are going through a critical passage of construction and once that is through then our margins will start getting recorded. At the moment as the order is progressing there has been no significant hit or a loss, which has come in that critical passage of work right now.
- Jayanta Basu:** No, it is the other way round our progress is much better compared to the other packages, we have completed nearly 40% of the tunnel. . So the progress has been pretty good, but there are two, three activities which are risky in nature and that is why we are keeping some provisions aside for that purpose.
- Rajiv Mehra:** And this milestone would be achieved by the say in the next three to five months?
- Jayanta Basu:** Well next four to six months.
- Rajiv Mehra:** Sir just one more question if you could just tell us the margin profile say in your marine segment and say in the metro segment what could be the margin profile which you are working at or working under?
- Jayanta Basu:** Yes, generally marine segment margins are high compared to other segments..
- Rajiv Mehra:** So would it be say between 12% to 15% kind of a range or would it be lower than that?
- Jayanta Basu:** It will be around that.

- Rajiv Mehra:** Between 12% to 15% and metros would be ideally between what range?
- Jayanta Basu:** Metros due to uncertainties and the risks, it goes below double digit so around 7% to 8%, 7% to 10%.
- Rajiv Mehra:** And Sir just one final question, I missed out on the order bid pipeline did you mention that what was the order bid pipeline, which you have bid for was it 5000 Crores plus right now?
- Jayanta Basu:** Order bid pipeline yes around 5000 Crores yes.
- Rajiv Mehra:** Okay thank you Sir.
- Moderator:** Thank you. The next question is from the line of Prem Khurana from Anand Rathi. Please go ahead.
- Prem Khurana:** Good afternoon Sir thanks for taking my questions. Sir I think give us the opportunity that you are yet to have at marine would you be able to share your sense on MRTS urban infra and what kind of opportunity do you get to see and essentially if I remember correctly last quarter as far as your drilling and blasting, tunneling is concerned the opportunity size that you gave us was higher than what you have been able to manage so does it there are some more projects are yet to come up bidding there?
- Jayanta Basu:** See the drilling and blasting tunnel I have been mentioning that there are four jobs in North of Bengal where we are L1 the total value will be around 2000 Crores out of 2000 Crores one job LOI just received yesterday and balance are in the pipeline.
- Prem Khurana:** I think in the last quarter you gave us a number of almost around six odd packages so does it mean we have been able to find success of only four and then two have gone to someone else?
- Jayanta Basu:** We have not pursued another two jobs because we think we have enough in our kitty now already so we did not bid for the last two jobs.
- Prem Khurana:** And how about the margin in these packages because the terrain would again be kind of little difficult, have we built enough to be able to deliver in terms of margins there?
- Jayanta Basu:** Well, we have just received the orders we have to see there are a lot of risks. I will know there are pluses and minuses, but it will be around that standard range of 10% to 11% in that business.

- Prem Khurana:** Sure and the kind of opportunity that you can do have an MRTS side urban infra?
- Jayanta Basu:** In Urban infra we have elevated and underground metro constructions. The performance in elevated segment depends upon front availability so we are consciously avoiding elevated metro unless it is very attractive, but we are definitely pursuing couple of underground metro jobs such as at Bangalore, two jobs. There are prospects in Kolkata metro and Delhi Metro Phase 4.
- Prem Khurana:** And Sir just on this Bangalore loss that we have booked and the loss that we have booked is assuming that you would be able to finish it by June so if there is any further extension there could be further losses that you would get to have or how does that work 40 crs is what we were required to provide and everything is provided and we would not get to have any incremental number or there is still some chance wherein there could be some more provisions foreseeable losses that you would have to provide for this.
- Prasad Patwardhan:** We expect the project to be completed by June as Mr. Basu mentioned earlier.
- Prem Khurana:** Okay and just one more on this Sir as far as our consolidated numbers are concerned you consolidate on a line-by-line basis and given the fact that we own 80% and there will be a minority provision of almost around 20% so why is it that I do not get to see any number in our minority interest in this quarter because if it is we have done Rs.40 Crores of loss in this subsidiary in this quarter, ideally provide 20% as minority right, but I do not get to see that number in my consolidated numbers.
- Prasad Patwardhan:** But the understanding over there is ITD has only supported us in the bid for this project, the entire project is under our control and whatever profit we make or loss we incur is entirely to our account.
- Prem Khurana:** And just one last thing Sir in standalone number if I have to adjust for this Rs.40 Crores of loss we seem to have done around Rs.30 odd Crores of EBITDA on a base of Rs.450 Crores of topline, which gives me a number of sub 10% kind of EBITDA margin even in standalone, which largely comprises marine. So does it mean there was something with some marine project as well in this quarter, which is what we have provided for?
- Prasad Patwardhan:** No, none of our marine projects is incurring a loss. This is arising largely because of a timing difference. In the last year we were awarded projects worth about 5000 Crores and in the September quarter if I am not mistaken we got about 2000, 2500 Crores worth of orders. Now all these orders are in early stages of execution or under mobilization right now. So

although they are contributing to a turnover there is no margin recognition on these projects.

Prem Khurana: Okay, when do we start recognizing margin and Mumbai is a special case wherein I mean you are waiting for some critical activity?

Prasad Patwardhan: No, once we cross the 10% ratios then we recognize the margin so some projects may cross about 10% threshold in June and the remaining projects will do that in September.

Prem Khurana: Sure. Thank you.

Moderator: Thank you. The next question is from the line of Vipul Shah from Sumangal Investment. Please go ahead.

Vipul Shah: Hi sir, any amount out of this 40 Crores loss that we are booking for Bangalore metro will be recoverable in future?

Jayanta Basu: Well, we will pursue as per contractual terms and conditions and under evaluation now.

Vipul Shah: No, but what is the mechanism means is it arbitration or how it works?

Jayanta Basu: Mechanism will be to start with, it will be direct negotiation with the client and if that does not work out then the next stage would be arbitration.

Vipul Shah: But contractually how protected we are?

Jayanta Basu: There is contractual provision for variation in contract value, but there are other issues which are little bit here and there. Our team is evaluating all such contractual avenues we have. There are some provisions in contract and we are working on this.

Vipul Shah: Okay Sir. Thank you.

Moderator: Thank you. The next question is from the line of Deepak Narnolia from Birla Sunlife Insurance. Please go ahead.

Deepak Narnolia: I have a couple of questions. One is about this Bangalore metro project what you are saying that something has gone wrong that turnover has decreased and your cost has just not come down in the manner turnover has gone down because of this scope has changed or something has changed so can you throw some light on this what exactly has happened and

how after bidding that those margin has reduced and you are not in a position to be negotiating the customer on books?

Jayanta Basu: Well, we have to build 24 kilometer long of elevated structure for metro and it consists of around 24 stations. Now this geometry and shape has not changed that we have to still build 24 kilometer of elevated metro we have to still build 24 stations, what has happened our payments are based on the bill of quantity given by the client and that is based on how much concrete volume, how much reinforcement tonnage and how much shuttering area etc. Those things, which is supposed to be as per the drawing given and the same as compared to the tender condition has reduced drastically.

Deepak Narnolia: You were saying sir that 25 stations you are about to build that?

Jayanta Basu: Yes so let me explain once again. We have to build 24 kilometer of elevated structure for the metro and then we have to build around 24 stations so that was the condition during tender that remains still now, but our payments are based on the quantity what we execute in terms of concrete volume, the reinforcement tonnage and all those are much overstated in the tender stage.

Deepak Narnolia: Those are much overstated.

Jayanta Basu: Yes.

Deepak Narnolia: Overstated means

Jayanta Basu: Overstated means we have bid for say 1000 cubic meter of concrete, but 1000 cubic meter has come down to 800 cubic meter now, so we are getting payment only on 800 cubic meters.

Deepak Narnolia: And why is that Sir?

Jayanta Basu: That is because the quantity of the structure, which was given by the client was not correct.

Deepak Narnolia: And then why cannot we negotiate on this with the customer and we are making so much of you are losing your profit?

Jayanta Basu: We are discussing with the customer to sort out amicably otherwise it has to go through contractual process.

Deepak Narnolia: We have the right to challenge this?

- Jayanta Basu:** Yes of course.
- Deepak Narnolia:** And next is Sir you said there is somewhere around 25% growth in your turnover so that is on top of your 15 months turnover or annualized turnover for this?
- Jayanta Basu:** Annualized.
- Deepak Narnolia:** These four quarters?
- Jayanta Basu:** Yes.
- Deepak Narnolia:** 25% on the four quarters?
- Jayanta Basu:** Exactly.
- Deepak Narnolia:** Yes, that is all Sir.
- Moderator:** Thank you. The next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.
- Parikshit Kandpal:** You said that our debt will be stable at the current levels of 450 Crores now, one single project is having 350 Crores of debt and balance 9000 Crores of jobs and now almost, 11000, 12000 is the total order backlog as of now and 11000 Crores job will just consume like 150 Crores of debt?
- Jayanta Basu:** Parikshit in the 11000 Crores order book you are including the projects where we are lowest, where we are not started doing anything. There will be client advances also that we will be getting and the Bangalore metro project is going to generate cash once this loss is accounted for in the remaining course of the project it is going to generate some cash, which would be used for reduction of the debt.
- Parikshit Kandpal:** Cash I understand it will generate so that it will take at least one-and-a-half years for this debt to evolve?
- Prasad Patwardhan:** Yes but the debt that is what Mr. Basu mentioned earlier that the debt will be repaid over the course of this 300 Crores is not going to be repaid in the next six months, it is a working capital debt and it will be repaid progressively as we execute the project and complete the project commercially, physically the project will be completed by June, but by the time we settle everything and realize our money it may take another three, four months beyond that period and the Bangalore metro debt will be repaid over this period.

- Parikshit Kandpal:** Yes and that is exactly what I am asking you is that your other 11000 Crores worth of jobs will ramp up over the next six months to nine months and this 300 Crores debt, which is there in this Bangalore metro will take almost one-and-a-half years to get to zero so how can your debt be stable at the current levels of 450 Crores?
- Jayanta Basu:** Why not? It would be stable with r all these new orders, we will be getting advances from the customers as well, it is not going to be only funded from the debt what we can borrow from the bank there will be customer advances of 10% to 15%, which will be available to us to draw.
- Parikshit Kandpal:** Because earlier you were not taking advances and that is why your debt has gone up so much?
- Jayanta Basu:** Parikshit we have not taken advances only on one project where the contracts specify the higher rate of interest all other projects we have taken customer advances.
- Parikshit Kandpal:** So how much will be the pending advances now?
- Jayanta Basu:** As of balance sheet debt the outstanding advances were in the range of about 150 Crores.
- Parikshit Kandpal:** And how much are you eligible for in this new order?
- Jayanta Basu:** All these orders will have 10% to 15% advance provisions.
- Parikshit Kandpal:** 10% to 15% advance provision.
- Jayanta Basu:** Yes.
- Parikshit Kandpal:** And at your bank rate typically what would be the rate?
- Jayanta Basu:** It would be typically the client advances are at bank rate plus 2% or something like that.
- Parikshit Kandpal:** Okay Sir, thank you.
- Moderator:** Thank you. The next question is from the line of Rachit Kamat from Anand Rathi. Please go ahead.
- Rachit Kamat:** I just had a question pertaining to your slow moving irrigation project in Telangana. Suppose the project was of Crores size, we have received additional orders after we had

stop work for sometime, so I wanted to know the status as to how it is moving because essentially I think that project is at our consolidated level?

Jayanta Basu: Yes as you rightly said that job value has gone up from 600 to 900 odd Crores and then there have been some tailwinds in the work that I think last year December we started the work and the work is going on now and we have received the payment also from client so it is on progress now.

Rachit Kamat: Okay, so it is going smoothly like are there any more hiccups?

Jayanta Basu: No, it is going so far smoothly, do not expect any hiccups.

Rachit Kamat: And Sir regarding this Mumbai metro project when I look at it quarter-on-quarter the order book seems to have increased on the project so last quarter the order backlog was around 2003 Crores and now it looks at around 2138 Crores so did we have any incremental work on this?

Jayanta Basu: No that would be the adjustment for escalation or something like that, there is no increase in order value from the client.

Rachit Kamat: So just kind of some adjustments.

Jayanta Basu: Yes right.

Rachit Kamat: And same thing it is like we saw the same thing for the Kolkata Metro projects there is an increase of around 7, 8 Crores.

Jayanta Basu: Yes, that would be because there were some adjustments relating to GST there were some claims, which they had approved, which resulted in a change in the order value.

Rachit Kamat: So it is like around 135 Crores worth of change you are seeing?

Jayanta Basu: Yes.

Rachit Kamat: Okay, perfect Sir and Sir one last question you had said that you are looking at Delhi metro Phase IV, Bangalore metro, Kolkata metro orders. What kind of value are we looking at over there Delhi metro 50000 Crores of orders that are planning to come out and even if we take 50% of that on your infrastructure this was around 25000 Crores plus order, so what kind of a number will we be looking at or do you have any information on the packages that are over there?

- Jayanta Basu:** Well, see the Phase IV Delhi metro is quite big and there will be all the players., We will be definitely trying to get something to our capability and particularly will be interested for the underground sector at least one or two packages in underground and each package ideally would be around 1500 to 2000 Crores.
- Rachit Kamat:** And when did you expect the Delhi metro package phase IV will open up?
- Jayanta Basu:** Well now the election is over so I think they will expedite now maybe end of this year.
- Rachit Kamat:** So FY2020 and you will see these guys coming up in the bid?
- Jayanta Basu:** Yes.
- Rachit Kamat:** Okay sure Sir. Thanks a lot Sir. Best of luck for the future.
- Moderator:** Thank you. The next question is from the line of Siddharth Rajpurohit from JHP Securities. Please go ahead.
- Siddharth Rajpurohit:** Sir just one clarification, going forward you are going to continue to recognize revenue in the Bangalore project, but no margins?
- Jayanta Basu:** That is correct.
- Siddharth Rajpurohit:** So on consolidated level the margin assumption should be lowered?
- Jayanta Basu:** Yes.
- Siddharth Rajpurohit:** Okay fine Sir thank you.
- Moderator:** Thank you. The next question is from the line of Arvind Joshi from Bataleur Advisors. Please go ahead.
- Arvind Joshi:** Sir could you just elaborate on the progress made on the sewer treatment plants that we are looking to participate and are we going to participate in all the four projects or we are going to go with different partners?
- Jayanta Basu:** We have so far participated in three jobs, one is Worli, one is Bandra, and other is Dharavi. We are just waiting, there is some issue going on in the NGT green tribunal and this authority has gone to Supreme Court to vacate I hope it will happen and then we will know the results.

- Arvind Joshi:** What are the timelines you expect Sir maybe two, three months more?
- Jayanta Basu:** By another two months time.
- Arvind Joshi:** And we have a choice in all the three?
- Jayanta Basu:** Yes.
- Arvind Joshi:** Okay thank you sir. Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Kunal B from Ocean Infra. Please go ahead.
- Kunal B:** As per reports in newspaper Nagpur metro wants to prepone the completion of the project, are we in line with the time to complete it and will there be any cost to overruns?
- Jayanta Basu:** Well Nagpur metro is very typical they always want to complete ahead of their schedule and there is a lot of pressure on us and which seem to ultimately help us also because there is a pressure from the client that helps us to get the job completion early. As far as the completion early is concerned maybe we are hoping to complete the job by end of this year.
- Kunal B:** And second question is do we have any arbitration awards in our favour or do we expect any arbitration awards standalone or in consolidated basis during this financial year?
- Jayanta Basu:** Yes we have got two major awards one award from the PWD of Delhi. We have also got another award for joint venture for the Kolkata airport..
- Kunal B:** We have book these awards
- Jayanta Basu:** No.
- Kunal B:** So this will be booked as profit entirely as and when the client pays us?
- Jayanta Basu:** Yes.
- Prasad Patwardhan:** Well this is a potential upside that we have, but unless we get the cash or there is reasonable certainty of realizing the amount it is not part of our P&L we have not booked this in our accounts as yet.
- Kunal B:** And do we need to give any bank guarantees in view of getting this cash?



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Prasad Patwardhan: No.

Kunal B: Okay thank you Sir.

Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Adhidev Chattopadhyay for closing comments.

Adhidev Chattopadhyay: Thank you everyone for joining us on the call today. I would now like to hand over the call to the management for closing remarks.

Prasad Patwardhan: Thank you Adhidev and everyone for joining us on this concall. We appreciate your support and confidence reposed in the company and we look forward to your continued interaction and patronage to our company. Thank you very much.

Moderator: Thank you very much Sir. Ladies and gentlemen on behalf of ICICI Securities that concludes this conference. Thank you for joining us. You may now disconnect your lines.