

Eye Rs 1200cr revenue from Metro project: ITD Cementation

A consortium led by [ITD Cementation](#) has emerged the lowest bidder for Package 4 in Mumbai Metro Phase III. Speaking to CNBC-TV18, CFO S Ramnath, says the tender value is Rs 3,000 crore and the Phase 3 will stretch between Mahim and Worli.

While he expects the project to be completed in the next 5 years, he rules out any rehabilitation woes as the Metro will be underground.

The consortium, of which ITD Cementation comprises 40 percent, includes two more companies- Continental Engineering Corporation and Tata Projects.

Below is the verbatim transcript of the interview

Nigel: We are aware that in fact you emerged as the lowest bidder for package four. Give us some details in terms of what was that bid and what exactly is your percent of that particular bid?

A: At the moment we are L1 in one package out of the seven packages and we have to await detailed evaluation by the Mumbai Metro authorities. So, that is the position and our tender value is approximately Rs 3,000 crore and it covers the stretch between Worli and Mahim.

Nigel: But you have 40 percent stake in that particular Joint Venture (JV). So, will that work out to around Rs 1,200 crore and also could you give us the execution period, is it 40 months, is it 45 months, what is it?

A: As you may be aware the entire metro is slated to be completed in about 4-5 years including stations and all facilities but I do not expect only tunnelling. So of the Rs 3,000 crore contract value we are in JV as you are aware with Continental Engineering Corporation (CEC) of Taiwan and Tata Projects and our share in that work should be about 40 percent which is Rs 1,200 crore. So, you are right in that regard. I would expect about four to five years for completion.

Reema: What could be the margins you could possibly enjoy on this particular project?

A: Margins will be good. I don't want to talk about numbers and all that but margins would be good and these are good projects.

Reema: More than 10 percent at least?

A: I would expect so.

Reema: What would be the total capital expenditure (capex) that you would require for it? Would you need to raise any equity or debt funding for this particular project?

A: For this specific project we don't plan to have any equity raising because this is not that big a project in that sense and also the requirements will be met through our existing bank facilities that we have i.e. in the form of guarantees and any other working capital we will need to execute the project. As far as capex is concerned we have a plan to handle that. This project will involve some capex but we have already tied up that.

Nigel: You are talking about Rs 1,200 crore, when exactly does it start reflecting in your books, could you give us some idea of that and also we have seen in the past there is lots of agitation that these projects face. Suppose that happens, then who bears the working capital cost?

A: This being a tunnelling project I do not expect any major displacement of people naturally because this is underground metro. Normally you would have issues on alignment and displacement and all that more in elevated projects. Now in this particular case I do not expect major problems but even so there could be some areas where we have to have station buildings and access to stations and also some areas where we need to set up our facilities for managing the projects. So, that would be temporary, I don't think there are major challenges in this project and these are planned by the metro authorities.

Reema: So, when will this project start and would you get any portion of your revenues from this in FY17?

A: The project is expected to start by January. I do not expect anything from this year i.e. CY15 but next year and the year after we should see decent revenues coming through.

Nigel: You will be requiring tunnel boring machines (TBMs) am I right on that front?

A: No, the whole package will require minimum three to possibly four TBMs and as I said we with our partners we have already made arrangements for that.

Nigel: So, that will be on an operational lease basis?

A: Yes, possibly. We have options, we could look at that. If it is viable we could look at that, we could look at the capex but with the JV we have I don't see that as a major problem.

Reema: So, what has been the total order booking so far especially in the quarter gone by and what would your targets be on order booking for the full year?

A: These along with some other projects where we are L1, I wouldn't call this, we don't enter these as orders till we get the award in our hand. So, we are L1 here and similarly there are a couple of other projects amounting to about Rs 2,200-2,300 crore where we are L1. So, these would enter our order books in this quarter most probably once we receive the awards. So, based on this integration you will see a very robust order growth by this year.

Nigel: You are sounding quite optimistic. Could you give us some update in terms of Jawaharlal Nehru Port Trust (JNPT) port as well as on the Tuticorin order. Has that come through? Could you just update on both those two orders?

A: JNPT work is going on. JNPT i.e. the Bharat Mumbai Container Terminal work that is going on at JNPT port is going on well and Tuticorin I don't know what you are mentioning in Tuticorin. There are already work going on in Ennore and some other projects that we are L1 as I said in couple of projects, we are about Rs 2,200 crore. That also we are expecting the awards to come through this month or latest next month.