



“ITD Cementation India Q3 CY17 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the ITD Cementation India Q3 CY17 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 would now like to hand the conference over to Mr. Adhidev Chattopadhyay from ICICI Securities. Thank you and over to you, sir.

Adhidev Chattopadhyay: Good morning, everyone. On behalf of ICICI securities, I would like to welcome you all to this ITD Cementation conference call today. From the management today, we have with us Mr. Adun Saraban – the MD and Mr. Prasad Patwardhan, the CFO. I would now like to handover the call to the management to brief us on the business and any key alerts for the quarter. Over to you, sir.

Adun Saraban: Good morning, everyone. That is from my side I like to add 2 more people that is Mr. Vijaykumar that is our Corporate Affairs and then Mr. Kamlesh Vishwakarma – Vice President (Accounts) assistant of Mr. Prasad – CFO. So from my side that is Mr. Prasad – CFO, will give you over brief on the results for the quarter and when we start the question and answer I may at on the question if you have some clarification required, thank you.

Prasad Patwardhan: Good morning, everyone and thank you very much for joining us on this Q3 calendar year 2017 earnings call. Our results were declared yesterday, and I am sure you would have had a chance to go through our numbers.

Just to summarize on a consolidated basis for the quarter ending September 2017, we have reported income from operations of 473 crores, EBITDA was 65 crore which is about 13%, profit before tax of 29 crores and PAT of about 19 crores. On a Q-on-Q basis this compares in June 2017 we had revenue of 489 crores, EBITDA of 63 and PAT of 20 crores. For the 9 months ending September 2017 our consolidated revenue is 1,485 crores, EBITDA of 198 crores, PBT of 91 and PAT of 55 crores. As far as the debt levels are concerned our gross debt as of 30th September is about 530 crores, which is marginally higher than what we are reported in the June quarter.

In terms of operational performance, it has been a steady performance as compared to what we have seen earlier this year. All the losses in our Delhi metro and other projects have already been accounted for the earlier and all the orders in our order book today are performing well and generating margins.

As far as our order book is concerned including our share in joint ventures the order book today is about 8,100 crores which represents about 30 months of future work for our company. The composition of the order book today comprises of about 60% of the order book is in the metros

we are doing overhead elevated metro work in Bangalore and in Nagpur and underground metros under execution in Mumbai and in Calcutta. The second segment significantly contributing to our order book is the marine segment which has been our bread and butter and we have significant expertise there in-house which is about 26% of our order book and the third segment is about this irrigation and marine projects which are coming for about 9% to 10% of our order book.

As far as L1 projects are concerned our L1 position is about 2,100 crores which comprises of the Udangudi contract which is about 1,800 crores and further on the irrigation contracts in Telangana we were L1 on about 350 crores as of 30th September and that is subsequently been converted into firm order in the month of October 2017. We are in a sweet spot today with lot of opportunities and work coming up in India because of the initiatives taken by the government and we hope to see improved performance and good order flow coming through as time goes by.

We would be happy to answer any questions that you may have and we look forward to your questions. Please go ahead, thank you.

Moderator: Thank you, very much sir. Ladies and gentlemen, we will now begin with the question and answer session. We take the first question from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal: Sir, just on the ordering side, so what was the order inflow during this quarter?

Adun Saraban: This quarter the order inflow during the month that is 437 crores comprising that is 310 from that is Nagpur station and 75 from the IL&FS Tamil Nadu power plant and about 40 from IRCON International Limited.

Parikshit Kandpal: So Adun sir, my question was, so if you see the recent announcements on entire infrastructure sectors so large part of the investments is coming in the road segment and then also in the irrigation segment and on the metro side urban infrastructure if you see a lot of ordering is already happened. So and even in the marine segments there has been lackluster order inflows with quite some time now. So as a company we are very strong in these segments and we have limited presence in roads and irrigation segments, so how do we position our self to gain order share in the coming next one year. So, how are we changing our strategy for getting or increasing our order intake?

Adun Saraban: I start with our strength segment first, which is Marine. Actually, I think that is the slow or this thing is just a temporary to me. Because in the pipeline today that we had 3-4 major marine projects which is very active and opportunity for us. Start with number one that is Egypt marine Sokana project, very up now even client had called for us for the technical qualification next week only. I think that is by end of this year we will be known that is okay we have the

reasonable opportunity here as we are working very good relations with the client. Number 2, that is the VBSL Sea Link this is a 6,000 crores budget from the clients and same like that submission that it would not extent further. It might end up this year only under preparation. So this is almost 6,000 crores, this is marine. And the third one that is Karwar Sea Bird, Karwar project another 1,000 crores and the Cochin also shipyard another 1,000 crores this is the four majors I believe that is we have the reasonable chance that is to secure one or two that is at my belief. So that is number one. Now come back to the Roads segment that is your highlight which is now, with lot of the initiatives from the government. Actually, we already started, one tender already submitted that is for the Cochin Port in Kerala and we have tied up, with good partners who have been working in the Kerala. So, already submit that it is the 2,000 crores project and then another 2 projects under preparation that is in the Pune only in the Maharashtra only another sizable also about 600 crores under preparation. So actually we are not completely out but more selective until we ensure that is okay we can make margin on this segment. And you see again there is on the airport is no more in our past 2 years – 3 years but it is now it is coming up one by one that is 2 airports now coming up for its tenders Guwahati and Leh and for sure that is okay we will be there. So this is some prospect and major ~~make your~~ prospect, I believe that is in the next 2 months – 3 months that is whatever segment that even Hydro now it in the Sikkim under preparation also that is no more work flow for quite some time and we believe that is okay we also have the reasonable chance today that is some part of the prospects.

Parikshit Kandpal:

So, my second question was, see in these all large projects which you highlighted here so we have big partner like, we have big competitor like L&T. So in Trans Harbour Link, so what was our learning from the Trans Harbour Link bid because that package went to L&T and Tata Projects. So, similar kind of competition will be facing in other big-ticket projects. So, how as company we are positioning so that gives us reasonable confidence that we will be able to win these projects while competing again all these big companies in this segment.

Adun Saraban:

Let see in MTHL that is okay we lost to L&T or Tata. It could be different a little bit from the Sea Links, number one because of today that is significant portion above nearly half which is steel portion, you cannot do anything because you have to get supply from the overseas which is from the Japan. You have to only to tie-up with them so that that part that it how intelligent that people do that it is different. But at the VBSL Sea Link civil work honestly that is locally available so that is and this is a purely marine and this time from shore line, this is could be technically different from the whatever in MTHL strategy, so that is and we have reasonably good location that is to work so far we are only the party that who work more in 4-5 projects in Mumbai or neighboring Mumbai only. So, that I think theoretically we are okay. We will have the good strategy working for these projects for winning.

Parikshit Kandpal:

And sir, just last question what will be, is there any one-off during this quarter in terms of margin any write-back of provisioning or LDs in the projects nearing completion and what could be the sustainable margin going forward?

Prasad Patwardhan: Well, there are 2-3 projects that are nearing completions, so on the marine side. One is the BMCT and DP World and couple of other projects. So there are some cost provisions that we had kept aside and those are being gradually released and we are taking credit for that in our P&L statements.

Parikshit Kandpal: And what will be the normalized levels like we have to guidance in terms of margins going forward?

Prasad Patwardhan: Parikshit, we have indicated the margins, it will be difficult for us to quantify because it largely depends on the execution of the projects. The segment wise margins are pretty well known, so maybe you can take a cue from that on what the margins would be.

Parikshit Kandpal: So, 11% to 12% for the full year next is like what I think you have guided last, so we maintaining that? In the last call we had I think given that guidance?

Adun Saraban: Yes, I think we are hopeful of the similar margins coming through.

Moderator: Thank you. We take the next question from the line of Prem Khurana from Anand Rathi. Please go ahead.

Prem Khurana: Sir, my first question was with respect to, so we have recently taken this Board approval to kind of raise some funds. So what you intent to use these funds, so I am if I look at our balance sheet, balance sheet is pretty much in place, I mean should it been seen as if we want to go solo for some of these large projects which is why you need to augment your net worth?

Adun Saraban: One thing that is as Mr. Prasad mentioned that is the work in hand if you see today mix of the project of the work in hand comparing to the last year as of now beginning, we start with standalone is above 85%, joint venture only the 15%. Today the position that we have almost as Prasad mentioned 50-50 in a standalone and joint ventures and that is the reason number one and as the joint venture today bank treats differently so that its initial 6 months to 8 months normally that is the time that we have to spend money for enabling works or start mobilization. So, at least minimum 5%-10% depend on the nature of the projects requirements for enabling or mobilization and all of these projects either our share 100% or 90%, 80% to that extent that is we have to contribute for an initial investment and this is from internal and borrowing power so that is for example today we have 4 projects in the Bengaluru 2,400 crores. We spent almost 100 crores plus from our internal accruals that is to support the joint venture temporarily until we get secure from the banks for the borrowings so that is and just now I mentioned some prospects on major prospects 6,000 crores-1,000 crores some of them that is we are working in a joint venture. I am not saying paying in other shares, they have their own shares let's say 6,000 crores we need at least 300 crores. 300 crores that is our portion let, say 40% or 50%, 150 crores easily that is only the sea link projects. That is one of its kind and another projects similarly this is something

that we need to make sure projects will not get suffer due to short of funds, due to the delay of the borrowings tie-up mainly, purely it for the growth of the company - QIP.

Prem Khurana: And sir, and if we looking at some opportunities in Bangladesh as well as in Nigeria, so any updates there? Because in your opening remarks you talked about Egypt there was no mention on Bangladesh or for that matter in Nigeria?

Adun Saraban: We bid is open and we lost to the AFCONS that is marine work. We still working with one of the client who are our partner here actually that is Hyundai name he got the secured ~~second~~ one of the projects. Now we are still working with them that is how we can share something from them that is at the marine project. We secured recently, I mean the Hyundai second project and third that is we see the opportunity when the power plant is come up Maitree project. So, there could be one of another project in Bangladesh.

Prem Khurana: And just one last from me, I mean the kind of order backlog that we have today almost Rs. 8,100 odd crores and the kind of pipeline that exist in the system that is spoken about earlier in your comments. What kind of numbers should ideally work with even in terms of growth for CY18 and CY19? If you could give us a ballpark number or give some quantitative statement on there because this year is being subdued because of it is taken some time to kind of start working some of these new projects now given the fact that most of these projects are up. So, what kind of growth could be there in CY18, now?

Prasad Patwardhan: Prem, you know we do not give forward-looking statements but given the way the order book is the earlier projects are getting completed and the new projects. This year we have got contracts worth about 2,800 crores or 3,000 crores. These projects we are now beginning to kick in to our revenues from maybe this quarter or next quarter onwards.

Prem Khurana: And just one last, would you be able to share how much have you booked from our JV projects as in the revenues that we would have done from JV projects in this quarter, DMRC and other JV projects?

Prasad Patwardhan: Well, if you look at the numbers on the standalone basis our revenue was 413 crores and on a consolidated basis it about 473. So, about 60 crores is the contribution from the joint ventures in this quarter.

Prem Khurana: No sir, these joint ventures would be wherein we allow the consolidate, so I was specifically talking about the projects where in we do not consolidated it comes of the part of our associate or profit from associates.

Prasad Patwardhan: We have not recognized any losses from the Delhi Metro Projects although losses have been accounted for earlier.

- Moderator:** Thank you. We take the next question from the line of Vibhor Singhal from PhillipCapital. Please go ahead.
- Vibhor Singhal:** **Congratulations.** I had just a couple of questions, sir. Sir, one is just basically the last participant had asked the question, so not asking about DMRC project but the JV projects which are not consolidated on a line-by-line basis. So, let's say I would assume the Mumbai metro underground project would probably come in as a share of profit from associates?
- Prasad Patwardhan:** That is correct.
- Vibhor Singhal:** So, projects like these on which we have already started working on that, so just wanted to understand that because if you see in this quarter the contribution from associates has been very less it is around 0.94 lakhs in terms of the quarterly contribution where it was around 2 crores in the last quarter. So, just want to understand, what is the kind of revenue that we have booked in that and what is the profitability of those projects?
- Prasad Patwardhan:** ~~Then~~ Well let me explain the follow up policy of recognizing margins from these projects when they progress significantly. So, only when the progress is 10% or more that you will see margin recognition coming in. Now today these large contracts, that are under execution like Mumbai Metro or Bangalore Metro they have still not cross the threshold of 10%. So, what is happening is whatever is being spent on the projects or the revenue that is being generated over there, we are just booking that it is the same number which is being added to the top-line and the bottom-line there is no contribution to the profit just now. So, that will happen once we cross the threshold of 10% and we started recognizing the margins which should happen probably from the next year.
- Vibhor Singhal:** So, you mean to say in this quarter if we are looking at 0.94 lakhs of number from share of profit from associates that is because we have booked the revenue and equal is the cost?
- Prasad Patwardhan:** Equal is the cost, that is right. The marginal difference that you see probably that is coming through the Calcutta metro projects. But largely this is what is going to happen on the Mumbai metro and the Bangalore metro, once we cross the threshold of 10% then you will see the margin recognition on these projects coming through.
- Vibhor Singhal:** So, right now sir basically the Mumbai metro, Calcutta metro as well as the Bangalore metro would fall under the category of JV which will not be consolidated and which will come us a share of profit from associates?
- Prasad Patwardhan:** No, that is not correct. Bangalore metro will be consolidated fully. So, that will get reported in our consolidated number, 100% of Bangalore metro will get consolidated. Mumbai metro and Calcutta metro will not be consolidated, only the share of profit will get reported.

- Vibhor Singhal:** And so, if I could just get out of the 8,000 crores of order book that we have how much is the order book which will be coming as a share of profit from associates?
- Prasad Patwardhan:** See out of our order book of 8,000 crores roughly 1,000 crores will not get reported in our financials at any point of time. It will not get reported as revenue.
- Vibhor Singhal:** Sir, only 1,000 crores?
- Prasad Patwardhan:** Only 1,000 crores.
- Vibhor Singhal:** If I am right I think 1,200 crores would be the Mumbai metro project our share and then you also mentioned Calcutta metro as well. Okay, you mean to say 1,000 crores be outstanding work?
- Prasad Patwardhan:** No, but Bangalore metro will get that 2,400 crores will get fully consolidated.
- Vibhor Singhal:** And Calcutta metro?
- Prasad Patwardhan:** Calcutta metro no, Mumbai metro no.
- Vibhor Singhal:** So, both Calcutta and Mumbai metro put together which will not get reported in the topline is around 1,000 crores from the order book?
- Prasad Patwardhan:** That is right.
- Vibhor Singhal:** Just on the margin front sir, at 13.2% margins that we reported in this quarter was there some write-back or provisions that we would have taken earlier and do you think that 13% kind of core margins without any write-back or provisions are sustainable?
- Prasad Patwardhan:** See, this is the same question which one of the earlier caller put to me. We do not give any margin guidance, but we are just hopeful of two-digit margins getting reported in the EBITDA level.
- Vibhor Singhal:** And was there any write-off or provision in these margins?
- Prasad Patwardhan:** Yes, as I mentioned earlier there was some cost provisions for which the projects which are nearing completion and we are taking credit for the same in our P&L as the projects get completed.
- Moderator:** Thank you. We take the next question from the line of Alok Deora from IIFL Wealth. Please go ahead.
- Alok Deora:** Just a couple of questions. What would be the L1 position currently?

- Prasad Patwardhan:** Currently L1 is about 2,100 crores.
- Alok Deora:** And I think in your presentation you have given about 322 crores as well so that has been converted?
- Prasad Patwardhan:** That has already been converted into an order, yes.
- Alok Deora:** So, our order book would be roughly around 8,400 crores minus the executions?
- Prasad Patwardhan:** Roughly thereabouts, that is correct.
- Alok Deora:** And sir, you mentioned at the start of the call about execution period being 30 months but most of these are metro projects and which are slightly longer execution period. So, what would be the average execution for all the order book, would it be slightly more than that?
- Prasad Patwardhan:** In fact, what I mentioned at the beginning of the call was the average time which will need to execute the order. You are right, Mumbai metro for example these are longer duration contracts it is about 5 years. But Bangalore metro is much lower duration. Bangalore metro is 2,400 crores has to be executed in about 27 months. And marine contracts that we have generally they get executed in about 2 years or may be under 2 years. So, the average time that we need to execute the current order book what I mentioned is about 27 months to 30 months.
- Alok Deora:** Just one last question, sir. We have seen a significant shift in the order book mix like we used to be around 60% in marine and today it is close to 25% and it has been replaced by the MRTA segment. So, going forward are we actively looking at marine segment or it is like we will take as it is coming?
- Adun Saraban:** I think this is a business cycle. As I said there is just a temporary stop gap, so there is marine is not coming up in the past 2-3 months but now as I said at least 4-5 big projects coming up and most slightly that is to be awarded end of this year or later by first quarter next year only.
- Alok Deora:** Just one last question, sir. We generally generate higher margin in the marine segment or in the urban infra space or there is no significant difference?
- Prasad Patwardhan:** Generally, the margins are better in the marine segment.
- Alok Deora:** Actually, that is what I was thinking. So, overall could we be looking at slightly lower margins since the order book is now more driven by the MRTA space?
- Prasad Patwardhan:** We have been transparent with our order book and the margins that we have made so far. We do not really give any guidance on the future margins. I am sure you can work out the numbers based on our order book.

Moderator: Thank you. We take the next question from the line of Parikshit Kandpal from HDFC Securities. Please go head.

Parikshit Kandpal: Sir, just one clarification on associate order book. So, what would be the residual order backlog in the Mumbai metro projects?

Prasad Patwardhan: Mumbai metro see, our share is 40% which is about (+1,100). It is better I tell you on a totality basis. We have not crossed the 10% threshold as of now. So, out of the 2,800 crores order book the balance to be executed is about 2,600 and odd.

Parikshit Kandpal: So, 40% of that is our share, so roughly 1,040 ...

Prasad Patwardhan: About 40, yes that is right.

Parikshit Kandpal: But even the other part also out of the 200 which has been executed we have still not recognized revenue, right?

Prasad Patwardhan: We are recognizing revenue and cost both is the same, so no margin recognition so far on Mumbai metro, Parikshit.

Parikshit Kandpal: So, 1,040 from here and then Kolkata metro will be how much pending order backlog?

Prasad Patwardhan: Kolkata metro will be a shade short of 800 crores.

Parikshit Kandpal: So, our share will be in that roughly how?

Prasad Patwardhan: Our is 49 actually.

Parikshit Kandpal: So, 400 crores.

Parikshit Kandpal: So, associate order book will be around 1,400 or 1,500 odd crores, right?

Prasad Patwardhan: No, Bangalore will get, that is also an associate order, but it will get fully consolidated.

Parikshit Kandpal: No, not Bangalore, I am saying Kolkata you said 400 is our share?

Prasad Patwardhan: Yes, roughly 400 that is correct.

Parikshit Kandpal: And 1,040 is Mumbai, so put together is 1,440, right?

Prasad Patwardhan: Yes.

- Parikshit Kandpal:** So, that is the associate order book, right. I am excluding the Bangalore it will get fully consolidated.
- Prasad Patwardhan:** That is correct.
- Parikshit Kandpal:** So, 1,440 is what is your associate order book not 1,000 crores. Because earlier you have 1,000 crores, I just clarifying that and any CAPEX? What is total CAPEX you have incurred in this year?
- Prasad Patwardhan:** This year in the 9 months our CAPEX has been about 70 crores-75 crores.
- Parikshit Kandpal:** This includes this TBM?
- Prasad Patwardhan:** No, this is excluding the TBM.
- Parikshit Kandpal:** Your share?
- Prasad Patwardhan:** That is it. This excludes the TBM this is on our other projects. It is on a standalone basis.
- Parikshit Kandpal:** And sir, Udangudi Project any update because quite some time now Adun sir if you can update on that?
- Prasad Patwardhan**
- B. Vijaykumar:** The Udangudi they asked us to extent the bid validity which they wanted officially we have given the validity they want to have a decision before end of this year. This is what they have communicated to us.
- Parikshit Kandpal:** Decision before the end of this year means like the court the litigation part is over now or ...?
- Prasad Patwardhan**
- B. Vijaykumar:** Yes, that is independent of that. They have sent a letter said that we are evaluating, kindly please extent the validity we want to take decision before the year ends.
- Parikshit Kandpal:** And just on the debtors, so what is the total debtors right now in terms of values?
- Prasad Patwardhan:** In terms of value our total debtors would be about 270 crores.
- Parikshit Kandpal:** And sir what will be the total net worth?
- Prasad Patwardhan:** Net worth is about 600.

- Parikshit Kandpal:** And total gross and net debt console?
- Prasad Patwardhan:** Gross debt is about 525 crores-530 crores.
- Parikshit Kandpal:** And cash?
- Prasad Patwardhan:** Net debt cash is about 200 crores.
- Parikshit Kandpal:** It is all consol, you are saying, right?
- Prasad Patwardhan:** Yes.
- Parikshit Kandpal:** And just last thing this next phase of JNPT, Adun sir if you can highlight, so when do we expect that next phase of JNPT?
- Adun Saraban:** See, from the Clients they have the timeframes of the 5 years since the start. I believe that is 2018 might be end of the 2019, similar amount or even bigger.
- Parikshit Kandpal:** And sir, earlier in the call you had mentioned about some road projects. So, I understand this will be all HAM projects, right?
- Adun Saraban:** Yes, one is HAM project, two under preparation that is normal EPC contract.
- Parikshit Kandpal:** Are we bidding for this Mumbai-Nagpur Expressway?
- Adun Saraban:** Yes, we are still working.
- Parikshit Kandpal:** But in the PQ round which you happened, so we have submitted the PQs?
- Adun Saraban:** Yes, we submitted.
- Parikshit Kandpal:** So, we will be participating in that?
- Adun Saraban:** Yes, we are participating.
- Parikshit Kandpal:** That is a great news, finally I think you are progressing something on the road side.
- Moderator:** Thank you. We take the next question from the line of Bharat Sheth from Quest Investments. Please go ahead.
- Bharat Sheth:** Congratulations. See, on this order book of 8,100 crores what we are reporting that is our share means even where we will be consolidating the sale, so it will be only our portion or that will be for that whole entity?

- Prasad Patwardhan:** In terms of Bangalore metro, our share is 80%. Our order book includes the 80% of the order value but we will be consolidating the full 100%. For the other projects where we do not exercise control we will not be consolidating anything. It will be only our share of profit which will get reported in our numbers.
- Bharat Sheth:** Now, these things we, as earlier participant asked will be looking for a fund raising because of the kind of order book that we have built and we need to make the investments. And further Mr. Adun stated that the kind of opportunity that we are seeing is also an L1 if we consider, so again I mean we require lot of investments, so is that a fund raising could be a second round of fund raising we may require? And the opportunity that we are looking, I mean in the road and all?
- Prasad Patwardhan:** Bharat bhai, let us complete the first round of fund raising before we talk about the second round.
- Bharat Sheth:** Yes, I understand. But so, how longer term then one really looks I mean and second thing in this fund raising also our parent company will be participating equally to retain their stake?
- Prasad Patwardhan:** No, parent company will not be participating in this fund raise. There will be a reduction in the parent company shareholding, small reduction in the stake.
- Bharat Sheth:** And on the marine side this we said this Cochin shipyard of 1,000 crores, I understand that there L1 has been already announced, so are we in the L1?
- Adun Saraban:** No, that is the first one. Actually there is 3 packages, this is another 2 package, that is the first one.
- Bharat Sheth:** And in last conference call we said that we were expecting all TBM to come, I mean ~~land~~ land in India and work will start. So, what is the progress on that TBM and recently there was also the one phase where the work was got halted. So can you update on these underground work in Mumbai?
- Adun Saraban:** It is okay that is, we all know that its inauguration done by the Chief Minister, honorable Chief Minister on 21st September and this last month they only on 6th that is actual driving of the TBM already start. So, now it is moving.
- Bharat Sheth:** So, we are operating two TBM, correct?
- Adun Saraban:** Yes, 2 TBM in the ~~in its half~~ shaft already and now we work at all the three stations. So, that is work is in full swing now. We may cross 10% in the next quarter.
- Bharat Sheth:** So, this December or January, I mean March ending?

Prasad Patwardhan: We still have another month and half to go sir. Let's see how things progress but the 10% threshold, it is not very far away.

Bharat Sheth: But on this Udangudi our customer will be the BHEL or this ...

Prasad Patwardhan

B. Vijaykumar: It is customer is the government TANGEDCO, the power corporation, Tamil Nadu government promoted power ~~sector~~ set up.

Bharat Sheth: So, they are will be doing full Build & Operate and distribution work, correct?

Prasad Patwardhan: Yes, they will do and our side is on the marine structures and the conveyer system to ~~hand~~ handle the coal portion.

Bharat Sheth: And how do we sir, see the opportunity on irrigation side we have around 310 crores L1 but now going ahead and how the irrigation the profitability wise in the stake of the business we have like marine, metro and irrigation?

Prasad Patwardhan

B. Vijaykumar: Bharat bhai, I will answer you. This is for the Telangana government that main priority and the budget is for the irrigation the 310 what my colleague has already said to you that order. By and ~~en~~ large this tunneling business is a profitable business if you see in overall scheme of things.

Bharat Sheth: So, in this irrigation this is a tunneling?

Prasad Patwardhan: Yes, this is a tunneling work.

Adun Saraban: it's not tunneling not the TBM, it is normal drill and blast.

Bharat Sheth: And there Andhra and Telangana there is a big project the irrigation of Polavaram?

Prasad Patwardhan: Yes, you are right, Bahrat bhai, Polavaram is another big project the government has put a lot of emphasis on the irrigation, I can say with pride that today whatever water Hyderabad city is getting through the dam we constructed their irrigation. So, we have a fairly a decent relationship between the state government to execute such irrigation projects.

Bharat Sheth: Can you give little more, I mean color, exactly what size of the project and what timeframe they will bidding will start and how you would ...

Prasad Patwardhan

- B. Vijaykumar:** Polavaram has got its own long way of assessing it to stop start it was happening. So, as far as our projects which currently is through a Pranahita Chevella the irrigation program where it is being tied-up with the budget allocation to execute this tunneling for water transportation.
- Bharat Sheth:** So when we see the whole project over a period when bidding?
- Prasad Patwardhan**
- B. Vijaykumar:** No, still it is going up and down still there is a government intervention on the funding and other associated clearances environment issues are there on that.
- Moderator:** Thank you. We take the next question from the line of Jatin Nayak from ICICI Prudential Mutual Fund. Please go ahead.
- Jatin Nayak:** I just had one question, sir. I understand that there has been some provisions written back in this quarter, what would be our amount?
- Prasad Patwardhan:** We will not be able to quantify the amount off hand, Jatin.
- Jatin Nayak:** And this will be recurring events, so even in next quarter we can see such provisions written back?
- Prasad Patwardhan:** Then it is likely to happen till the project is completely over because these provisions are kept aside to take care of any uncertainties. It is not as if the entire provision is written back, if some cost arises and it get adjusted against the provision and then the balance amount is written back. So, there could be something like that maybe for the next quarter or so.
- Moderator:** Thank you. We take the next question from the line of Divyata Dalal from Systematix Shares. Please go ahead.
- Divyata Dalal:** Congratulations on the good set of numbers. Sir, I wanted to get a sense on the Bandra-Versova sea link project which we are indicating that the opportunity side could be around 6,000 odd crores. So, will we bid this on our own or will it be on a JV basis that we bid for this project?
- Adun Saraban:** Yes, we bid this project in a joint venture with Hyundai, Korean company. one of our good partner he just completed that is one Qatar projects similar project in Qatar. So, the whole set of the equipment is belonged to them.
- Divyata Dalal:** And if you can indicate tentative timeline on this at what stage it is this currently and when can we see the bids coming in?

- Adun Saraban:** The submission, it gets extended a little bit but my understanding today there is not within December only there is submission in taken place.
- Divyata Dalal:** And what would our share in JV?
- Adun Saraban:** 40%.
- Divyata Dalal:** And sir with regards to the CAPEX for 9 months as we indicated we have done around 75 odd crores, so what would be the run rate for full year and given the strong order book what the kind of CAPEX can we do next year?
- Prasad Patwardhan:** Similar, the run rate would be similar, Divyata for this year but for next year it will depend on the type of order flows. See, there will be some CAPEX that will be incurring for replacement of the existing assets. But it will really be driven by what whether we need to invest something more in CAPEX for new projects which come up. So, we will not be able to give you an exact number on that it will depend on how the order flow takes place.
- Divyata Dalal:** So, from the existing order book whatever CAPEX has to be done will be done this year and next year, routine CAPEX and is some new order inflow comes in then depending on that we will do some CAPEX?
- Prasad Patwardhan:** The routine CAPEX for the replacement of the existing equipment takes place on regular basis but major chunk of the CAPEX it could be depending on how the new orders flowing.
- Moderator:** Thank you. We take the next question from the line of Rita Tahilramani from SBICAP Securities. Please go ahead.
- Rita Tahilramani:** Congratulations. Sir, since we know that the Mumbai metro project is progressing really well we have already got the TBMs in the shops now. So, what could be broad breakup of the revenue contribution that should come revenue from these projects, execution basically? So, we may be able to do a like 20%-30% of the order books from the Mumbai metro in next year and so on?
- Prasad Patwardhan:** Mumbai metro contract is a long duration contract. The total duration of the project is about five and half years and we have only 12 or may be 14 months into the contract as of now.
- Rita Tahilramani:** So, as I mentioned that we might be able to do 10% mark in current year, so can we expect like maybe or 20%-30% to be executed in CY18?
- Prasad Patwardhan:** I am sure we will be able to work out the numbers we have given you the order and we have given you the duration of the contract. So, it depends on the execution and so many other things.

- Rita Tahilramani:** And similarly on the Bangalore metro also can we guide on how is the work happening on that we may be able to do a 10% mark across on the Bangalore metro also.
- Prasad Patwardhan:** My ~~EBITDA~~ answer Rita would be the same but the only difference is Bangalore metro these are 4 different contracts. The duration is much lower, the Bangalore metro contract has been executed in the period of 27 months.
- Moderator:** Thank you. We take the next question from the line of Devang Patel from Crest Wealth. Please go ahead.
- Devang Patel:** We understand you will be incrementally looking at more road projects, with regards to this can you comment on what the margins will be in versus our blended margins right now, what kind of pre-qualifications we have for the road projects, for Kerala you mentioned you going with a local partner. For Nagpur express way what is our plan and on the CAPEX side would it mean that the CAPEX next year will be higher if you get more road projects than the 100 crores run rate?
- Adun Saraban:** See, we quite a bit selective on the road projects because we learned that is from the past that is but now we understand the problems. So, I think the margin more or less everywhere in general that is I try to keep almost the same. But the difference is the provision that is just now we said it depends on the accretion on this point. We make the different provision because the different projects have the different risks involved, so that is the road, in road there might be utility of higher thing that is more. So, that is provision is slightly more. If nothing happens that is okay, at the end will convert to the margin that is difference, but this is some strategy we can tell you.
- Devang Patel:** And in terms of your partners that will be going with?
- Adun Saraban:** Not road that is we qualify for all on our own. That is, we have good credential on road work.
- Devang Patel:** Could you take up 1,000 crores plus orders on a standalone basis?
- Prasad Patwardhan:** Yes.
- Devang Patel:** And it will be comfortable taking that kind of risk right now?
- Adun Saraban:** No, that is the road project that is we work in the Kerala just now mentioned that is a HAM project. We have the partners to tie-up mainly that is for the financial part.
- Prasad Patwardhan:** And the local issue.
- Adun Saraban:** Yes, and the local issue executions.
- Devang Patel:** What is the size of contract and our partnership their stake?

- Adun Saraban:** We there 75 with 30%.
- Prasad Patwardhan:** I think it is 74-26. Our stake is 26%.
- Devang Patel:** And the size of contract?
- Prasad Patwardhan:** Size of the project is about 1,500 crores.
- Devang Patel:** And would we doing any work there or we at for 26% are we doing what share of work?
- Adun Saraban:** That we will discuss with the partner and take a call on that it's, the bid has just been submitted, the both the partners will work that out.
- Devang Patel:** And would it imply more CAPEX than 100 crores run rate next year?
- Adun Saraban:** Well, as I mentioned it depends on the new flow of new orders. There will be some CAPEX that we incur on replacement of existing assets.
- Devang Patel:** Finally, could you give a broad idea what the working capital cycle is right now and how it is likely to pan out?
- Adun Saraban:** See, broadly I can tell you our receivable position, the receivables, trade receivables in terms of days is about 40 odd 40-45 days and the WIP is about 65-70 days. Total working capital cycle would be in the range of peak would be about 100 days.
- Devang Patel:** That is what it is going to be for this year and next year?
- Adun Saraban:** Well, this is what is the position at the moment, again it will depend on the order mix and the execution of the projects.
- Moderator:** Thank you. We take the next question from the line of Bharat Sheth from Quest Investments. Please go ahead.
- Bharat Sheth:** Just wanted to understand this for second package for Mumbai metro as well as in Pune metro, the bid has gone under reprocess, I mean rebidding process again. So what is the status and there were whether we were anywhere L1 or not?
- Adun Saraban:**
- B. Vijaykumar:** No, if you know that we did not participate in that elevated you are talking, I am right?
- Bharat Sheth:** Yes.

Adun Saraban: We did not participate in the package one. There were issues the government went for re-tendering, selectively you are looking at one or two packages in that.

Bharat Sheth: And Pune metro?

Adun Saraban: Pune metro, of course we are looking at it. Now recently one or two packages come where we attended the meeting and we are also looking what are the other sections they are going to open other than what HCC secured the new lines in the elevated and small undergrounds.

Bharat Sheth: And what will be the total size of all package in Mumbai the second one where ...

Adun Saraban

B. Vijaykumar: See, the government has announced some close to about all these about 20,000 crores they are talking about it, in terms of their own budgetary planning, elevated one taking up to Thane and beyond.

Bharat Sheth: Sir, one last question, in Malaysia our parent has done lot of affordable housing side and we are large housing project can come up, we have the technology parent has. Now government is talking big on affordable housing and the timeline is reducing, so are we looking any opportunity in that segment?

Prasad Patwardhan

B. Vijaykumar: I will answer good question. Our company is Thailand based not the Malaysia. They are very well established in this technology and they are very successful in most part of the South East Asia and this technology we marketing with many Indian entities, government entities and they have seen the presentations but there is a genuine desire from the government side from the urban and the poverty alleviation. We have not any big kick-offs so far, but we are genuinely we are in front there at the moment opportunity comes. We have the technology, we have the capability there.

Bharat Sheth: And also in past, also we were looking when government was talking expanding road to South East Asia and connecting the whole port side and all. So, there also we were looking Myanmar side or anything, any opportunity are we evaluating on that side?

Prasad Patwardhan

B. Vijaykumar: North East side there are some this road corporation the new entity the government NHAI has created. We are now on the feasibility side genuine one, some of them have been, they have done bridges and all but we look at them once they are really on the paper this and National Highway Development Corporation Limited which is the outfit of National Highway Authority.

- Moderator:** Thank you. Ladies and gentlemen, we take the last question from the line of Parvez Akhtar from Edelweiss. Please go ahead.
- Parvez Akhtar:** Sir, just one question. Do you see any adverse impact of the government new metro rail policy which mandates private sector participation and integration with other transport mode as far as short term ordering in the metro rail sector is concerned?
- Vijay Kumar:** You are referring to the August policy which is cleared by the government am I correct? You are referring to that metro?
- Parvez Akhtar:** Yes sir.
- Vijay Kumar:** It is a good policy there it encourages the participation in a greater depth now. That is why some of these metros all these 30 metros the government is planning to go beyond whatever the 4-5 metros that is why you are seeing the Bhopal's and the Varanasi the new one. So, it will definitely help our company our kind of thought process in business line, this policy.
- Parvez Akhtar:** No, the reason why I asked is I am guessing the DPRs will obviously have to be reworked to incorporate these features. So, if that happens obviously there is going to be a delay compared to what were the earlier expected timelines of ordering?
- Vijay Kumar:** But there is an impetus from the government to encourage this new policy for DPR had to be concluded. For example, Bhopal and the Varanasi both are already on the job. These two latest from after the policy announcement, I would say that. They are already in touch with us.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the conference over to Mr. Adhidev Chattopadhyay from ICICI Securities for closing comments.
- Adhidev Chattopadhyay:** On behalf of ICICI Securities, I like to thank everyone for taking out time for it to participate in this call and I would now like to hand it back to the management for any closing remarks. Over to you, sir.
- Prasad Patwardhan:** Thank you so much everyone for being on this call. I hope we have been able to answer all your questions and we look forward to your continued support in future. 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 and you may now disconnect your lines.