



“ITD Cementation India Limited Q4 CY-17 Earnings  
Conference Call”

**February 28, 2018**



**MANAGEMENT:** **MR. ADUN SARABAN – MANAGING DIRECTOR, ITD CEMENTATION INDIA LIMITED**  
**MR. PRASAD PATWARDHAN – CHIEF FINANCIAL OFFICER, ITD CEMENTATION INDIA LIMITED**  
**MR. JAYANTA BASU – CHIEF OPERATING OFFICER, ITD CEMENTATION INDIA LIMITED**  
**MR. VIJAY KUMAR – FACILITATOR, ITD CEMENTATION INDIA LIMITED**  
**MR. KAMLESH VISHWAKARMA – VICE PRESIDENT-ACCOUNTS, ITD CEMENTATION INDIA LIMITED**

**MODERATOR:** **MR. ADHIDEV CHATTOPADHYAY – ICICI SECURITIES LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to the ITD Cementation India Limited Q4 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 now hand the conference over to Mr. Adhidev Chattopadhyay from ICICI Securities. Thank you and over to you, sir.

**Adhidev Chattopadhyay:** Thank you. Good afternoon everyone. On behalf of ICICI Securities, I welcome you today to the Q4 CY17 and year ending results conference call for ITD Cementation India Limited. Today from the management we have with us Mr. Adun Saraban, the Managing Director and Mr. Prasad Patwardhan, the CFO.

I now like to handover the call to the management for opening remarks. Over to you, sir.

**Adun Saraban:** Good afternoon everyone and I am Adun Saraban, MD, ITD Cementation. From the senior management side who also joined in today's interactions I have our CFO – Mr. Prasad Patwardhan. And also there is Mr. Jayanta Basu – Chief Operation who have been taken over the operations since January this year and Facilitator – Mr. Vijay Kumar and Vice President (Accounts) – Mr. Kamlesh Vishwakarma.

Before we start the Q&A session, I would like Mr. Prasad to brief you some important highlights of the Q4 and full year results. After that my team would be happy to answer all of your questions.

**Prasad Patwardhan:** Good afternoon everyone and thank you for joining us on this Earnings Call. I will give you a brief on our performance during the quarter ending December 2017 and for the full year and then we will be happy to answer any questions that you may have.

For the quarter ending December 2017 we have reported a revenue of Rs. 575 crores; EBITDA of Rs. 73 crores which is about 12.5%, 13% and Profit After Tax of Rs. 17.6 crores. On a quarter-on-quarter basis if you compare our numbers to September 2017 our revenue has grown by about 20%. On a year-on-year basis the revenue is down and the reasons will be explained to you during the course of our call.

For the full year ending December 2017 we have reported a revenue of Rs. 2,060 crores on a consolidated basis. EBITDA of Rs. 271 crores and Profit After Tax of Rs. 73 crores. Last year for the whole year of 2016 our Profit After Tax was about Rs. 51 crores so the Profit After Tax that we are reporting is nearly 50% higher than what we reported in 2016. As far as our debt

levels are concerned the gross debt as of the balance sheet date was about Rs. 480 odd crores and the net debt was about Rs. 375 crores.

Subsequent to the year end there have been a few developments which I would like to apprise everyone about. One thing is we did a qualified institution placement of equity shares and mobilize about Rs. 337 crores. We got reputed investors to participate in our QIP and we are very thankful for the investors to have reposed their faith and trust in the management of the company.

As far as the order inflow is concerned we ended the year in December 2017 with an order book of about Rs. 7,513 crores this includes our share in the joint venture project that are under execution. I am happy to inform you that after the end of the year in January and February 2018 the company has secured orders worth about Rs. 2,400 crores. One large order that we have received from the Tamil Nadu State Electricity Authorities of Rs. 1,900 crores is marine contract to be executed over a period of about 2.5 years.

That is all that I would like to share with you at this stage. We would be happy to answer any questions that you may have on our results.

**Moderator:** Thank you very much. We will now begin with the question-and-answer session.

We have the first question from the line of Aditya Bhartia from Investec. Please go ahead.

**Aditya Bhartia:** Sir, just wanted to understand about EBITDA margins. For the last few quarters we have been seeing fairly strong EBITDA margins and in one of the earlier quarters you had indicated that there were some provision reversals. Is that also the case in this quarter and what should be the sustainable level of margins going forward?

**Prasad Patwardhan:** Well as we have mentioning on our calls earlier Aditya we are pretty confident of continuing to report double digit margins that we have reported in the past. In this quarter one of the developments has been that the JNPT contract that was under execution, has been completed fully and large part of the cost provisions that we had we have written it back and taken credit for it under exceptional items in our results. So I guess that would answer your question.

**Aditya Bhartia:** As far as EBITDA margins are concerned, those margins had not got a boost because of any provision reversals, that is completely right.....

**Prasad Patwardhan:** Yes.

**Aditya Bhartia:** And sir, what would be the value of order backlog which would be consolidated on a single line basis?

**Prasad Patwardhan:** As of December our order book was about Rs. 7,500 crores and out of that what would get consolidated would be about Rs. 6000 plus crores.

**Aditya Bhartia:** Okay and could you share some details about how Mumbai Metro and Bangalore Metro projects are progressing and has margin recognition commenced at those projects?

**Prasad Patwardhan:** No, I can tell you about the margin recognition. The margin as of December we have not recognized any margin on both these projects. I will request our Chief Operating Officer Mr. Basu to give you a brief of the progress on these two projects.

**Jayanta Basu:** Good afternoon, this is Jayanta Basu. In Bangalore Metro we have started the work last year sometime around July and in the initial phase that is available to the drawings and the form that part is over now. We have really started augmenting our progress since January. So it is picking up and we have started getting revenue. The progress is well as you know one of the most difficult part of Bangalore is to do the pile foundation. Bangalore is very hard strata and if you see so far whoever company has failed to perform in Bangalore that is one of the reason is they could not do well in the pile foundation.

This is one area we have attempted very nicely and already we have completed 2,000 piles as of yesterday. So that means that problem we have overcome and now we know how to go ahead. Pace is picking up and we will get the revenue more and more in the coming months.

**Aditya Bhartia:** Okay and also about Mumbai Metro sir?

**Adun Saraban:** Yes, Mumbai Metro is going well that is 2 TBMs in operations. The third TBM for the project would be coming end of this month but is scheduled to be launched to the chart is by beginning of May. But that is as per our schedule. So now on most activities on schedule and we will cross 10% by this quarter only.

**Aditya Bhartia:** And lastly sir, the money that you have received from QIP how do you intend to utilize that and would we be seeing a debt free payment in the initial part of the year?

**Prasad Patwardhan:** Yes that is right Aditya. What we have done is right now we have used the money to reduce our overdraft to some extent and the balance money is right now parked in liquid mutual funds. So as time goes by we will be using it for our operations.

**Moderator:** Thank you. The next question is from the line of Vibhor Singhal from Phillip Capital. Please go ahead.

**Vibhor Singhal:** So my question was as you had mentioned on the top line front, so I think in this quarter again we reported a 15%, 16% kind of a drop in top line. So this being probably the sixth consecutive quarter in which we have kind of fallen on a YoY basis, so any specific reason in this quarter and when do you believe that these declines can stem?

**Prasad Patwardhan:** Well if you look at our numbers revenue on a quarter-on-quarter basis as compared to Q3 our revenues have improved by about 20% in Q4 and given the strong order book we are pretty confident that in 2018 we will see a significant improvement in our top line.

- Vibhor Singhal:** But sir, if I am correct in my understanding Q3 is always a monsoon quarter so execution in that quarter is anyway quite weak. So compared to that I think the execution for the December quarter for almost all the companies in the entire sector is significantly a QoQ. That is why we tend to compare on a YoY basis. So any specific reason that we were short on a YoY basis?
- Prasad Patwardhan:** No, the reasons are the same that we explained earlier. The old contracts got over and the new contracts that were awarded to us in 2017 like the Bangalore Metro contract or the Haldia contract green project they were just taking off in the fourth quarter. We will see these projects contributing in the large part to the revenues in this year. So you will see a good improvement in our top line performance in 2018.
- Vibhor Singhal:** Sir, any guidance that you can provide for 2018 as to what kind of a top line we might be looking at doing?
- Prasad Patwardhan:** Unfortunately we do not provide guidance, but let me assure you that you will see a healthy improvement in our top line in this year especially on a consolidated basis.
- Vibhor Singhal:** Specially consolidated, and sir the margins are expected to remain in the same trajectory the 14%?
- Prasad Patwardhan:** Yes, the margins would be two digit margins that we have indicating we have been sticking to that number and we are delivering those numbers as well. So we will continue to see double digit EBITDA margins.
- Vibhor Singhal:** One book keeping question. Sir, if I look at your presentation and in the presentation basically we list out the various joint ventures that we have. Now the joint ventures that we have in AP that was with Maytas there the project cost has increased vis-à-vis the last quarter. The last quarter it was stagnant around Rs. 550 crores for last five, six quarters but this quarter I think it has jumped to around Rs. 890 crores. So has that JV booked any order in that or is it change of scope or anything like that?
- Prasad Patwardhan:** No, we got the variation order. The order value was increased by the client by about Rs. 350 crores in the October to December quarter.
- Vibhor Singhal:** Okay, so there was an increase in scope in that sense. So the JV does not have any problem with the JV partner, right? I know it is only 5% say with Maytas but there is not a problem in terms of execution or in the financial?
- Prasad Patwardhan:** No, the execution most of it has been done by us.
- Vibhor Singhal:** Sir, my last question is a bit on the let us say the overall opportunity size. If I look at our order book right now, I think we are prominently very strong in your metro segment as well as in the marine segment. But if you see I mean at least as for the government is kind of showing, we are demonstrating we see huge opportunities in roads, in buildings in the Pradhan Mantri Awas

Yojana Scheme and also in irrigation. Now these are segments in which for a long period of time I would say more than let us say two to three years we have not done much work. Large part of our order book also has not been in that.

So going ahead are we looking to basically going back to these orders, start bidding with NHAI as well and try to basically move out I mean not just move out maybe diversify ourselves more into these segments which probably have a larger opportunity than probably the ports and metro segments just have?

**Adun Saraban:**

See actually we are not out from the market, we are trying much more selective comparing in the past because these two segments I mean on the road, highways and even bridges, flyovers if you see that it would be the first segment that before any company who wants to enter into the infrastructure business. Always we have to face the new challenges, newcomers who can quote at any price, I do not know, but that is the scenario.

But anyway as you rightly said that we cannot shy away from the segment because the huge government budget that is allotted for this segment. On roads, that is number 1 that we try to change our strategy we are focusing on the HAMS which we believe that there is only a few competitors in that thing is not so many unlike cash contracts road work.

And number 2 is that we try to do something that is formed up with some strategy in this segment, like we need to tie up with small or medium contractors who are capable and experienced but no credentials. So that he can be executor for us so that is something that if we now in the changing mode that is how to frame up with our strategy for the road work. But at the elevated or metro we still today you see we have a healthy that is work in hand that is on elevated and on a underground also starting from the Bangalore Metro, Pune Metro this is something that we are on a radar of our radar. So we will go ahead in these two segments.

**Moderator:**

Thank you. Next three questions from the line of Abhijith Vara from Sundaram Mutual Funds. Please go ahead.

**Abhijith Vara:**

First question is could you help us understand what was the order flow in CY17?

**Prasad Patwardhan:**

The total order flow in the calendar year was about a little bit in excess of Rs. 3,000 crores.

**Abhijith Vara:**

Okay and this was actually lower than what we expected in the beginning of the year, is it because the L1 took a lot of time to get converted?

**Prasad Patwardhan:**

You are right, the L1 we were expecting that to get converted into an order much earlier, nevertheless it has happened in February now. So it is just a timing difference nothing beyond that.

**Abhijith Vara:**

Okay sir, second question is will there be any L1 position as of now apart from the confirmed orders which you said Rs. 2,400 crores in?

- Prasad Patwardhan:** Our L1 position today is about Rs. 2,000 crores. It is largely one underground metro project in Bangalore where we are L1 which is about Rs. 1,800 plus crores. So the L1 position as of today is about Rs. 2,000 crores.
- Abhijith Vara:** Final question sir, is out of the Rs. 7,500 crores plus Rs. 2,400 crores confirmed order plus Rs. 2,000 crores what will be the ITD's portion of orders?
- Prasad Patwardhan:** This is our shares what we are telling you as our order book includes our share in the joint venture contract.
- Abhijith Vara:** Okay so you would have crossed something like Rs. 12,000 crores order visibility as on date?
- Prasad Patwardhan:** Could be I do not have the exact number but yes, it will certainly be higher than that.
- Abhijith Vara:** Would you be keen on participating in any PPP project sir, some of the metros are coming up on public private partnership?
- Adun Saraban:** So far no, but in the future if we see the situation change then we might be thinking of it but so far it is no.
- Abhijith Vara:** By situation changing you are talking about commercial clauses?
- Adun Saraban:** Something like that because you see there is now lot of maybe they are on a PPP they are suffering when the projection of the revenue is supposed to come, it has not come because of the delay of the project either funds or something. So there is a clear lot of problem that is too many developers so we will be very selective or very consciously on these things. Mainly we focus maximum is only EPC.
- Moderator:** Thank you. Next question is from line of Vipul Shah who is an individual investor. Please go ahead.
- Vipul Shah:** With QIP money it will enable us to bid much higher value projects. So can you quantify it up to what project size we can bid now?
- Jayanta Basu:** Actually we are now bidding around Rs. 2,500 crores, Rs. 3,000 crores in that range. We are capable of bidding such jobs individually.
- Vipul Shah:** Individually, not on a JV basis individually we can bid a project of Rs. 2,500 crores to Rs. 3,500 crores?
- Jayanta Basu:** Yes, in the J.V. we can take even up to Rs. 8,000 crores, that is we are bidding for the VBSL ceiling. That is a budget of the government that is that range.
- Vipul Shah:** Okay and what is the mechanism to pass on the commodity price increases in our contracts?

- Prasad Patwardhan:** Our contract has escalation clauses which cover us for any variation in the prices of the inputs whether it is material or labor or diesel.
- Vipul Shah:** So it allows you to pass on immediately or with a lag?
- Prasad Patwardhan:** No, it is driven by the contract conditions, so it happens with a lag and it depends on the formula which is inbuilt into the contract for passing on the variations to us.
- Moderator:** Thank you. Next we have a follow up question from the line of Aditya Bhartia from Investec. Please go ahead.
- Aditya Bhartia:** Sir the exceptional charge that we have taken in this quarter, is it in respect of the same debtors in respect of which we used to have contingent liability?
- Prasad Patwardhan:** No, not the contingent liability. This is some receivables which was sitting in our balance sheet, it is related to some irrigation contracts under execution in Andhra Pradesh and there was an ongoing litigation which was going on from the last few years and since there was no movement in that litigation and no clarity on when the matter would get resolved as well as a matter of prudence we decided to provide for them as of December 2017.
- Aditya Bhartia:** Okay so it is not as if you have had an adverse ruling, it is just that you are providing for it as a matter of prudence?
- Prasad Patwardhan:** That is right. We will continue to pursue the matter in Courts but as far as the books of accounts are concerned we have provided for it.
- Aditya Bhartia:** Sure. And sir what would have been the CAPEX number for FY17 and what should we expect over the next two years?
- Prasad Patwardhan:** On a consolidated basis our CAPEX number was about Rs. 100 crores and probably we can look at a similar number for the current year as well. The only variation could be in case of any different projects that comes our way and we need to incur some CAPEX on that contract then the number would vary. But otherwise it should be in the range of Rs. 100 crores for the year.
- Aditya Bhartia:** And this includes Mumbai Metro CAPEX as well?
- Prasad Patwardhan:** No, this does not include the tunnel boring machines.
- Aditya Bhartia:** And last thing JNPT Phase-2 by when do you expect that project to get awarded?
- Jayanta Basu:** Actually, JNPT Phase-2 as a Concessionaire they are supposed to start the operation in the year 2022. So if we just go back I think from 2019 beginning they will start tender procedure. So the work will start some time middle of 2019.



- Moderator:** Thank you. Next question is from the line of Nitin Gandhi from KIFS Trade Capital. Please go ahead.
- Nitin Gandhi:** Maybe a little repetition. You said you raised QIP Rs. 337 crores, can you please guide what are the application of this fund?
- Prasad Patwardhan:** This will be used for retirement of debt and for execution of new projects and for CAPEX as well.
- Nitin Gandhi:** Yes but can you quantify give a split for each of those?
- Prasad Patwardhan:** No, it will not be possible for us to quantify.
- Nitin Gandhi:** Okay any project where you have existing margin which are ongoing, where margins are less than current reported margins?
- Prasad Patwardhan:** Different projects have different margins so it will be difficult for us to respond to your question but the consolidated blend of the margins is what we are reporting on a quarterly basis. And those numbers are available with you.
- Nitin Gandhi:** But like some legacy you told projects where something is not happening and maybe 25% of the order book is where you think that there is unlikelihood of making?
- Prasad Patwardhan:** No, all the projects that are presently in our order book are good projects, are under execution there is no slow moving or non moving orders sitting in our order book as of today.
- Moderator:** Thank you. The next question is from the line of Parvez Akhtar from Edelweiss. Please go ahead.
- Parvez Akhtar:** Sir, the first question is we have almost about Rs. 4,500 crores of orders which are either at the LOA stage or at the L1 stage. So any of these orders in JV or all of them are in the standalone business only?
- Prasad Patwardhan:** All these orders are on the standalone basis. There is nothing in JV.
- Parvez Akhtar:** The other question is I mean I know we should not really look at numbers on a quarterly basis but there has been a sharp jump in our other income in this particular quarter. So has there been any one offs here or the cost provision that you have mentioned write back of provisions you have included is part of other income?
- Prasad Patwardhan:** No, the other income is a result of the new accounting standards Ind-AS which are applicable. The retention money that our clients deduct from our invoicing and retained with them that needs to be reclassified and broken up into the interest component and the principal amount.

So it is just a matter of presentation. It is not really other income, it is really a presentation issue coming out of the new accounting standards that are applicable from 2017.

**Parvez Akhtar:** So earlier these would have been part of our revenue?

**Prasad Patwardhan:** That is right earlier it would have been part of our revenue.

**Parvez Akhtar:** One more question on the order inflow side obviously we have won substantial amount of orders over the last three months or so. So what is the kind of outlook that you have for CY18 as a year as a whole?

**Jayanta Basu:** Actually we are pursuing apart from the job what we have just got from Tamil Nadu Electricity Board which is around Rs. 2,000 crores actually Rs. 1,900 crores. We have pursued several marine projects big ticket jobs around seven or eight numbers and all the tenders are currently under progress I think by March or by April substantial amount of tender we will book which includes Sea Bird for Navy or maybe which includes this VBSL that is Varsova-Bandra Sealink and then Cochin Shipyard already we have put our tender. These are all marine jobs. And we are starting other jobs also like hydro also we are pushing in Bhutan and MRTS Pune Metro we will try. So there are lot of jobs currently we are pursuing.

**Moderator:** Thank you. Next question is from the line of Divyata Dalal from Systematix Shares. Please go ahead.

**Divyata Dalal:** Just two questions. One, are we still pursuing the Egypt order for DP World?

**Jayanta Basu:** Yes, we are pursuing till last month but we are in the final phase two of us one and our competitor was China Harbor. Finally the job was awarded to China Harbor so that is gone.

**Divyata Dalal:** And in terms of other projects in the pipeline, if you can give either in the overseas geography which we are pursuing apart from the hydro project mentioned in Bhutan?

**Jayanta Basu:** Well, we are still focusing some overseas job one of the job in Sri Lanka which is little different type of job which has to start from the scratch project report preparations, and I think the maturity will come end of this year and we are also keeping our eye on some jobs in Africa and Middle East and Bangladesh but so far nothing is under tender process.

**Divyata Dalal:** Which segments would this be?

**Jayanta Basu:** Basically, marine and bridge that is our focus area outside.

**Divyata Dalal:** And sir, one more question on the order book the Rs. 7,500 crores order book which we have barring ,excluding the Mumbai Metro and say the Calcutta order which are not part of the consolidated order book, what would be the average execution period for this order book?

- Jayanta Basu:** Say around two and a half years.
- Divyata Dalal:** Okay, and the newer projects of Rs. 2,500 crores which we announced which were bagged in 1Q that would also have similar execution period?
- Management:** Yes, that is around 27 months.
- Divyata Dalal:** Okay and my last question is on the tax rate, sir. Tax rate has been upwards in the range of around 40% plus. So going ahead, how do we read into this and what is the sustainable level of tax rate that we can work with?
- Prasad Patwardhan:** Well sustainable level of tax rate would be the maximum rate you know would be around 35% but there are some provisions that we keep for doubtful debts and receivables that we have not considered when we work out the tax liability. That is why optically it may appear to be on the higher side but the normal rates would be around 35%, 30% plus whatever surcharge is applicable.
- Moderator:** Thank you very much. That was the last question in queue. I would now like to hand the conference back to Mr. Adhidev Chattopadhyay for closing comments.
- Adhidev Chattopadhyay:** On behalf of ICICI Securities, I would like to thank everyone for joining us on the call today. I would now like to hand over back to the management for any closing remarks.
- Prasad Patwardhan:** Thank you, Adhidev and thank you everyone for joining us on the conference call. We are happy to give any clarifications and explanations that our investors may require. Thank you once again.
- Moderator:** Thank you very much. On behalf of ICICI Securities, that concludes this conference. Thank you for joining us. Ladies and gentlemen, you may now disconnect your lines.