



“ITD Cementation India Limited Q2 FY19 Earnings Conference Call ”

August 17, 2018



MANAGEMENT: **MR. PRASAD PATWARDHAN – CHIEF FINANCIAL OFFICER, ITD CEMENTATION INDIA LIMITED**
MR. JAYANTA BASU – CHIEF OPERATING OFFICER, ITD CEMENTATION INDIA LIMITED
MR. KAMLESH VISHWAKARMA – VICE PRESIDENT-ACCOUNTS, ITD CEMENTATION INDIA LIMITED
MR. B. VIJAY KUMAR – SENIOR VICE PRESIDENT, ITD CEMENTATION INDIA LIMITED

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

Moderator: Good morning Ladies and Gentlemen. Welcome to the ITD Cementation India Limited Q2 FY19 Earnings Conference Call hosted by ICICI Securities. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing “*” then “0” on your touchtone telephone. 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: On behalf of ICICI Securities I would like to welcome you all to the Q2 FY19 Results Conference Call of ITD Cementation India Limited. Today we have with us from the Management Mr. Prasad Patwardhan – the CFO and Mr. Jayanta Basu – COO. I now like to hand over the call to the management for opening remarks.

Prasad Patwardhan: Good morning everyone. I am Prasad Patwardhan and I have with me our Chief Operating Officer Mr. Jayanta Basu, Kamlesh Vishwakarma who is Vice President Accounts and Mr. B. Vijaykumar Senior Vice President of the company. We declared our results about a week back and I am sure you would had a chance to go through the numbers that we have reported. Just to summarize we have reported on a consolidated basis a top line of 652 crores, EBITDA margin of 87 crores and profit after tax was about 29 crores.

As far as the balance sheet is concerned the net debt on the balance sheet as of 30th June is 359 crores which gives us a debt equity ratio of about 0.36 times. Coming to our order book we ended the quarter with a order book backlog of about 9050 crores. About 50% of the order book comprises of urban infra projects which we are currently under execution in Mumbai, Bangalore, Nagpur and Calcutta. The marine segment constitutes about 31% of the order book and hydro irrigation and tunneling project accounts for about 15% of our order book. We have received orders worth about 200 crores during the quarter and in addition to that we are L1 on projects worth about 900 crores as at June end.

This is just a broad synopsis of our financial performance that we have reported for the quarter. I will hand over to Mr. Jayanta Basu for a brief on the operational performance of the company and then we will take your questions. Over to you Mr. Basu.

Jayanta Basu: Good morning to all , this is Jayanta Basu. I t will brief you about the major projects which we are presently operating starting from Bangalore metro. Bangalore metro, we are executing four contracts. Total value will be around 2370 crores, the most challenging work was the foundation which we have successful handled. So, far we have completed around 61% of the foundation and the other structures are also going on well. There are some issues regarding land handover as I mentioned last time, but now we see around 93% land is handed over. So, with this we hope that we will be able to complete the job on schedule. Mumbai metro as you

know we are doing the underground tunnel work for which is around 12 kilometers length and we have so far completed around 2.2 kilometers.

Three TBM ,tunnel boring machine are working and we are much ahead of other all packages. Similarly, at Nagpur metro, three contracts work in going on well .

Coming to the marine job- big job we have secured at Udangudi . We have already started permanent work.. Pile foundation work started alongwith temporary work , all are progressing well. Designer has been appointed and for the break order also and plant and machineries are under mobilization.. We have started receiving payments from client against running account bill. Amongst other r Marine jobs , l Vizag is going well, Mumbai port it is on verge of completion, Haldia is picking up now , All operations so far is going well. that is all from the operation in brief.

Moderator: 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: Can you just highlight something on the ordering pipeline segment wise if you can give some color on this?

Management First of all, I would talk about the projects which we are already L1 bidder and waiting for the order to come starting from one small job in Mumbai metro , it is a track laying work which is around 110 crores . In marine we are L1 in Andaman job 300 crores, Vizag one small job of marine around 200 crores , we are of L1. Similarly, in other sector like metro we are L1 in one of the Job . If you see around ,1100 crores jobs we are already L1 we are waiting for the order to come. Apart from that there are some big-ticket jobs. Total if I say including 1000 crores where we are already L1 , there is around 15,000 crores jobs in pipeline and been tendered. In marine we have submitted bid at t Seabird , one job in Jawaharlal Nehru Port, one small job we are bidding in Calcutta ..

Parikshit Kandpal: How big this will be like these three put together will be in terms of value?

Management: do not know exactly but it will be around 1500 to 2000 crores in that range .I can only tell you about the range now. So, if you see around 2200 jobs under pipeline in tender in marine and another 600 crores job already we are L1 so altogether 2800 crores marine jobs are in the pipeline. Coming to the Bangalore metro earlier we have quoted for the underground packages, but they are retendered now. there are total four packages of underground, out of which t two tender have come and each will be around 1600 crores, tender is due next month. Similarly, for other sectors like in Bangladesh we are trying a big job in sewage which is basically in water treatment plant which will be around in terms of Indian currencies around 1600 to 1700 crores. The bid is due end of this month.. Then we have got couple of airport tender in hand , Bangalore airport is a big-ticket job again it is due next month around 2000

crores plus, Trichy airport we have submitted we are waiting for the price bid to be opened .. In New Mumbai , for CIDCO we will be submitting for Coastal Road there are three road projects in model of HAM under tender now which is getting extended every time by next month I think middle of next month we have to submit the bid. These are more or less broad picture of the tenders in pipeline.

- Moderator:** The next question is from the line Dhruv Agarwal from Cresita Investments. Please go ahead.
- Dhruv Agarwal:** Sir if you could tell me the gross debt level at the standalone and the consolidated levels?
- Management:** On a standalone basis the gross debt is about 235 crores and on a consolidated basis it is about 470 crores. The net debt consolidated basis is about 350 standalone basis it is about 175 crores.
- Dhruv Agarwal:** Sir have you utilized the complete the QIP money of 337 crores?
- Management:** It has been used to repay the debt at the moment and it is being gradually used for executing this order book.
- Dhruv Agarwal:** Sir if you have any legacy order or slow-moving order in your order book right now?
- Management:** Well there is one irrigation project under execution in Andhra Pradesh which is presently running a bit slow other than that all the projects are under execution today there is nothing that is slow moving.
- Dhruv Agarwal:** And what is the total value of this irrigation project?
- Management:** It is about 800 plus crores.
- Dhruv Agarwal:** And what part is left to be executed?
- Management:** No 800 crores is the balance to be executed.
- Dhruv Agarwal:** Balance to be executed so what was the original bid amount for this?
- Management:** This bid was about 950 crores or something.
- Moderator:** The next question is from the line of Vibhor Singhal from Philip Capital. Please go ahead.
- Vibhor Singhal:** My question was basically just as you mentioned irrigation order that you mentioned which is a slow-moving order which order would this be sir?
- Management:** This is an irrigation order given by Telangana government. The order value was about 600 crores earlier last year it was enhanced by about 350 crores.

Vibhor Singhal: And basically, are we facing any land acquisition trouble fair or is the payment order on time so could you just throw some light on the nature of the problem that we are facing in that project?

Management: It was more of a political issue. There is no issue on the payment because we have largely subcontracted the project, so it is a back to back subcontract. So, there is no direct implication on the company as such, but presently it is moving a bit slowly.

Vibhor Singhal: And this is the only slow-moving order in the orderbook all other order are on time?

Management: Yes.

Vibhor Singhal: Also, sir you mentioned that we are also looking for these three HAM projects under tender, so are we going for these projects solo or are we basically doing it along with somebody in JV or in partnership with somebody?

Management: No, we are bidding for these projects on our own. We are going solo.

Vibhor Singhal: Lastly there are book keeping question if you would like to what kind of top line growth we are looking at this year and what are we expecting the debt number to be by the end of this year?

Management: Well you have seen our performance in the last two quarter and we are expecting that trend to continue or maybe improve going forward. The orderbook is already there. Our performance is largely going to arise from the existing order book. We are expecting the same trend or even in improvement in the level of operations going forward.

Vibhor Singhal: And sir debt number would you be able to throw some light where can we expect it to be by the end of this year it is almost flat as per let say March quarter we had it around 480 crores has come down to 470 crores, so we expect it to be similar levels at the end of the year also?

Management: We expect it to be at similar level only thing is it depends on the order book the function of order book if we get any large order for which we need to fund then that could impact the debt level which depend on CAPEX plan as well, but otherwise we are hopeful that the debt will remain at around this level.

Vibhor Singhal: My last question is on the share of profits from associates so if we understand that correctly I think this comes from the Mumbai metro underground project this quarter we reported a slight loss of around 4 crores from this project last quarter we had done a profit of around 90 lakh, so this number has been quite volatile in terms of what we report, could you just maybe throw some light as to when do we expect this number to be profitable on a consistent basis and what is leading to the losses in this quarter?

- Management:** Loss in this quarter is largely arising from the Delhi metro project. There is one of the earlier year tax assessment got completed and there were some disallowances which resulted in this loss. We will be filing an appeal on those disallowances but as a matter of prudence we have booked that loss which relating to the old project in previous year. Generally, tax assessment takes place after gap of maybe two, three, four years that is why this has arisen, but Mumbai metro project is going pretty well. In fact, I can share with you all are three tunnel boring machine have now operations and about 4.5 kilometers of tunneling has been done in Mumbai amongst all the seven packages and 50% of that has been done in our package itself.
- Vibhor Singhal:** Sir so in this share of profit from associate if the loss is from the DMRC project is it safe to assume that the contribution of Mumbai metro project would be a positive profit?
- Management:** Yes.
- Vibhor Singhal:** You would not be able to share the number I suppose?
- Management:** No I would not be able to share you.
- Moderator:** The next question is from the line of Rajeev Mehra from JM. Financial. Please go ahead.
- Rajeev Mehra:** Sir if you could just tell me the breakup of the revenues booked from the Mumbai metro and the Bangalore metro and the metro the work being done in Nagpur?
- Management:** Well the revenue only from Bangalore metro is getting reported in our consolidation.
- Rajeev Mehra:** So, that could be shared and if the amount of work although the number of revenues is not recorded in our P&L, but if you could tell how much percentage of work has already been done from Bangalore as well as Mumbai out of the total project size?
- Management:** See in Bangalore metro in this quarter we have done about 170 odd crores and Mumbai metro we have done about little over 100 crores in this quarter.
- Rajeev Mehra:** And how much would Nagpur be?
- Management:** Nagpur maybe a smaller number because the order size is also smaller as compared to Mumbai and Bangalore. Nagpur would be about 150 crores.
- Rajeev Mehra:** If you could tell me what is your order inflow guidance for the full year?
- Management:** We have not been giving any guidance but what I can share with you is we have already secured order worth more than 2500 crores in this year plus we are L1 on order for about 1000 crores. So, we are already at about 3,500 crores within six, seven month on this year.

- Moderator:** The next question is from the line of Shreyans Mehta from Emkay Global. Please go ahead.
- Shreyans Mehta:** Sir in the urban infra space the order book seems to have increased have we taken any escalation?
- Management:** No, there is no escalation that we have taken.
- Shreyans Mehta:** Because you know we do not have any order inflow as well, so how come the order book has increased despite we are executing some portion in urban infra?
- Management:** Well the only change has been the scope of work that we are executing in Mumbai metro we were earlier doing about 40% and that there is more work that we are going to be executing in that project and which is getting reflected in the order book that is the only change that has happened in the order book otherwise the basis on which we record the order book continuous to be the same.
- Shreyans Mehta:** So, basically, it is mainly because of book which is increased?
- Management:** Yes.
- Shreyans Mehta:** Sir secondly in terms of our margins it is fair to assume even in the console the margins have increased because of the standalone?
- Management:** Well it is a function of both standalone as well as consolidated, but you are right this quarter the margins are better largely because of the standalone performance.
- Shreyans Mehta:** And it would be primarily because of any particular project if you could highlight?
- Management:** Not any particular project but we had some residual margins that we recognized on some of the closed marine projects or nearing completion marine project which added maybe 100, 150 basis point to the margin roughly EBITDA margins roughly that is why we have reported a slightly higher EBITDA number in this quarter.
- Shreyans Mehta:** Lastly, I mean the JV share of profits I mean would the Mumbai metro number be better than a last quarter?
- Management:** We are hoping that it would be better going forward.
- Shreyans Mehta:** No I mean for this quarter I mean if you could not spell out the number but just wanted to understand what is the number is it better than the last quarter?

- Management:** No last quarter probably would have been higher because last quarter we hit the threshold for margin recognition, so the margin recognized in the previous quarter was higher as compared to the current quarter.
- Moderator:** The next question is from the line of Ravi Naredi from Naredi Investments. Please go ahead.
- Ravi Naredi:** All our metro projects are on track going perfectly?
- Management:** Yes, we are Bombay is going very well as you know we have done around 2.7 kilometer of tunnel much ahead of other contractors. Bangalore yes as I mentioned in the beginning, we have completed about 61% of the foundation which is a big achievement considering the difficulties in foundation work in Bangalore,
- Ravi Naredi:** You are talking about Bangalore right?
- Management:** Yes and similarly underground work in Calcutta we will TBM operation soon , and it will just in new route. Nagpur also doing well. Leaving aside there are couple of issues regarding the land handing over but they are common matter in the metro.
- Ravi Naredi:** But as far as work is concerned there is no problem at all?
- Management:** No issue at all.
- Ravi Naredi:** Secondly due to election in next year any slowdown in new order are you finding any such problem?
- Management:** No that will happen only for two, three months, but if you see our orders in pipeline so we are comfortable with that.
- Ravi Naredi:** We are comfortable for next two years at least.
- Management:** Yes.
- Ravi Naredi:** Margin was same percentage as it was last year it may rise this year or the same level can you tell something about it?
- Management:** Well we have seen our margins in the last two quarters in last year as well and guidance that we have given earlier as well is we will continue to report double digit margins and we are sticking to that. It will not be possible for us to give you an exact indication of the margins, but largely we expect these margins to be sustainable going forward.
- Moderator:** The next question is from the line of Alok Deora from IIFL. Please go ahead.

- Alok Deora:** Just one question I had just on the marine segment I mean we have not seen too much of order flows which used to be around 60% of the order book is currently 30%, so what is the pipeline they are like and even in L1 ordering most of the projects which we are having is from the urban infra space so just wanted to have a sense of what is happening in the marine segment?
- Management:** Okay I will clarify you if you see the L1 out of say around 1000 crores marine comes around 50% that is Vizag 200 and Andaman 300, another 2000 crores jobs in pipeline in tender. and we are quite hopeful that marine order will increase.
- Alok Deora:** Actually, the L1 project pipeline which you have shared in the presentation there I think this other marine project details are not mentioned?
- Management:** Yes it was a mistake Vizag was not highlighted there is another job you can include that is Vizag jetty which is around 200 crores.
- Alok Deora:** So, there also we have received given the L1 status?
- Management:** Then we will get the order I hope by end of this month.
- Alok Deora:** And just one question on the order pipeline I understand we do not give order guidance order inflow guidance but are we also seeing similar good traction in other segments which we are operating say urban infra and even other segments like dams and tunnels?
- Management:** Not really in dams and tunnels, but urban infra and airport. These two sectors yes there are plenty of work coming and we are also in the process of bidding couple of big jobs.
- Alok Deora:** This airport we cover under which segment?
- Management:** It comes under industrial structure.
- Moderator:** The next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.
- Parikshit Kandpal:** This debt has gone up from 150 crores in the March quarter at almost net debt of 359 crores I mean are we not taking mobilization advance from the customer?
- Management:** The decision to take it is based on what is the cost of the mobilization advance Generally, all the contracts have interest bearing mobilization advances plus we need to incur the guarantee commission also because we need to give a guarantee to cover the mobilization advances. So, you are right currently for some of the projects like Udangudi we have still not availed of the mobilization advances. Similarly, for Bangalore metro whatever advance we are eligible for we have not taken that advance fully because the pricing on that advance is higher than what we can borrow from our banks either by way of CC or OD facilities or through commercial

paper. So, you are right the debt has gone up largely because we have not availed. For example, for the Udangudi project we are entitled to an advance of about 200 crores and we have taken that 200 crores advance we would have no debt on our standalone books at all.

Parikshit Kandpal: Optically that looks higher but there will be interest saving to that extent?

Management: Yes there will be interest saving to the extent of the gap between what we are borrowing at and what the clients would have charged on the advances and that is why you are seeing the debt level going a bit higher.

Parikshit Kandpal: Just now the Udangudi sir I mean a large portion of that was to be conveyor belt was to be imported and that time rupee was 63, 64 now is 70 how are you protecting your margins there when you import this?

Management: Yes good thing about Udangudi , part of the payment will be in dollar. The exchange rate is prefix , so there is no risk of FOREX .

Parikshit Kandpal: So, the client BHEL will be paying you in dollars for this contract?

Management: It is not BHEL it is Tamil Naidu Electricity Board so they will be paying in dollar.

Parikshit Kandpal: And the partner has the partner changed or the Chinese partner still continuous on this?

Management: We are discussing on that I mean there is an option to go ahead with somebody else.

Moderator: The next question is from the line of Parvez Akhtar from Edelweiss. Please go ahead.

Parvez Akhtar: Sir just wanted to check one thing what kind of equity commitment are we comfortable as far as our road HAM projects for which we are bidding is concerned?

Management: We are bidding for HAM projects which are in the range of about 1000 or maybe 1200 crores. So, given that size of the project 40% would be finance by the government and the remaining 60% would be mix of debt and equity. So, the debt overall could be again the debt out of that 60% we can even look at 80-20 ratio. So, the equity commitment that we could look for any project would be in the range of 10% or 15% of the project size.

Parvez Akhtar: And how many such projects are we okay 1, 2, 3?

Management: We are a bit conservative in this we do not want to have in a position where we are awarded many projects and then will be struggling to get either equity or debt financing for it. So, to start with we are looking at may be one or at the most two projects nothing more than that.

Moderator: The next question is from the line of Vibhor Singhal from PhillipCapital. Please go ahead.

Vibhor Singhal: Could you just guide us sir what is the kind of CAPEX that we are looking to do this year and next year?

Management: See this year so far on a consolidated basis we have done CAPEX of about 60 crores which gives us a run rate of about 8 crores or 10 crores a month and that is the normal CAPEX that we do replacement of old construction equipment or renovation that is the expenditure that we incur. So, we hope to continue with that same rate going forward. The only change could be in case we get or we are awarded any project which require us to spend specifically on some CAPEX that may add to the CAPEX bill for the year.

Vibhor Singhal: So, normal CAPEX should be around 120 crores to 150 crores for the full year given that we have done 60 crores?

Management: I do not think it will be that much it will be around may be 70-80 or 80 to 100 crores in that below 100.

Vibhor Singhal: Given that we have already done 60 crores in first two quarters we would still remain below 100 crores for the full years?

Management: The ballpark below 100 years.

Vibhor Singhal: And sir would you be able to just basically give us more idea about how the receivable cycle write-off, what is the debtors period right now are we seeing an elongation in that and how do we see going forward for the remaining part of the year?

Management: No, our receivables days we are on a consolidated basis we are under 50 days of receivables so all our projects today are funded by international financing or most of the projects or large projects that we are executing are funded by Asian Development Bank or JICA. So, the funding is available with the client and we are not seeing any delay in getting our payments. So, the receivable days are around 40-45 days.

Vibhor Singhal: Sir I was just trying to do the Math I mean if you look at the first two quarters we have done an EBITDA of almost around 150 crores, 147 to be precise and basically our debt has gone up by around 200 crores at the same time. If we are receiving payments for that amount even if we are not taking the mobilization advances I mean there would be some cash flow which is coming in and debt should not have gone up by amount of let say around 200-300 crores that it has already has so that could probably what I was hoping for where the Math could have worked is we were getting delayed payments from the government bodies and that is why we have to take on debt to basically keep on working, but even that we have got 150 crores of EBITDA in the year why is our debt still increasing vis-à-vis the December end quarter?

Management: Well I had mentioned at the beginning the standalone and the consolidated debt level if you see the numbers the debt has gone up on a consolidated basis. On the standalone basis the debt continuous to be lower. It has gone up because we have arranged separate banking facilities for couple of projects for example Bangalore metro which is being executed in joint venture, so there are separate bank facilities for the joint venture projects and the project has drawn down on some of those facilities that is the reason why debt has gone up and the other reason which I mentioned earlier is we have not taken full advances in projects like Bangalore metro for example. We are gone in for bank debt rather than taking the customer advances. Had we taken those advances or debt levels would have been significantly lower.

Moderator: The next question is from the line of Amish Kanani from JM Financial. Please go ahead.

Amish Kanani: Sir you mentioned the pipeline worth 15,000 crores and within that you give some projects within marine metro and airport and also roads, overall if you have to split this in percentage term in broad range how is the share of each of this looking like in terms of pipeline and where we generally tend to earn higher margin in the sense that whenever we get to know about future order ends which one are the ones we generally get a slightly margin based on our strength I am not asking current level margins but based on our strength which are the segments where we generally, get higher margins if you can give some flavor there?

Management: Typically if you see marine is always better I mean it gives higher margin as compared to others and there is another one sector that is tunnel where we do tunnel TBM work in metro and if you see whatever pipeline we have said 15,000 crores out of that I think TBM will be around 5,000 to 6,000 crores and marine would be around 2500 to 3,000 crores so that is the ballpark number.

Amish Kanani: Sir any sense of are we bidding this in JV in most of these projects and what is our share kind of stuff?

Management: If it is marine it is not JV normally we do on our own. Some of the TBM job we may have to go in JV because it involves some CAPEX where we want to share the CAPEX in the JV.

Moderator: The next question is from the line of Abhijeet Vohra from Sundaram Mutual Fund. Please go ahead.

Abhijeet Vohra: In the current quarter consolidated earnings we saw that profit from share of associate comprises a negative number this has turned negative after three, four quarters, can you give an idea because on a couple of quarters back MD was saying that profitability of associate company should be on par with the standalone companies if you can give an idea what happened in the current quarter and what we can see for the rest of the year it would be helpful?

Management: Yes Abhijeet I think I have said it earlier but just to reiterate the loss is a reason because Delhi metro contract that got completed you know the tax assessment for one of the earlier years was completed in this quarter and there was some disallowances by the tax authorities resulting in a higher tax outgo. So, that we have provided for and we are going into appeal against those disallowances by the income tax authorities. So, as a matter of prudence we have booked that loss it is not arising from any operations of the project the project is nearly completed and there is no other operating loss arising from the projects. This loss has been booked largely on account of the completion of the tax assessment.

Abhijeet Vohra: So, for the current JV order let us assume Bangalore metro and other orders there the profitability is on par with standalone sir?

Management: No, it would be on par with the standalone each project has a different EBITDA margin and the performance parameters. So, whatever is the profits that we are making on all the projects that is getting recorded. As Mr. Basu mentioned earlier marine segment tend to have a better margin or even tunneling project have a better margin as compared to some of the other segments.

Abhijeet Vohra: Because of AS115 any specific changes which has happened in the current quarter?

Management: No AS115 will not be applicable to us for the current year because our accounting year started in January and AS115 is applicable for all years starting from April 2018 so it will be applicable to us from the next financial year.

Moderator: The next question is from the line of Rajendra Mishra from IDFC. Please go ahead.

Rajendra Mishra: We just come to know that there is a few projects happening in around Mumbai just wanted to know if you can share some color what is the time line and if we are going to bid for example some of these projects like this when you said HAM projects are you looking anything on Mumbai-Nagpur Expressway?

Management: No it is not Mumbai Nagpur expressway but it is Maharashtra for something Solapur and all.

Rajendara Mishra: There was another this they are talking about something like Bandra-Versova Sealink, or Thane Creek Bridge or one Missing Link on Mumbai-Pune Expressway so these project will fill into our pipeline when you have shared the pipeline or they are outside of that?

Management: No, it is outside of that.

Rajendra Mishra: But these projects would be we would be looking at?



Commitment, Reliability & Quality

ITD Cementation India Limited
August 17, 2018

- Management:** Actually, if you see that Versova Sealink has already been awarded to Reliance, they become the lowest bidder unfortunately we become the L2 so we are not there and Sealink I do not know which one you are mentioning that is Mumbai Trans Harbor Link that is already gone to L&T and Tata.
- Rajendra Mishra:** This Missing Link is on the Mumbai Pune Expressway Lonavala-Khandala project?
- Management:** We had analyzed the project and consciously we have avoided this tender.
- Rajendra Mishra:** How about this Thane Creek Bridge-3 which they are talking about to connect the Vashi.
- Management:** It is going on for long time I think last bid has been submitted one or two months back but we are not there again on Thane Creek Bridge.
- Rajendra Mishra:** I missed the initial part of the call have we shared any guidance on order inflow, order book for the year?
- Management:** No, we have not shared any guidance what I said is we have already received the orders for 2500 crores this year and we are L1 on further contracts worth about 1000 crores. We are already at about 3500 crores of fresh orders in this year.
- Rajendra Mishra:** Current order book is just over 9,000 crores.
- Rajendra Mishra:** And given our balance sheet and execution what can be the run rate that we can expect on a steady basis in terms of orders inflows?
- Management:** You are talking about the order inflows or the top line the revenues?
- Rajendra Mishra:** No order inflows.
- Management:** No order inflow as I said we have this 3500 worth of orders. In terms of orders already received our L1 position so we are pretty hopeful that this we will be able to maintain this rate or maybe improve on its surface.
- Rajendra Mishra:** And on top line?
- Management:** On top line again as I said we have the order book is in place, everything is in place that we have a healthy balance sheet, we have a good orderbook and we have done the growth that we have seen in the current year as compared to the previous year in terms of top line has been also pretty good and we are pretty hopeful of not just replicating this performance but maybe improving it going forward.



Commitment, Reliability & Quality

ITD Cementation India Limited
August 17,2018

Rajendra Mishra: And I think you also mentioned that CAPEX will not substantial increase beyond 10, 15 crores per month right?

Management: Unless there is some new order coming our way which requires to spend on CAPEX.

Rajendra Mishra: You said airport and urban infra is showing there is a lot of good traction in that space so can you give some more detailing around these two segments?

Management: See in airport , number one is Bangalore International Airport ,we are submitting our bid next month .which is a big job for us around 2000 crores. In couple of other airports like Trichy we have already submitted t another two, three small airport tender also in the pipeline and for metro as you know Bangalore metro as we just mentioned the two underground packages have been retenderd another two are on offing and there are some elevated packages also in Bangalore. Similarly, there is a ongoing tender in Indore new metro . so these are the main jobs we are pursuing in metro and airport.

Rajendra Mishra: What is the scope of work at Bangalore airport and you are going alone or you are going in consortium?

Management: We are going alongwith our parent ITD Bangkok and it is a terminal building like airport terminal building as you see.

Moderator: The next question is from the line of Aksh Vora. Please go ahead.

Aksh Vora: I just wanted to know how is the involvement of the management the parent company in operations over here and what is the reason they have reduced their stake recently any detail on that?

Management: Sir your first question the parent company is not executing any projects in India they do not have a presence in India. We are the chosen vehicle for executing projects in India.

Aksh Vora: I meant how is the involvement of probably the MD into the operations of the company?

Aksh Vora: Well we have a full time managing director here he is a Thai national and he has been in India ever since ITD really took over the company about 15 years, 16 years back so his fully hands on and 100% involved in the operations of this company in India. Your second question was relating to the reduction of stake basically ITD Thailand that is a parent company they have operations in various countries in the South East Asian region and they have capital allocations in all these countries. At the moment there were not in a position to invest further into ITD Cementation and we needed capital for our growth so there were gracious enough to allow us to go ahead with the QIP and this stake has gone down to 51% to about 46.5%.

- Participant:** Any further dilution do we expect in near future?
- Management:** Well nothing planned at the moment there is no dilution and no fund raise that is planned as of now.
- Participant:** Sir the current margins are sustainable on a longer term basis?
- Management:** No as I have been saying in the past we expect margins to be in the range of 10%, 11%, 11.5%. This quarter the margins have been bit higher as compared to earlier, but we expect sustainable margins are in the range of double-digit around 10%, 11.5% that is what we have indicated in the past and that is what we will hopefully continue to report.
- Moderator:** The next question is from the line of Jigar Shroff from Financial Research Technology. Please go ahead.
- Jigar Shroff:** Sir would you like to share any update on the bullet train project you had mentioned that we would have to collaborate with the Japanese partner any update on that?
- Management:** Bullet train is big ticket job and it has been divided into two models. One model where only the Japanese can participate with Indian of course but Japanese has to lead another model where Indian vendors are also allowed. So, for the second one where the Indians are allowed as because the jobs are very big each jobs will be around 15,000 crores in that range, we have partnered with one of our peers and we are going ahead JV with them and that is what is the status. In terms of the Japanese also we are talking to two, three companies we are not finalized so it is in the advanced stage.
- Moderator:** The next question is from the line of Ravi Naredi from Naredi Investments. Please go ahead.
- Ravi Naredi:** Sir you have mentioned so many projects we are going to acquire in next 6 month or 1 year or 2 year like metro and this bullet train so we will be able to do all such monetization with this capital or we may raise capital in near future or after one year can you guide something in all these?
- Management:** Sir we are going to bid for this projects whether we are awarded this project or not we will come to know only at the appropriate time, depending on the project that are awarded to us we will review our financial position and then take a decision on whether additional funding is required or not.
- Ravi Naredi:** Because our track record is so nice and we are doing so fine projects so we hope we will get these projects then we maybe need to raise the equity?



Commitment, Reliability & Quality

*ITD Cementation India Limited
August 17, 2018*

- Management:** Then it will be difficult for me to comment at this stage. We are thankful for your good wishes and we are also hopeful to get these projects
- Ravi Naredi:** Definitely sir our shareholders our good wishes are always with you, but asking just supposed we get the project at this juncture what is the capital available with the company, can we able to do the project or we need extra capital?
- Management:** At the present moment we are adequately capitalized even any growth in our order book we will be able to manage based on our existing balance sheet. We do not expect any fund raise requirement coming up immediately.
- Ravi Naredi:** Otherwise you tell me next how many projects we do not need any capital?
- Management:** Sir it depends on the timing of the project and how the execution is being carried out. This is a hypothetical question and it will not be possible for me give that answer.
- Ravi Naredi:** No, it is hypothetical because our company track record is nice and we are bidding so many metro projects and other projects so then we will receive definitely because the momentum is going on so that is why I am asking that is not hypothetical.
- Management:** Our endeavor is to perform well and increase the shareholder value. So, we will do everything that is required to make sure that that happens.
- Moderator:** The next question is from the line of Abhijeet Vohra from Sundaram Mutual Fund. Please go ahead.
- Abhijeet Vohra:** Sir two questions. First one is on the peak debt position what can be the peak debt position in the next two years any broad back -on-the envelope calculation you have done?
- Management:** No Abhijeet it will depend on the projects that are executed or the projects or the projects that are awarded to us.
- Abhijeet Vohra:** On the current order book sir?
- Management:** On the current order book we expect to maintain we are hopeful of maintaining the current debt level. We do not see significant variation in our debt position that is our endeavor and that is our hope.
- Abhijeet Vohra:** Second question is on the working capital let us say for some quarter now we have been executing these metro orders has there been any adverse impact on the receivables or pile up in terms of inventory or receivables because of the swing towards the metro rather than marine earlier?

- Management:** Will you see the projects like Mumbai metro, Bangalore metro these are adequately funded by multilateral agencies. So, they have funding available with them so we are not seeing any abnormal increase in the level of our receivable. Yes, the unbilled working-in-progress (WIP) has gone up, but that is a function of order book. It is in the normal course of business and that is not a cause for concern because when we commence executing any project it takes about six to eight months for us to develop the infrastructure and setup the facility before we start billing to the client. So, there is no concern either on the work-in-progress or in the receivable position.
- Abhijeet Vohra:** The debtor days are comparable to the earlier balance sheet?
- Management:** Yes.
- Moderator:** The next question is from the line of Vipul Shah an Individual Investor. Please go ahead.
- Vipul Shah:** I have one simple question I see that we have different JVs with multiple shareholding of the parent company so I failed to understand why we have different, different shareholdings of parent company in the joint venture, why cannot we have one single joint venture with one shareholder or one shareholding of current company?
- Management:** I will explain to you briefly the philosophy why we need to go in for joint venture. We need to bid for any project in joint venture only when we are not able to meet the pre-qualification criteria on a standalone basis. So, then we need to join hands with either with parent company or some other companies for the sake of qualification and from the tendering requirements the share of participation of the JV partners also is decided based on the tendering requirement. So, it is not as if we have chosen this 51-49 or 60-40 or any other sharing pattern. It is largely driven by the tender document and the requirements of the client.
- Vipul Shah:** So, it is more to do with tendering requirements.
- Management:** That's correct.
- Moderator:** The next question is from the line of Rajendra Mishra from IDFC. Please go ahead.
- Rajendra Mishra:** Again, have we touched on competitive intensity how is it looking up and across different segment is the competition gone up, gone down is it the same as before?
- Management:** The competition remains because if you go for government tender you have to be L1 and there are always four or five bidders of our peers. So, competition remains and I do not think it has changed or it was couple of years back.



Commitment, Reliability & Quality

*ITD Cementation India Limited
August 17, 2018*

Rajendra Mishra: So, if you were to go segment wise let say metro, marine and airport across these three segments when you are bidding for let say Bangalore airport or a marine job or a metro project Bangalore underground stretch so number of bidder are similar to where they were few years back?

Management: No, I think marine remains same and metro some time it increases because people they go to joint venture and airport is okay around three to four bidders always.

Rajendra Mishra: Marine and airport more or less similar level metro once in a while.

Management: Yes.

Rajendra Mishra: Have we seen that much because companies like you have been around for so many years so have you seen that clients having learned from the previous cycle which company will be able to complete the work and not allow weak balance sheets to participate and all or do you think everything is still all L1 and cost focused approached?

Management: No, it is obviously L1, but client is now more educated they take care of these things in pre-qualifications, particularly metro sector lot many people are not allowed nowadays and similar thing we expect in the road also in future.

Rajendra Mishra: That should be positive from our perspective?

Management: Yes.

Moderator: We take the next question from the line of MS Arun from Capital Market. Please go ahead.

MS Arun: Sir what is the project cost of Trichy airport which we have put in a bid?

Management: That we will not be able to share unless the bid is opened.

MS Arun: Estimated cost?

Management: Mr. Arun we will not be able to share as it is confidential.

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

Adhidev Chattopadhyay: Thank everyone for joining us on the call today just like to hand over again to Mr. Patwardhan for his closing remarks.

Prasad B. Patwardhan: Thank you very much. We appreciate your participation on the call and giving us time to explain our results in more detail. We look forward to your continued support going ahead.



Commitment, Reliability & Quality

*ITD Cementation India Limited
August 17, 2018*

Moderator: Ladies and gentlemen on behalf of ICICI Securities that concludes today's conference. Thank you for joining us and you may now disconnect your lines. Thank you.