Ircon International Limited
Q3 & 9M FY20 Results Conference Call
February 13, 2020

Management: Shri. S.K. Chaudhary – Chairman & Managing Director
Shri. M.K. Singh – Director Finance
Good afternoon ladies and gentlemen. I am Lizann, the moderator for this conference. Welcome to the conference call of Ircon International Limited, arranged by Concept Investor Relations to discuss its Q3 & 9M FY20 Results.

We have with us today, Shri. M.K. Singh, Director Finance. At this moment all participants are in listen-only mode. Later, we will conduct a question and answer session. At that time, if you have a question, you may please press "+" and “1” on your telephone keypad. Please note that this conference is being recorded. I would now like to hand the conference over to the Shri. M.K. Singh for his opening remarks. Thank you and over to you sir.

A very good afternoon to everybody all the participants of the conference call. We are very happy to tell you that our CMD Shri. S.K. Chaudhary, has been able to spare time and he is with us. So, I will hand over for the opening remarks to Shri Chaudhary and thereafter I will pitch in wherever required.

Good afternoon everyone. I am S.K. Chaudhary, Chairman and Managing Director and along with me is Mr. M.K. Singh Director Finance of the company. I welcome you all to the conference call to discuss our financial performance for quarter ended December 2019. First, I would like to give you a short brief about our company. Then I will talk about the financial performance of the company. And then we can take up the questions.

So, Ircon as you all know is a leading turnkey construction company in public sector known for its quality, commitment and consistency in terms of performance. Ircon is a specialized construction organization and covering entire spectrum of infrastructure sectors like railways, highways, substations, tunnels, bridges, etc. The company operates not only in highly competitive environment, but also in difficult terrain and regions in India and abroad. And is an active participant in prestigious nation building projects. So far completed more than 300 infrastructure projects in India and more than 180 projects outside in 24 countries. The company has strong order book of Rs. 32,000 crore approximately as on December 31st 2019. And out of this, the railway portion is Rs. 30,000 crore and highway portion is around Rs. 1900 crore roughly.

Then there are other things which are to finer like electrical works and buildings. 84% of in this what we find is the orders which are from railway related works. The key strength of the
company is that is to diversify into various infrastructure sectors and is established player in
the field of railways and highway construction. The broad geographic coverage has helped the
company to diversify into all form of construction like (inaudible) EPC, HAM and Annuity.
Through either single or in joint ventures or through SPVs. I am delighted to share that after a
successful FY19 the company has continued its growth journey in the third quarter of FY20. All
major segments have shown continuous growth in revenue, profitability and as a result we
have been able to maintain healthy sustainable margins.

The financial performance is as under. Our income from operations stood at Rs. 1132 crore as
compared to Rs. 1215 crore in Q3FY19. EBITDA for quarter increased by 2.4% to Rs. 117 crore
from Rs. 114 crore in corresponding quarter last year. EBITDA margin stood at 10.34% in
Q3FY20 as against 9.4% in Q3FY19. Profit before tax is at Rs. 158 crore in Q3FY20 as compared
to Rs. 147 crore in same quarter last year, there is an increase of 7.3%. PAT increased
considerably by 34.7% to Rs. 138 crore in Q3FY20 as compared to Rs. 102 crore same quarter
last year. PAT margin stood at 12.23% of Q3FY20 as compared to 8.45% in Q3FY19. The EPS for
quarter stood at Rs. 14.72 compared to Rs. 10.93 as compared to the same quarter last year.

For 9MFY20 the revenue from operations on standalone on basis is Rs. 3414 crore as compared
to Rs. 2880 crore in 9MFY19 witnessing a growth of 18.5% for the corresponding period last
year. The company’s EBITDA for 9MFY20 stand at Rs. 347.01 crore as against Rs. 220.58 crore
in 9MFY19 a growth of 57.3% EBITDA margin for 9MFY20 is 10.16% as compared to 7.56 % in
9MFY19. PAT for 9MFY20 is Rs. 367 crore as compared to Rs. 349 crore in 9MFY19. PAT margin
stood at 10.76%. The earning per share is around Rs. 39.06. This brings me to the end of my
comments. Now I would like to leave the floor open for questions. We’ll try our best to answer
all of them. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question and answer session.
The first question is from the line of Chintan Sheth from Sameeksha Capital. Please go ahead.

Chintan Sheth: Sir, one question on the slower execution you explained, heavy snowfall in J&K project and
heavy rains in Western region which impacted our revenue bookings. Can you quantify the
amount of revenue we couldn’t execute this quarter and how are we shaping up executing the
balance in Q4, in the coming quarter?

S.K. Chaudhary: It has affected around Rs. 200 - 250 crore of turnover in this quarter because of the rains and
snowfall, but we’ll make it up and our numbers will be somewhere around 20% of last year’s
operating turnover. And we’ll catch up and we’ll touch somewhere around Rs. 5300 to 5400
crore as a total turnover of this year. Against the Rs. 4400 crore which we did last year, so
there’s going to be around Rs. 900 to 1,000 crore increase in the turnover. We’ll catch up in
this quarter we are already catching up.
Chintan Sheth: And sir, so far railways because of the policy nomination projects related policy was being drafted very recently. How do you see going forward in terms of influence we are targeting this year and next that is one and secondly, on the toll assets, two toll operating assets we have, how has been the toll collection post RFID update post FASTag policy came in, not policy but FASTag being installed in most of the work projects?

S.K. Chaudhary: First question I’ll answer, first question is the work on nomination basis from railways. In the last one year railway was formulating a policy on giving the works on competitive basis on PMC charges. The policy decision has been taken, the documents have been prepared by them, how they will be inviting this bids from the PSUs who are doing the railway construction works and in this scenario will be much beneficial as Irccon is working just like any construction organization in any department which works, we are not a totally a government department. So, will be very happy that if this, we were in fact one of the people who were trying to get it on EMC charges on competitive basis and the margins we feel will be able to retain the margins and the business also will be more compared to others and it also depends because railway has said that it also always depends on many factors on execution capability, technical capability and other things. In which we are best among all the PSUs. They don’t find any difficulty in this. The second question is of toll collection, toll collection is quite nice the first one, Irccon - Soma Tollway, Dhule to Pimpalgaon which we are doing the collection is quite handsome it’s around Rs. 200 crore will be I think in this year.

Chintan Sheth: How much, 400 crore?

S.K. Chaudhary: Rs. 200 crore and in Shivpuri-Guna another toll which we are operating will be touching somewhere around between Rs. 95 crore to Rs. 97 crore in between that total collection. That is also quite good.

Chintan Sheth: And sir follow up on the nomination part, how much of the bidding railway has asked for currently?

S.K. Chaudhary: They are now asking. Their works of electrical even for this railway electrification, doubling and tripling are not been given to any PSU in the last year. The last financial year it was totally on hold. So, now they, which are the projects which have already been sanctioned by the Government of India. Those projects will be definitely, they are already in process of inviting bids. So, most probably by March they will invite and they will finalize by April.

Chintan Sheth: And sir on the nomination part, any change in the advances which we used to get from the railways for the project?

S.K. Chaudhary: That they will give.

Chintan Sheth: It won’t change?
S.K. Chaudhary: That they have given, that it will be given in advance there is no issue.

Chintan Sheth: It won’t affect our working capital requirement?

S.K. Chaudhary: No, not at all.

Moderator: Thank you. The next question is from the line of David Peter from HSBC. Please go ahead.

David Peter: Can the management give an update on where they are with the Malaysian order that was spoken about in the last couple of quarters and also on the Sri Lankan order?

S.K. Chaudhary: You see in Sri Lanka recently the government has changed. The President has been elected the Prime Minister has been appointed and there’s going to be some elections in April. So, after this, the call will be taken by them on priority of their priority, with the earlier priority of the government it was different. Now, the new set of politicians have come their priority is different. So, they will come out with the tenders and we will definitely bidding for them. We are already in touch, the people have visited in Sri Lanka and officers from the Sri Lankan government has visited our office. So, that is intact but I think it will only be somewhere in the month of May, not before that. As far as Malaysia is concerned Malaysia. Again, there is a slight issue, you might have read the palm oil issue and other issue. So, that issue is keeping the things on hold. Otherwise we are on advanced stage of talks on 20th of this month, the people from Malaysia are visiting our office for taking the things further hope we will be able to close the deal.

David Peter: Okay, what’s the ticket item on Malaysia? How big is the order?

S.K. Chaudhary: The order is quite big. It is somewhere around a billion dollar. So, that’s what we are talking and they were in fact quite keen but some things happen, which are beyond our hand. So something happened, some statements and also so that created a problem. But anyway, we’ll be trying to close it and in the meantime we have also visited Ghana, and Ghana government is also keen; because some line of credit was available there. Recently, our team was also in Jordan where we will be able to close some deal shortly.

David Peter: Okay, and can you give me on how many orders have you done in the last quarter?

S.K. Chaudhary: Orders as you know, the figure is almost in the same range is around Rs. 32,000 crore. The orders we have, you know how we convert our order book into executable order book is when because these projects, when we award them, the project to the contractors, then only we take them to the order book. We still have orders in hand which are yet to come to the executable stage. For example, we have a project of Rs. 5500 crore of BRPL, this is a project which is a joint venture project in the state of Chhattisgarh. So, this project some issues with the Chhattisgarh government, some issue of environment until and unless they are not cleared
order is in my hand, but it is not in executable order book. Same thing is in portion of Sikkim and Rangpo we have awarded orders out of Rs. 7000 crore orders of around Rs. 4000 crore have been awarded. So, Rs. 3000 is pending there. So we have put together all these things. So, we have an order of approximately Rs. 52,000 crore out of that Rs. 32,000 crore only are under execution.

David Peter: Understood. And I’ve got a couple more questions on the Bandra PMC, sir can you shed some light on what’s happening on that front?

S.K. Chaudhary: See Bandra, the issue was with the sharing of some revenues with the MMRDA. So, the railway authorities were talking to them on the previous some agreement signed with the MMRDA. So, those issues have been resolved and now, we have asked a time from commissioner MMRDA, where we are ready to share the some of the revenue with them from the project development and hopefully it will be cleared the consultant has been appointed for doing the traffic study approach of plot and product mix, what will we made their commercial and residential. So, this thing is already finalized. Hopefully that once this agreement is signed, then we’ll invite the fresh bids, and then people will be much interested for taking it. This was the only age of sharing of revenues, that’s all.

David Peter: And that would be so be based on a PMC fee of 10% of the overall construction cost?

S.K. Chaudhary: Now, there are two options, they say you take a PMC fees of 8% plus 1% of selling this thing, or you become a partner with them for joint development. So, we will decide that what will be done. Most probably, we are happy in PMC not as a joint developer so we will find some developer and we will do the PMC for this project. So far this is the opinion in the Board of Directors then we’ll see when the actual issue comes in hand.

David Peter: And then are you still maintaining a 14 - 15% EBITDA margin for next year?

S.K. Chaudhary: Definitely, our numbers are increasing. Our growth will be what, is around 19 to 20% this financial year and definitely the same in the next financial year also. Maybe slightly more.

David Peter: Okay. Where do you see yourself given the infrastructure push from Central Government, where do you see in terms of your top line growth in about three to five years?

S.K. Chaudhary: About Rs. 102 lakh crore of investment going to take place in infrastructure out of that 32%, 32 lakh approximately Rs. 19 lakh crore in roads and Rs. 13 lakh crore in railways is going to take place in the sector in which we operate. So, Rs. 32 lakh crore in five years, and we feel that we will be definitely one of the major players in executing these orders.

Moderator: Thank you. The next question is from the line of Dikshit Doshi from Whitestone Financial Advisors. Please go ahead.
**Dikshit Doshi:** Sir my question is, in the annual report when we see there are two set of operations which we have given one side of projects that we call is joint projects under joint operation and then we have joint ventures also. So, what are these projects that are under joint operation can you just explain?

**M.K. Singh:** Actually, as of now, we do not have any projects under joint operation. I am M.K. Singh, CMD had to leave for some engagements. So, everybody, please accept my good afternoon. And I will be talking to you from this moment onward. And so coming back to the difference between the joint venture and join operation. Joint venture is obvious but so far as joint operation is concerned as on date we do not have any project; earlier we had which was called unincorporated JV. And that project we were doing in Bangladesh, we were making a bridge in consortium with Afcons. So, that project we called as joint operation project without actually legalizing the structure into a JV.

**Dikshit Doshi:** Okay so, as of today we don’t have anything under joint operation?

**M.K. Singh:** We do not have any consortium arrangement, but in National High Speed Rail Corporation we have entered into a consortium agreement again joint operation so to say, we will be bidding as a part of the joint operation team of the company’s.

**Dikshit Doshi:** Okay and CMD sir was mentioning about the Tollway projects and he you mentioned about the Soma and Shivpuri-Guna tollway if you can elaborate on others also because there is one Ircon PB tollway, how much toll we are going to collect from that?

**M.K. Singh:** Correctly you have pointed by Mr. Chaudhary, the CMD. These two projects are now quite mature Shivpuri-Guna as well as PB tollway. This Bikaner - Phalodi we have started, we got the provisional commercial operation date from February last year. There are still a lot of patches which are under construction for example two ROVs are still under construction. Fully commissioned in that sense. So, the tolling is yet to pick up to the extent we had hoped for. But, seeing the trend since last one year it is giving us a total of around Rs. 44 crore per year.

**Dikshit Doshi:** Okay. And sir as of today how much equity and loan that we have invested in our joint ventures?

**M.K. Singh:** So, far as equity is concerned up to Q3FY20 we have invested Rs. 1000 crore of equity and loan of Rs. 1437 crore. That makes a total of Rs. 2400 crore, but let me just also add that we will be very soon replacing all these loans with third party loan from financial institutions within this quarter.

**Dikshit Doshi:** Okay, so basically this JVs will we take the loan from the third party and repay our loan to us?
M.K. Singh: Even the SPVs which are wholly owned by us. There also we will be replacing the loan which we have given internally from Ircon to them that will be replacing by bank loans.

Dikshit Doshi: And the financial tie ups for this bank loans are already been done?

M.K. Singh: Yes at least in two projects we have already done it.

Dikshit Doshi: Okay and one more thing sir. I just wanted to ask in our project cost this commodity price of steel, cement and everything is should be a major portion and the impact on commodity prices also, gives an impression that turnover has decreased. So, from next time in the presentation if you can give us some volume data like kilometers of doubling done or kilometers of electrification done it will help us in comparing the results because, the fluctuation in commodity price also affects our top line?

M.K. Singh: So, just for the sake of clarification, I may add to what Mr. Chaudhary has told. Actually, if you see the nine month period for the current year and nine months period of the last year, there is an increase of 17.22% in the turnover also only for one quarter there is a reduction of Rs. 41 crore out or Rs. 1251 crore. So, it's a very, very temporary phenomenon. And as explained because unfortunately the winter extended little beyond our expectation in the third quarter and that has had its impact on the turnover. Otherwise we do not see any letdown in the turnover at any point of time in future.

Dikshit Doshi: Okay, and sir we had built one mall and one commercial space in Delhi and Gurgaon. So, if you can give us an update on that what kind of rental income do we expect from that?

M.K. Singh: As far as Gurgaon structure is concerned that is a multi-story building which is costing around Rs. 80 crore to us and this will be complete in all respect 31st March 2020 after that, we have got many fillers who want to either purchase it outright or take it on long term rent or long term lease. So, Gurgaon is a very well owned asset by Ircon that is how we look at in that. So far as Noida mall is concerned, we have floated a tender for giving it on rent for 21 years period and we have got very encouraging response to the tenders of Noida mall also we have got all big names who are operating in Delhi area or NCR area they have all shown interest and hopefully within a month’s time we should be able to finalize the tender. Revenue, rental revenue will be roughly around 3.5% in case of Noida.

Dikshit Doshi: 3.5% of?

M.K. Singh: Of the construction including land that is Rs. 277 crore.

Dikshit Doshi: And my last question sir. This bidding policy which government has come up with and now all the four PSUs will bid for the projects now, CMD sir was saying that this should be finalized by March. So, what could be the bid size that we are looking at in this bid because my
understanding is Rs.25 - 26,000 crore is the amount that needs to be spent in one year, so the project size could be much larger?

M.K. Singh: That’s true. In fact, let me just start by saying that, in absence of this bidding policy which they have just now announced, Ircon was one of the greatest loser in terms of getting work from Ministry of Railways. So now having seen the light of the day, the circular is definitely going to increase and brighten our chances of getting projects from them very, very positively and we expect around Rs. 7000 - 8000 crore of project of railways to be won by Ircon in next three, four months.

Dikshit Doshi: So total amount of bid size?

M.K. Singh: Total, I will just give you an idea total CAPEX budget for Indian Railways is Rs. 1.6 lakh crore. Out of that roughly Rs. 80,000 crore would be on the infrastructure and rest of the money would be on procurement, coaches, locos, etc. Where we don’t have any interest. Out of Rs. 80,000 crore roughly 60 to 70% of the work so, Rs. 55,000 crore of work they will be doing in-house by their construction organization right. Rest Rs. 25,000 crore they would bid out and since we are [inaudible] fourth, so we hope to get at least Rs. 6000 to 8000 crore of work after the bidding.

Moderator: Thank you. We will move on to the next question that is from the line of Aman Thadani from Consortium Securities. Please go ahead.

Aman Thadani: Sir, my first question is related to the subsidiaity that is IRSDC which is now jointly managed by us and RLDN RITES. So, sir I want to understand that what is the business model over here and what are the sources of revenue for IRSDC?

M.K. Singh: Okay. See, so far as IRSDC is concerned it has been entrusted with the job of the refurbishing and modernizing the station at least the important ones. To begin with, they have concentrated on 50 stations. The model is the PPP model, where they will be giving the surplus land in the station area for commercial development. And in lieu of that, they want the developer to make the mandatory passenger area and railway usage area free of cost that is the model and also they will be permitted to charge user development fee for the better facilities which they will create. That is what has been announced by Chairman Railway Board yesterday.

Aman Thadani: Okay. So sir, we read an article wherein approximately Rs. 50,000 crore will be spent on railway development in the year FY21. So, what kind of revenue can we expect from IRSDC?

M.K. Singh: See that is a wrong the reading of the figures Rs. 50,000 crore is the total amount which they have envisaged in redevelopment of stations in phase one and that includes 400 stations at the most, but 50 stations in first phase they will develop. So, Rs. 50,000 crore is essentially spread over four, five years not for FY21 that is the first clarification. In the current year that is for FY21
since I am a member of the board in the IRSDC, so let me tell you that roughly their expenditure would be to the tune of Rs. 7000 - 8000 crore not more than that.

**Aman Thadani:** And what sort of revenue can we expect if we would be spending around Rs. 7000 - 8000 crore?

**M.K. Singh:** So, the lease premium given by the developer now, if a developer comes he gets the commercial land in lieu of that he has to develop the mandatory area of the station, and also pay a premium to IRSDC. Now, those premium which will be accruing to IRSDC 10% of that IRSDC can retain and rest has to be passed on to ministry of railways, this is the model.

**Aman Thadani:** Okay, got it. And sir my second question is, since limited competition has been introduced, and we have a subsidiary by the name Ircon Infrastructure, which is into consultancy, same as RITES, so what sort of orders in flow can we expect in that subsidiary?

**M.K. Singh:** Actually just to remind all the, Ircon ISL is normally into non-railway areas mostly in the consultancy, because RITES, lots of consultancy in the railway area. Having said that, there is no hard and fast rule that is Ircon ISL will not go into consultancy. But most of the work which we get from railways we get it on turnkey basis which includes consultancy and we don’t see a larger role of Ircon ISL in railways projects.

**Aman Thadani:** Okay, got it sir. And sir lastly sir, one of the international projects that is the Abu Dhabi project where in, in the last quarter you said that, it would be finalized or we will be receiving an answer from them. So what is the status on that?

**M.K. Singh:** Answer we have received and we have not been successful.

**Moderator:** Thank you. The next question is from the line of Santosh Hiredesai from SBICAP Securities. Please go ahead.

**Santosh Hiredesai:** Sir, you had talked about monetizing your investments in Irccon Soma and other road projects, I just want to get a status on this thing where are we on that?

**M.K. Singh:** Yes. In fact, without disclosing the name of the entity, we have entered into an MoU and a firm agreement with a financial investor who wants to buy our equity in most of the road SPVs which we have built, for which we have got an approval of our board of director to start discussion with them and divest our equity or our investments into most of this subject to the NHAI rule permitting us to do that. So in case of Shivpuri-Guna and these two HAM projects which we are doing. We intend divesting 49% of our equity very soon and very soon means maybe six months. And so far, always concerned both the partners have consented in principle to divert the entire equity to the same financial partner who has been selected.

**Santosh Hiredesai:** Okay, sir any indicative sort of numbers that we have in mind in terms of how much we'll be able to recover?
M.K. Singh: Actually this is too early to put a number on the divestment money which we are likely to get. Too early actually, there has been not even initial preliminary evaluation of the whole thing.

Santosh Hiredesai: Sure, alright sir. And secondly if you can just some color on the status of this coal connectivity project, where are we on those projects?

M.K. Singh: In coal connectivity project, as all of year you are aware that there are five JVs which we have. Now, in the first JV that is CERL, Chhattisgarh East Rail Limited, 30 kilometer extra line will be commissioned by 31st of March this year 44 kilometer was commissioned last year. So, we will be completing roughly 75 to 80 kilometers by end of this financial year. And in CEWRL the financial closer has happened, the agreements are there to be signed with the banks, in JECRL financial closure has happened, in MCRL there is no requirement of financial closure in fact the respective partners are willing to put in their money and telling MCRL to do the work as a deposit work. BRPL we are going slow, for the simple reason that there is one unfortunate case where it has been made out that extra money has been paid for acquisition of land by the district collector. So, the state government is grappling with that. So, in BRPL we are still stuck not to move much. But in these, but in the rest four JVs we are right up there. And hopefully, we should be able to progress further in coming quarters

Santosh Hiredesai: Sure, so CERL I understand is partly operational right and you expect it to (inaudible) year end?

M.K. Singh: That's true.

Santosh Hiredesai: So if you can help us with the metrics in terms of how profitable or whatever metrics you can just share in terms of CERL?

M.K. Singh: So far as seen from the Ircon’s perspective. Got around 12% of the project cost by way of our fee and our investment into that is 5.2% of equity. So, that is from the equity perspective. Now, so far as profitability of the SPV because of the operation phase is concerned, it is too early to do that because this 30 kilometer unless it is completed there is no continuity in the connectivity to the level we desire. So, after this only we should be able to do a financial analysis and see how it has been performing.

Santosh Hiredesai: Understood. So, how much is equity if you can just help us, in the past I guess you’ve given from Rs. 85 to 100 crore is what I think is the total equity in this project right?

M.K. Singh: In this (inaudible) the equity of Rs. 122.58 crore.

Moderator: Thank you. The next question is from the line of Ankita Shah from Elara Capital. Please go ahead.

Ankita Shah: Sir wanted to check the number of equity invested of Rs. 100 crore up to Q3FY20 that you mentioned is only roads or it includes railways projects?
M.K. Singh: It includes coal connectivity as well as road projects and others also like Ircon ISL, IRSDC.

Ankita Shah: Okay, everything. But if you could help me with only roads number?

M.K. Singh: Only road is Rs. 552.92 crore.

Ankita Shah: 592?

M.K. Singh: 552.92.

Ankita Shah: And there is some loans also given?

M.K. Singh: We have given loan internally that is consisting of Rs. 1348 crore and this is what I was talking we will be replacing this loan with the third party financial institution loan.

Ankita Shah: Got it. And sir on the margin front we’ve done around 10% in that first nine months and?

M.K. Singh: EBITDA at PBT level is 14.17%, if I remember well.

Ankita Shah: I’m talking about EBITDA levels sir?

M.K. Singh: Yes EBITDA at PBT level is 14.15% for nine months.

Ankita Shah: Sir, you are including other income?

M.K. Singh: Sorry, core EBITDA you are talking?

Ankita Shah: Yes, sir.

M.K. Singh: That is 10.16%.

Ankita Shah: Yes, sir. So when you are guiding for a 14 to 15% EBITDA margin number is that in relation to this 10.2 number that we are thinking?

M.K. Singh: No, that is in relation to including other income.

Ankita Shah: Okay, so on the core EBITDA level how would you think this number?

M.K. Singh: Last year it was 7.65% at today it is 10.16% for the nine month period.

Ankita Shah: Correct. So, how is it likely to shape up for FY21?

M.K. Singh: I think it should be in double digits, at least.
Ankita Shah: Okay. Around 11 - 12%?

M.K. Singh: Because we have already bottomed out in terms of core EBITDA number percentage, because they nothing less which you get. And with current projects, maybe hopefully we should be able to get this number much higher.

Ankita Shah: So what do you think, only if we get new more of foreign projects will that help improve the EBITDA margin?

M.K. Singh: No, because in the domestic market you have a very, very stiff competition. In foreign projects, things are a little more profitable. Actually, when you have an element of negotiative rates, if you can land up with some negotiative rate, then the EBITDA really brightens up.

Ankita Shah: So what is the pipeline of international projects that could help this uptick, as debt has already gone out?

M.K. Singh: We have a signaling tender in which we are preparing our papers for sending to Sri Lanka that is a new project which we are looking at roughly around $50 million. Then we have signed a MoU and also some projecting in African countries Zambia, Ghana and also in Jordan, we have recently gone. So out of these three projects, we expect at least two of them to come up.

Ankita Shah: And that would be of what size?

M.K. Singh: So far as this rail line Jordan would be $800 million Jordan, then in Zambia and Ghana the projects are roughly of $1.5 billion taken together.

Ankita Shah: Dollars:

M.K. Singh: Yes, I am talking of dollars.

Ankita Shah: Zambia and Ghana $1.5 billion each?

M.K. Singh: No, taken together.

Ankita Shah: Okay. And by when are all these projects of Sri Lanka and African projects likely to get finalized in your estimate?

M.K. Singh: Sri Lanka should be through it’s a small project of $50 million, should be through in next three months. So far as others are concerned six months down the line

Ankita Shah: Okay. And if you see in the first nine months, our international revenues have actually declined almost around 20%. So, it’s more of domestic projects only right now which are firing, 25% growth on your domestic revenues. So, going forward these are likely to contribute more?
M.K. Singh: Actually, there should have been a little more revenue, but for the payment terms which we have in one or two foreign projects, the one project which we are doing in Bangladesh there, though we have done the expenses, we have done the work, but we haven’t been able to recognize this as a revenue because of certain formalities yet to be completed. So, it won’t be as bad as it is in this quarter.

Ankita Shah: Okay. And also sir I heard the management saying that they’re looking at more BOT and hybrid annuity projects going forward from NHAI. So what is the kind of pipeline that you’re looking at and how much projects do you think you can, gather in the next three months or so?

M.K. Singh: As far as highways are concerned, we are more interest, our primary interest lies in HAM projects and secondary in Bot, EPC we can’t [inaudible] 45:11, so far as HAM project are concerned series of projects, 10 projects where we will be participating in next 10 days. And we hope to get at least Rs. 3000 to 3500 crore projects, at least two projects out of 10 - 12 where we are participating and that should be our exposure in the HAM in next three months.

Moderator: Thank you. The next question is from the line of Parth Agarwal from Purnartha Financial Advisors. Please go ahead.

Parth Agarwal: Just a small clarification question. So Mr. Chaudhary said that a top line for the full year will be around Rs. 5300 or 5400 crore so that could turn out to be the revenue growth of around 10 - 12% but he said it would be for the full year 18 to 20% just I’m missing something?

M.K. Singh: Yes, because last year revenue was Rs. 4400 crore.

Parth Agarwal: 4800 crore If I am not wrong?

M.K. Singh: Standalone I am talking, consolidated it will be more than Rs. 5300 crore.

Parth Agarwal: So the Rs. 5300 crore top line.

M.K. Singh: I am talking about only the turnover not the total income, I’m excluding the, total income will be Rs. 5500 - 5600 even this year.

Parth Agarwal: No, so that Rs. 5300 crore guidance that has been given for standalone?

M.K. Singh: Yes, standalone and only the turnover.

Parth Agarwal: Okay. And secondly, on the loan side, subsidiary and JV loan that will be converted into the bank loan. So what will be the estimated amount for that Rs. 1000 crore or something?

M.K. Singh: Yes, Rs. 900 crore by end of this financial year as my financial investment I will come out of that.
Parth Agarwal: Okay. So any particular, what would we be doing with this cash that we have on the balance sheet for Rs. 900 crore you will be bidding for HAM projects or something like that?

M.K. Singh: That’s a happy headache to have.

Moderator: Thank you. The next question is from the line of Hardik Jain from ISJ Securities. Please go ahead.

Hardik Jain: Sir two questions. One, you mentioned about the Ircon Shivpuri-Guna Tollway and the PB Tollway. You mentioned about Rs. 9500 crore of toll. Last year, Shivpuri-Guna did a loss of 30 crore if you can just give us a nine month figure, how much is the loss or is it turn around?

M.K. Singh: See operating turnover for nine months for Shivpuri-Guna last year was Rs. 23.58 crore loss. Turnover was Rs. 73.15 crore and loss was Rs. 23.58 crore, I think I will have to come back to you with the figures he doesn’t have it readily.

Hardik Jain: If you don’t have last year it’s fine, if you can just give nine months figure?

M.K. Singh: Yes, the nine months figure for the current year is, operating turnover in Rs. 73.15 crore And PBT shown is minus Rs. 23.58 crore.

Hardik Jain: Okay. And for PB Tollway?

M.K. Singh: For PB Tollway it is Rs. 59.94 crore is the operating turnover and PBT is minus Rs. 14.48 crore.

Hardik Jain: Okay. By when do you expect it to get turn around?

M.K. Singh: Because of the amortization of the intangible assets, this loss is very notional by the way. So, less it is considered as an actual loss let me clarify because of the amortization expenditure has been shown as much higher.

Hardik Jain: Okay, so cash flow wise you are saying that it is making profit?

M.K. Singh: Correct. Cash flow wise it is profitable much, much profitable business.

Hardik Jain: Okay and in annual report there is an intangible assets of worth Rs. 1300 crore what is this?

M.K. Singh: That is PBTL, and this Shivpuri-Guna and Bikaner-Phalodi. During construction period, whatever work has already been done that we show as intangible.

Hardik Jain: Okay. Last question sir in yesterday’s interview you were mentioning that this quarter we have some Rs. 20 crore of income tax refund and some Rs. 45 crore gain from Algeria project?
M.K. Singh: Actually, let me clarify that of course at PAT level that has shown a profitable PAT because we had a refund over Rs. 20 crore, we also we had a refund of Rs. 84 crore in the same period. Rs. 84 crore was the refund which we got last year also. So, if you compare the PAT this year, we have only Rs. 20 crore from income tax. So far as Rs. 45 crore from Algeria is concerned, it is the turnover. We had not booked it as a turnover because of some problem which they made in the payment. So, we booked the expenses but not the revenue at that point of time. Which has come now in this quarter.

Hardik Jain: Okay. So this is not just one time gain, it’s a margin which was different?

M.K. Singh: Yes. This is essentially the actual revenue obtained from the work done, but received this year and that is why expenses were booked last year only because we had done the work already.

Moderator: Thank you. We will move on to the next question that is from the line of Parimal Mithani from Credential Investment. Please go ahead.

Parimal Mithani: Sir I just wanted to know sir, one of your competitor is going to put equity into Indian railway station development. Can you highlight what is the valuation that have been taken by them?

M.K. Singh: Actually, so far as RITES and we are concerned, we operate in totally different areas. So, just to say that we got straight we are not competitors in that sense number one. Number two, actually the requirement of equity IRSDC is much larger as somebody was asking Rs. 50,000 crore is lined up for expenditure and so on. So, they require a lot of, a little bit of equity. Hence, Ministry of Railways has asked them to pitch in with the equity to some extent. So, they have also now decided to put in equity worth 24% of the total equity into IRSDC bringing down our 50% equity holding to 26% and their being 24%. That is number one, number two the valuation is at par, even though the valuation had been done for the share at Rs. 11.84 crore, but their Board of Director that is RITES’ Board of Director have requested IRSDC to consider issuing the share at par instead of at the increased value.

Parimal Mithani: Okay. Sir the second question is, can you highlight the number of stations for redevelopment and what is the agreement between the Railway Authority Development and IRSDC in this term. How are they taken into consideration this has been highlight, what are the salient feature for that?

M.K. Singh: I’m sorry, I couldn’t get your question come again.

Parimal Mithani: The railway development authority have 51% stake in this in IRSDC right?

M.K. Singh: 50%.
Parimal Mithani: Yes, 50, but then what is the agreement because if my understanding is correct they want majority of the land and the stations around for development so what is the agreement between IRSDC and railway development authority sir?

M.K. Singh: Okay. See, I think function given to RLDA and IRSDC, IRSDC is meant to develop stations and the station area, where as RLDA is primarily responsible for non-station area development and commercial exploitation of non-station area. However, since the station development is such (inaudible) as some of the stations have been given lately to RLDA also, so that they can also pitch in with the station development work. But, primarily 90% of the station development continues to be with IRSDC only 5 - 10% would trickle into RLDA.

Moderator: Thank you. The next question is from the line of Ravi Naredi from Naredi Investments. Please go ahead.

Ravi Naredi: Sir, I would like to know this order book of the company is Rs. 32,000 in how many years we will complete it?

M.K. Singh: Hopefully, if we go by this speed we should be able to complete in another four years.

Ravi Naredi: So, why it takes so much time to complete the four years?

M.K. Singh: Actually, all of you should appreciate that most of the infrastructure work which is linear in nature, half of the period is spent on the drawing board clearances, permissions, and land acquisitions.

Moderator: Mr. Naredi may you repeat your question for the benefit of the management?

Ravi Naredi: Just I would like to know, why four years we will take for completing this project, that's my question.

M.K. Singh: Yes, so as I was in the midst of explaining that most of the projects in Indian context that is railway line, etc of course in highways we take now flat two years because that is the requirement of NHAI. So, far as railways, typically for a 100 kilometer length you require four years of work in which good two years will be spent on the drawing board. In the sense you have to obtain various clearances from Ministry of Environment, forests, state government, then land acquisitions and rehabilitation etc. And then to top everything, all the drawings etc, are so technical and specific that they need high degree of scrutiny in railway system and that is the first two years good 50% of the time is spent on the drawing board that is why it takes at least four to four and a half to five years.

Ravi Naredi: Okay. And sir this investors presentation you had given, if you mention the order book position and everything it will be more helpful for investors.
M.K. Singh: Done, that is noted for compliance we will do that we will update on our website.

Moderator: Thank you. The next question is from the line of Mayank Goel from SBICAP Securities. Please go ahead.

Mayank Goel: Just two questions. One on the tax side, as you said that this quarter we received a refund of Rs. 20 crore. So, if I remove that, then for the quarter we have an effective tax rate of 25%. But in the first two quarters as well, we were above 34 - 35% so just wanted to know that this tax rate change will it not benefit us. So, should we not have a nine month effective tax rate of 25% excluding the refund portion?

M.K. Singh: Yes, reduction in tax from 34.94% to 25% now, has been effective in September’ 19, that is Q2 the tax in Q2 is on lower side due to the cumulative effect.

Mayank Goel: Sir if I am not wrong in Q2, the tax rate was 36%?

M.K. Singh: Actually, if you see the note there is an element of deferred tax also.

Mayank Goel: Okay.

M.K. Singh: Note number six. If you go through that in case you have something else you can mail it to me will clarify.

Mayank Goel: No, so for the full year basis considering the new tax in regime what can be your effective total tax rate for the year?

M.K. Singh: It will be roughly 25% only.

Mayank Goel: Okay. And sir one more bookkeeping question, can you help us with the amount of own cash and client cash at December end?

M.K. Singh: Rs. 532 crore is our own cash to end of December end sorry Rs. 536 crore, and client cash is Rs. 2255 crore.

Moderator: Thank you. The next question is from the line of Chintan Sheth from Sameeksha Capital. Please go ahead.

Chintan Sheth: Sir on RLDA loan how much we spending as of December?

M.K. Singh: Actually we pay it annually so quarter-on-quarter there won’t be much difference in RLDA loan, so last year we had paid Rs. 898 crore. And this year again, we’ll be paying, so first installment was Rs. 898 crore, this year also, same amount, a little less Rs. 860 crore odd.
Chintan Sheth: Okay. And against which on the console basis we will have around Rs. 900 odd crore of debt coming from the SPV level right, because we are getting our loans back, internal loans back and will be.....

M.K. Singh: Correct.

Chintan Sheth: Okay, so kind of Rs. 860 or Rs. 900 will kind of offset each other out?

M.K. Singh: Yes, they will offset.

Chintan Sheth: Right. And sir in terms of the coal linkages, one we mentioned CERL is on the verge of completion. Can you just highlight in terms of kilometer how much is pending in CERL because 70 kilometers is all we need to construct?

M.K. Singh: Yes, 131 route kilometer, we have to do in CERL out of which 80 route kilometer we will be doing in the current year.

Chintan Sheth: Okay. And it will start operation?

M.K. Singh: Started option in 44 kilometer already. So, for 44 kilometers the coal travels on my SPV track and then it joins Indian Railways from 1st of April the coal will travel 80 kilometers on my track and then join Indian Railways, after that it will travel 131 kilometer and then join Indian Railways and so on.

Chintan Sheth: Okay. And sir can you provide the kilometer wise on CERL and other coal linkage project total length of the project, if you can?

M.K. Singh: See, I hope you understand the nuances of the route kilometer and track kilometer. Track kilometer is essentially track laid in meters irrespective of the distance. So, we may have 10 kilometer of track in one kilometer linear length. So, I will give you route kilometer which is essentially, so CERL ONE is 131 kilometer CERL TWO is 62.5 kilometer, EWRL is 135 kilometer, NCRL is 68 kilometer and BERPL as I say, we are going slow on that ACRL is 49 kilometer total is 585 route kilometer.

Chintan Sheth: Okay. And sir lastly on dividend we already declared around payout of around more than 30% of the nine months profits, similar rate we should expect for the full year or much higher, similar to last years' payout?

M.K. Singh: I will rather not answer this. Let there be something to rejoice in the future.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for their closing comments.
M.K. Singh: So, thank you very much for sharing your thoughts and asking questions, which are also a guide to all of us in the management. Let me also share the happiness that today in the share market. Our share has done very well, thanks to all the investors and all the support extended by the entire share community and people who are involved in the financial market. So, it has been a tremendous (inaudible), we are seeing the share crossing the IPO price after a long time. So today is a happy day for us. And thank you so much. Thank you Irfan from Concept IR, for organizing this conference call. And I will pay my gratitude to all the analysts who have taken their time out and listen to me and my CMD very patiently. There would be lot of questions I’m sure but you can get back to us through email etc. We are always open and will be always interested in showing all kinds of help or all kinds of information we will be very happy to share. Thank you so much.

Moderator: Thank you. Ladies and gentlemen, if you have any further queries you may send an email to gaurav.g@conceptpr.com or irfan@conceptpr.com.