“Ircon International Q1 FY20 Earnings Conference Call”

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MODERATOR: MR. RACHIT KAMATH – ANAND RATHI SHARES & STOCK BROKERS.
Moderator: Ladies and gentlemen, good day and welcome to the Ircon International Q1 FY20 Earnings Conference Call hosted by Anand Rathi Share & Stock Brokers Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing ‘*’ and then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rachit Kamath from Anand Rathi Share & Stock Brokers Limited. Thank you and over to you sir.

Rachit Kamath: Thank you, Aman. Good morning to all the participants and welcome to the Ircon International Q1 FY20 earnings conference call. We thank the management for having given us the opportunity to host the call. We shall first begin with the management commentary and then proceed to a Q&A session. Today, from the management we have, Shri. S. K. Chaudhary – Chairman and Managing Director and Shri. M. K. Singh – Director Finance. Without any further delays, I will hand over the call to the management. Thank you and over to you, sir.

S. K. Chaudhary: Good morning and warm welcome to you. I am S. K. Chaudhary - CMD, Ircon and with me is today Mr. M. K. Singh, Director Finance.

M. K. Singh: Hello, good morning everybody.

S. K. Chaudhary: Yesterday, the company announced its unaudited financial results of Q1 FY20, so the main highlights of the performance are as the company has showed an excellent growth in topline as well as in bottomline in Q1 as compared to the corresponding period of FY19. Operating turnover of company has increased to Rs. 1121 crores in Q1 FY20 from Rs. 704 crores in corresponding period of FY19 registering a growth of 59% over corresponding period of FY19. PAT of company increased to Rs. 141 crores in Q1 FY20 from Rs. 79 crores in corresponding period of FY19 registering an increase of 78%. This is after adjusting one time test refund amounting to Rs. 84 crores received in corresponding period of financial year 19.

The EBITDA of the company for Q1 FY20 is Rs. 223 crores that is 18.52% of total revenue against Rs. 124 crores that is 15.83% of total revenue of Q1 FY19 registering 17% increase on Q2Q basis. Further the core EBITDA for Q1 is 141 crores that is 12.54% of the operating revenue against Rs. 43 crores in Q1 of FY19 which is 6.17% of operating revenue thereby registering an increase of 103% on Q2Q basis.

In this quarter, the company has signed the agreement with Sri Lankan government for execution of railway project around 637 crores. The company is aggressively striving to increase its foreign order book and negotiation in this regard is going on. Your company has order book of more than 33,500 crores as on 30/6/2019 which consists of almost 95% of domestic orders and 5% of foreign orders. Sector wise, the order book comprises of 95% railway and railway related projects and 5% of the road projects. The total cash and bank balance as on 30/6/2019 is 2732 crores which comprises client fund of 2338 crores and Rs. 394
crores of own fund. This is what we wanted to say and now we will give it open for moderator to start the question and answer session.

Moderator: Thank you very much. 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, from the notes we understand that another 84 crores of foreign projects rated reversal we have taken this quarter Q1 which supported our EBITDA, sir if I look at the annual front, between FY9 to 13, we were executing a large export orders and we were providing throughout that period from the P&L, provision has been created, which now started getting reversed from 14 onwards. Every year, there is some write back or reversals happening and which is visible in Q1 as well, so this reversal is related to one particular project or this is continuing, recurring figure we will see every year, every quarter?

M. K. Singh: Actually this reversal of 84 crores pertains to the older paid/payable which we had provided in our books right from 16-17 onwards, so the policy of the company is that after every 3 years, we review such kind of reversals write back or write off which are required to be done. So, this is an ongoing practice and also policy requirement of Ircon, so this reversal of 84 crores pertains to 4 projects, not one. These 4 projects were essentially completed in 2015-16 and we were having payments to be made to the agents in the respective country, so we had 4 projects for which we had appointed agents in 4 of them and those agency commissions were required to be paid for which we had accounted for in the respective years, so now those entities to whom we had to pay, either they are wound up or their claim has been settled that we don’t have to pay anything. So, having determined that we after a lapse of 3 years, there is a practice of writing back of all these accounts which are definitely not payable now.

Chintan Sheth: Are there any further numbers which will recur going forward?

M. K. Singh: We do not foresee any such kind of thing, but since we have continuous process of deposits and debits and credits, both being written off or written back, so far and few we will keep on having, but not on a regular basis.

Chintan Sheth: But sir, adjusted that our core EBITDA number of 12.5% after adjusting this 84 crores comes down to 5% only, so how do we look at it because this is not a continuing income for the business, 84 crores of expense which is getting mitigated off. So, if we knock off that amount, our EBITDA margin actually falls down to 5% only, on standalone and 6.5% or 7% close to on consolidated basis, so how should we look at…

M. K. Singh: See actually the first quarter of the year for any infrastructure company is not a very good quarter for the financials. So, far as if you compare on Q2Q basis, it was 6.17% in the Q1 for FY19, now it is 5.04%, yes the turnover in certain projects which have lesser margin, there the turnover are more in first quarter, so that explains this whole thing, but overall EBITDA at the end of the year will be, in keeping with the secular trend which we are having that will be around 10%.
Chintan Sheth: And sir, on our Malaysian project and two Sri Lankan route projects, we were bidding and we were hopeful that of getting few of them, where are we right now in terms of dialogue with respective governments, in fact we were also talking about Saudi and Bangladesh project as well last quarter?

S. K. Chaudhary: No, we were not talking of Saudi, but we were talking of Malaysia and Bangladesh and UAE, so Malaysia already we have advanced ahead and now it is in active discussion with the office of Prime Minister there, so hopefully by September and October we should get the news to start something there. As far as Bangladesh is concerned, railway minister was here in India and 8th he left from India, yesterday, so some proposes are there which India is going to fund and we are going to do that work, but it will take some time to materialize. It is our funding, government of India funding and Ircion will be the organization who will be doing the construction of that workshop, so this is a big project, modernization of that workshop, so hopefully it will be started because the first work will be done in Bangladesh for modernization of workshop. Never before, they have done such kind of work, so this is the thing.

Chintan Sheth: And sir, any updates on the SPVs, roads, coal linkages, if we look at consol revenue and standalone revenue there is a negative difference between them basically consol usually have high revenue coming from JV…?

M. K. Singh: In these cases, if you see there are knock off items, because we are doing the work for these SPVs, so either it will appear in our books or in their books, not in both, so in consolidated that is by accounting way to take the revenue presentation.

Chintan Sheth: No, I understand that sir. Basically I wanted to understand which are the key subsidiaries? And how they are performing when we are consolidating our revenue?

M. K. Singh: One of course which we have to share is that Jharkhand Central Railway Limited which is our colliery SPV, the project is of 1799 crores and we have achieved a financial closure, I mean the formal agreements are yet to be signed but it has been clinched.

Chintan Sheth: Our part of equity has already been invested, right?

M. K. Singh: Our part of equity has not yet been invested. In fact, we were waiting for the financial closure to happen, so that we can also participate by way of putting in equity, so yesterday only our BOD has approved putting in our portion of equity in JCRL.

Chintan Sheth: How much it will be?

M. K. Singh: And 13 crores of course initially we had put in JCRL, further 50 crores yesterday we got approval from our board to invest at our portion of equity, so that financial closure which has happened can be utilized for the drawdown and similarly in CEWRL also that is second coal related SPV, in that also under the leadership of SBI, we have got the banks on board for entire 4200 crores now, so financial closure there also we have achieved except for the formalities to
be done in terms of signing agreements, etc. The entire land is almost with us for the entire nil line. There is not a single piece of land which we do not have for the main line of CEWRL, so that is some good thing, so we will start the work there also.

Chintan Sheth: Others sir.

M. K. Singh: Others, CERL is already progressing that is the third one, so two I have told you, JCRL and CEWRL. For CERL, already the work is going on, we had commissioned 44 km as on 31st March 2019. We had linked the track on 44 km and the work on another 40 km is going on in the current year, so by the end of the year, we will be reaching around 90 km in that CERL.

Chintan Sheth: Total length will be how much?

M. K. Singh: Total is 135 km.

Chintan Sheth: By next year end, we will complete the project?

M. K. Singh: Yes, next year we will complete, but by FY20, we will be having around 90 odd km linked. So, 3 SPVs I have told you. In BRPL, there are issues with SAIL and NMDC regarding equity and that is why we are taking a little bit of time. That was the fourth SPV. Fifth is MCRL, Mahanadi Coal Rail Limited. There already we are working in a portion and the work is going on. For roads, the work is progressing very smoothly. We have two HAM projects, one in Vadodara, another in Karnataka, Davangere Haveri. There the progress is very good. In fact, there has been a huge increase in the turnover which is reflected in the Q1 figure of the topline, so this is for the first time that in Q1 FY20 we are getting 25% of our turnover from highways. So, we are doing exceedingly well on those two. For Bikaner & Phalodi, as I had informed earlier that tolling has already begun and tolling is in progress, so it is in operation. Shivpuri-Guna is also in operation. So, these are the four road projects and five coal link which I explained in my briefing.

Moderator: Thank you. The next question is from the line of Dixit Doshi from White Stone Financial Advisors. Please go ahead.

Dixit Doshi: Firstly sir, you mentioned 33,500 crores is our order book, so I assume this is the executable order book, what is our total order book where execution is not started?

S. K. Chaudhary: That is around, total value of work, as we have said is around 50,000 crores. Out of that 33,500 was already started and most probably in this quarter itself, we are going to award works of around may be 4000 crores more, so that will also be again added to it, so this is a periodical thing because the works where we are working first orders are awarded are for bridges. Then once this is done, then we award the work of tracks, then signalling, though like I say, in tunnel also first tunnel is constructed. Once the tunnel is constructed after that you award the work of ventilation, electrification and ballast less tracks, so these orders keeps on adding like that, so this is the thing.
Dixit Doshi: And secondly sir, what is our MoU target for FY20 with the government and how much you feel is possible?

S. K. Chaudhary: Our MoU target is not very high, it is 5200, but we will definitely cross and try to touch around 5800 crores.

Dixit Doshi: 5800 crores of console or standalone?

S. K. Chaudhary: Consolidated.

M. K. Singh: Actually in consolidated also, it is our share only because if you see the consolidated of Q1, in fact in console there is a reduction. In standalone, the figure is higher because of the knocking off effect.

Dixit Doshi: And this is the pure revenue, not the?

S. K. Chaudhary: The operating profit of what target we have is 8.1%. PAT to net worth target which we are having 11%, so we hope that we will achieve this. This will be rather better than this.

M. K. Singh: Much better.

Dixit Doshi: And secondly sir, out of this 33,500 crores order book which we are executing, how much would be in Jammu & Kashmir?

M. K. Singh: The total value was 16,000 crores.

S. K. Chaudhary: Out of that 8000 completed, 8000 is left now roughly there.

Dixit Doshi: And do you feel any issues over there because of the current situation?

S. K. Chaudhary: No, we don’t feel, we are getting the same work being done. Of course, two days, some precautions were there, otherwise nothing. Our side, it is not there because we are now beyond Banihal, we are almost quite far away from Srinagar.

Moderator: Thank you. The next question is from the line of Akhilesh Kumar who is an individual investor. Please go ahead.

Akhilesh Kumar: I have one query regarding our commercial complexes in Noida and Gurgaon which we intend to hand over for management, how far we have succeeded in that?

S. K. Chaudhary: We invited the bids and 4 bidders participated who are operating malls in Delhi and then now we are refining our bids further, we re-invite the bids because we found that we can get much more better revenue after talking to them and discussing with them, so we will be inviting the bid again and most probably by September, October we will finalise because this will be a
long-term lease of 27 years minimum, 9+9+9 and this is better to take something, more revenue out of this because once it is signed you cannot change it, so that is the one.

**M. K. Singh:** The response has been very positive and encouraging for us, 4 really good reputed mall owners or operators have participated, so we see a very good upside.

**Akhilesh Kumar:** So, we are anticipating little better pricing zone then, that is what we are…?

**M. K. Singh:** Yes.

**S. K. Chaudhary:** Yes.

**Akhilesh Kumar:** The highways and road segment is having, like say only 5% or so contribution in the order book, are we not inclined or there are not much opportunity out there?

**S. K. Chaudhary:** No, opportunity is there and if you see from March afterwards, nothing has been awarded to anyone. We have identified 5 projects where we will be bidding, but they are getting postponed, postponed and postponed, so the new debts are now in September which were to be submitted somewhere in April and May, so it is getting postponed, so it is not in our hand, but we have already identified which we will bid.

**Akhilesh Kumar:** And we are planning to exit any of our?

**S. K. Chaudhary:** Already the process is on, Ircon-Soma Tollway that is Dhule-Pimpalgaon in Maharashtra. The tender is already on, the bidders are studying it. Cube Highway and other people have shown the interest in taking over the asset. Most probably September it will be finalised.

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

**Santosh Hiredesai:** Sir, you gave us details for all the subsidiary in JV projects that you are executing. Given the financial project that has happened now, can you just help us with what are the future commitments that you have in terms of equity and debt that you plan to infuse in this project?

**S. K. Chaudhary:** The total equity and debt commitment in this thing is around 30% of our net worth. That is the tie up which the government has said that is the upper limit which you can do in the former equity. Then out of that we have done so far investment of around 937 crores and 50 crores yesterday we have proved, so it will be around 987 crores. Out of 1100 and something, 15 which we have already committed.

**Santosh Hiredesai:** So, you are saying your commitment would be about 1,115 crores at the maximum for this year?

**S. K. Chaudhary:** Yes, but we will be selling some of the assets, as I said that we will be quitting from this Dhule-Pimpalgaon, so that equity will come back.
Santosh Hiredesai: Sir, any indicative range in terms of the...

S. K. Chaudhary: When we are in talks with some of the government funds who were ready to take over our assets, so most probably the roads which we have constructed this year or last year because 2 years is a minimum period with NHAI which we have to keep it. May be from third year onwards, we will give it to them and take out our equity completely.

Santosh Hiredesai: Sir, but for the invested equity, any range that you are looking at in terms of returns, in terms of let us say price to book that is invested, any range that you can…?

S. K. Chaudhary: In equity?

Santosh Hiredesai: Yes.

S. K. Chaudhary: I feel that I should get more and more return, what is wrong in getting more? That is why we are waiting for some projects as I was telling to earlier fellow that we are waiting for some projects and we have identified which we have to bid. Today, the market situation is that I feel that an equity return of 18 to 20% can be taken because people do not have equity and we have, so it is a good chance. I expect 18 to 20% will be the margin in our next project in equity rate of return.

Santosh Hiredesai: Sir, for this projects also, I think there is about close to 1000 crores of loans that have been given, so is there any cap for loans as well or it is only on the equity side?

S. K. Chaudhary: See, this loan was given by us, so we were having sufficient cash available with us, so we have given them the loan at the rate of interest which banks are giving to them but since we do not require this money at present, so we constructed this with our own money, but we have already got offers on the banks because construction is done, everything is done, they are ready to replace my loan, so I will replace my loan only when I will take further projects, means road to more road projects which I am targeting to take out of 5, say around 3000 crores roughly value. Then I will take out this and replace it with the bank loan. Construction, I will do only with my money because the risks of the banker is taken care by me, not by them.

Santosh Hiredesai: And last one in terms of update on this Bandra land parcel?

S. K. Chaudhary: Bandra hopefully today we should get something good news. Hopefully, the letter will be issued by the government of Maharashtra. It was to be issued yesterday, but I have not checked that what happened today morning, but it will be issued with an FAR of 5 and with FAR of 5, we will again come with a bid for the plots and then entry and exit will also be given from the highway, so this plot will be a premium property of Bombay.

Santosh Hiredesai: So, once we have this clearance from the Maharashtra government, then we can go ahead with so called monetization effort?
S. K. Chaudhary: Maharashtra government, MMRDA will do the other part and then we will go ahead with this. The MMRDA already has been told, chief secretary has been told, so all discussion has been done. Only things are to be started now. We intend, our target is that by end of this year, if possible, we should put somebody, some developer there.

Santosh Hiredesai: Sir, in the meanwhile for the money that has been released to us from IRFC, so RLD has been compensating for us in terms of.

S. K. Chaudhary: Yes, already, we bought it in 3200 crores or something. In last financial year, we paid IRFC, RLD has paid back this 898 crores, so IRFC the balance is now 2556 crores, so on that already interest has been accrued around 48 crores, so this will be paid by IRFC only, by RLDA to IRFC and we have both the options of developing this plot, either as a PMC or as joint venture development, anything.

Moderator: Thank you. The next question is from the line of Benny Gupta from Secura Capital. Please go ahead.

Benny Gupta: Sir, I would like to ask what is the kind of revenue that we would expect from the Bikaner and Shivpuri? What sort of toll revenues can we expect for the full year?

S. K. Chaudhary: For this Shivpuri-Guna, we are getting approximate with average is coming around 29 lakhs per day, last year average of one year is 29 lakhs per day and Bikaner project has been opened only in the month of March, so only 4 months are there. In four months, it is coming around 12 lakhs per day, so that is roughly the toll which we are getting, but we are going to auction this further. We have already invited bids because toll collection part, we will give it to somebody else.

Benny Gupta: And over what period is the BOT agreement?

S. K. Chaudhary: This agreement something is of 15 years, some is 18 years, but we will be quitting them after minimum holding period of 2 years.

Benny Gupta: And now for the SPVs, the Jharkhand rail and CWRL financial closure has been achieved, so what will be the timeline for project completion post financial closure?

S. K. Chaudhary: 3 years.

Benny Gupta: 3 years, same as CERL?

S. K. Chaudhary: Yes, 3 years.

Benny Gupta: And the last one, MCRL work is going on, so that when do we expect..?

S. K. Chaudhary: MCRL, the land was acquired by MCRL in their own name, but when we do these SPVs because these SPVs are on the lands. That lands will be in the name of railways because these
are on the concession of 35 years, so after 35 years, railways is going to take over. In between 35 years also, railway is going to operate these trains on these tracks and by taking land on your name, the local villagers and other people, they ask for employment and other different kind of things which we have told them as because we are partners, so they were not aware. We said you transfer this land in the name of railways, so that under the railway act, it comes and then employment is not to be given. It is not necessary, so now it has been done and work on 14 km leg has been started.

Benny Gupta: And total project land is?

S. K. Chaudhary: Total project land is around 40, 48 roughly km, not very much but 14 is the maximum traffic where it is there.

Benny Gupta: And the fourth one, the one we sell, can you just elaborate what issues you all having?

S. K. Chaudhary: Which one, BRPL?

Benny Gupta: Yes.

S. K. Chaudhary: BRPL, there are four partners now, SAIL is there, then NMDC is there, we are there, and Chhattisgarh government, so SAIL has some problem with their equity investment, so they have said that we cannot do more than this, so they have reduced their share to almost 10% now and Chhattisgarh government is 10%. The meeting was held in the NMDC office, but some land acquisition issues are there which is going on, so once it will be done, then only we will start the work, otherwise we will not start. Now the policy is this that where 100% land is available there only we will start the work, otherwise no work.

Benny Gupta: And any update on our fundraising plan?

S. K. Chaudhary: Fundraising, we have not started yet. First we are doing the land acquisition.

Benny Gupta: No, you are planning OSS something I think you had mentioned in the last quarter concall, so any update on that front?

S. K. Chaudhary: Fundraising for what? Ircn?

Benny Gupta: Yes, Ircn.

S. K. Chaudhary: Not required at the moment because we have tie ups, we can raise from there only. We have government funds.

Benny Gupta: No, you have to bring down your promoter holding to 75%, so I think you had mentioned in the last quarterly concall.
S. K. Chaudhary: We said but the government did not agree. I want 10% raise further to keep money for myself as part of disinvestment which was coming around 400 and something crores, so they did not agree.

Moderator: Thank you. The next question is from the line of Rakesh Vyas from HDFC Mutual Fund. Please go ahead.

Rakesh Vyas: I just want some clarity, you highlighted the outlook for the CR and you said the operating margin to be close to 8.1%, so does it account for the benefit of write back that you took this year or this is separate from that?

S. K. Chaudhary: No, this is I said is the MoU target. Somebody asked me that MoU which you signed with the ministry and the department of public enterprise what is your target, so I said that my target is 8.1% but it will be much more than that. Write back is not part of that.

Rakesh Vyas: Secondly sir, if you just highlight on the balance sheet, how much of such provisions still exist as of now?

S. K. Chaudhary: No, not much.

M. K. Singh: Actually, this provision which was there for the agency commission thing, it is one go we have taken it in the books and there is nothing else.

Rakesh Vyas: And no such other provisions exist, write back or such nature can come through in a large quantum?

M. K. Singh: Except wherever we do the ageing analysis and few tits-bits here and there but not significant.

S. K. Chaudhary: It will be write off, write back, we do both the things. If write off also we do, if we find there is some of the dues which are very long in nature cannot be the lives, so we have a policy that up to 50 lakhs is not coming up to certain times, will be write off, then the write back also some of the things which we feel that there is no more payable and nobody is demanding it. So, after 5 years or something, we again write back those things.

Rakesh Vyas: And one last point, I did not get this point clear is on the OFS side, I think last quarter you were highlighting that there could be an OFS and now you are saying that government is not too keen to diverse, is it?

S. K. Chaudhary: No, government is keen to diverse, they will do OFS, there is no issue. The only market is going up and down, but they have already started the process of inviting the book running, budget manifest and all that thing, but we have a fixed thing of this. September we got it listed last year, so one year they will not do it, 15% they will do further, I think 14% or something.

Rakesh Vyas: And you essentially based on your estimate for equity participation and increase in the new projects that will come up. You don’t need equity rising on the balance sheet of the company.
S. K. Chaudhary: I could have done more business with that business, but to make government understand it is very difficult, they think in a different way.

Moderator: Thank you. The next question is from the line of Dixit Doshi from White Stone Financial Advisors. Please go ahead.

Dixit Doshi: Sir, can you just explain a bit about our strategy with the Bandra and what is the business model there?

S. K. Chaudhary: Bandra plot is for almost 99 years of lease, some issue was there with Maharashtra government. That issue is now getting resolved, particularly MMRDA, so instructions are being issued from government of Maharashtra, may be today, yesterday it was to be issued, today it will issued within FAR of 5, so if you have an FAR of 5, then second thing is entry to that plot and exit to that plot, so that also MMRDA will be doing that job for us and then we will invite the bids. Option is two with us, either we have a full developer and get it developed through him or we can have a joint development, so it depends on us, so we are deliberating and thinking that PMC model is good rather than putting and going into this, so this is under deliberation but my view is that we will go and PMC is better, doing the joint development with any private developer.

Dixit Doshi: Sir, how big is the land and what kind of revenue, I mean what we will get?

S. K. Chaudhary: We are getting 8% of PMC fees of the sale price.

Dixit Doshi: And land side?

M. K. Singh: Land side is 4.3 hectare, so roughly 12 acres and this is of course on the highway and just to supplement what CMD has said that we have paid a lease premium of 3200 crores, all inclusive of taxes, etc., to Indian railways and the repayment is dealing from finding a developer. The repayment is to be done irrespective of the fact whether developer has been found or not by ministry of railways, not by Ircon, so it is a pass-through entry for Ircon in its books. So, liability in effect doesn’t exist for us. The 5-year yearly payment only and squarely rest with MOR, Ministry of Railways.

Moderator: Thank you. The next question is from the line of Sweechha Jain from ANS Wealth. Please go ahead.

Sweechha Jain: I only have one question with regards to your order book of 33,500 crores, what is the timeline that we are looking at to execute this?

S. K. Chaudhary: I think this will take around 5 to 5-1/2 years.

Sweechha Jain: And just one last question that with respect to our JVs, what kind of profit numbers are we expecting? Are they going to be similar to last year or we are expecting a significant growth in it?
M. K. Singh: Which JV numbers are you talking about?

Sweechha Jain: The PAT from the JV?

M. K. Singh: PAT from JVs?

Sweechha Jain: Yes, sir last year you made a PAT of close to 21 crores, so can you expect numbers on this timeline or?

M. K. Singh: We expect the same thing because our margin is ranging from 8.5% to 11% depending on what really we are talking about, so it is going to be the secular in trend, even in the current year we will have the same thing.

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

Chintan Sheth: Sir, it is a request for you. When we look at any EPC company we certainly have a bumpy numbers in terms of margin and the revenue because of the execution cycles are slower in the first half, high in the second half, sir if is this possible if we can share cash flow numbers along with press release or a presentation for a particular quarter, it will be really useful for us to digest what kind of cash generation business has been able to do for a particular period?

S. K. Chaudhary: Generally in first 6 months, it is 35 to 40% of your total business which you do and balance 60% or 65% does in the second listing because always in first quarter, there are issues that some labour goes for cutting this thing and then monsoon comes two months and lot of disturbances take place. Actual work starts from September onwards and then the story starts. In any EPC company you see, the maximum business turnover will come in the last two quarters and the last quarter will be the maximum, but if you need a trend we can send you our trend. Mr. M. K. Singh, Executive Director Finance he will give you numbers.

Chintan Sheth: Yes, I will get in touch with him.

S. K. Chaudhary: You can mail it and he will send it to you.

Chintan Sheth: And sir, in terms of inflows, what kind of inflows we get this quarter and the expectation for the year, order inflows?

S. K. Chaudhary: Inflows is no issue, as I said we are having our order book executable and total order book, 33,500 crore is executable order book. The order book in hand is around 50,000 crores. Out of that around 4000 crores for quarters we are going to issue in this month, August to various construction organizations it’s a executable thing and then again in the balance 6 months, further orders will be issued. So, around 6 to 7000 crores will be the number which we are looking in, will be awarded where the work will start.
Chintan Sheth: And sir last thing, you did mention that 25% of the revenue this quarter came from the highways and roadways, is it correct?

S. K. Chaudhary: Yes.

Chintan Sheth: That is the reason why we see sharp jump compared to last year because I suppose.

S. K. Chaudhary: I hope that everybody is listening this. We are bidding for high speed rail corporation project also.

Chintan Sheth: Heartening to hear that.

S. K. Chaudhary: Around 20,000 crores in joint venture.

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

Mayank Goel: Just one book keeping question. I apologize if you have already clarified this thing, wanted to know what is the total amount actually invested in all the subsidiaries as at the quarter end in the form of equity and loan?

S. K. Chaudhary: The mid equity in all these companies, 5 plus 7 which we have is 1,115 crores. Out of that, I have invested 937 crores, 50 crores yesterday we have given the clearance for further investment in one of the SPVs, so it will be 987 crores, 987 will be figure which I consider because once we have proved it for investment, it will be invested.

Mayank Goel: Sir, I think in the last quarter, the amount was somewhere around 1214 crores if I am not wrong, so has it come down to 937 crores?

S. K. Chaudhary: Yes, we have reduced our equity in one of the JV company.

Mayank Goel: And what about debt sir?

S. K. Chaudhary: If you know that IRSDC was our 50:50 company, though we reduced that to 26%.

Mayank Goel: And what about debt sir, the last quarter the debt amount invested via the debt in these subsidiaries was 995 crores? What is the position as at this quarter end?

S. K. Chaudhary: That we have invested in first Q1. Total Q1 you are asking or total you are asking?

Mayank Goel: Total amount invested via debt in this subsidiary?

S. K. Chaudhary: Loan committed is 2634 crores, which we have committed, out of that invested, which we have paid is around 1186 crores and in Q1 is 117 crores.
Moderator: Thank you. The next question is from the line of Sajal Agarwal who is an Individual Investor. Please go ahead.

Sajal Agarwal: Just one question sir, we know that like government is talking about privatization in railway, so by any chance is Ircon business affected by that?

S. K. Chaudhary: No, there is so much business railway expansion is there and privatization of which is going to happen is going to happen of the assets created. Assets created in the sense that if you are reading it, the production unit will be made corporatized, so that will be corporatized and after corporatize this investment, it will take place there. It will increase the efficiency of the factories which we have set up for production of wagons, this coaches, and locomotives, so they will also be made companies and then companies will be disinvested. The privatization will be in that form. Some chance may be given to some operator to run the train, but let us see how far we get successful, but our business is not going to affect, no way.

Moderator: Thank you. The next question is from the line of Sarika Phorat from Union Mutual Fund. Please go ahead.

Sarika Phorat: I wanted to ask what is the order book last year, 1Q FY19, what was the order book?

S. K. Chaudhary: The order book, I just explained that 33,500 crores are there and last year I don’t remember, may be around 26,000 to 27,000 crores.

M. K. Singh: 26,400 crores was last year FY19 and now as on date it is 33,521, executable order book.

Sarika Phorat: Sir, then what is the visibility of this order book, say for the next 2 to 3 years? What would be the international?

S. K. Chaudhary: Around it will 5 to 5.5 years to complete the whole thing including the 4000 which we are adding this year.

Sarika Phorat: Sir, order inflow guidance for the next 2 to 3 years, so what would be the international portion, what would be the domestic portion?

S. K. Chaudhary: I wish international should be more but we are trying now, so we have formed some joint venture with the companies. They are changing some alignment and strategies, so with that we are going. Hopefully, something should materialize because these which are negotiated projects where you are not bidding for yourself. If these are not bidded projects, these are negotiated projects, so negotiated projects always take some time and longer time, but they have very good margins of 25 to 30% also which takes time. We hope it will be done, but yes, we are bidding for the projects which line of credit has been given by government of India. In Bangladesh, some projects are coming up. Highway projects are there and railway projects are there and railway workshop is there. For railway workshop, most probably we will set up one nomination basis itself, so these are the things we are looking for.
Sarika Phorat: Sir, on domestic side, can you give some guidance, what would be that?

S. K. Chaudhary: I want to tell you one thing, every foreign country wants besides you do some work for them, but if they are not financially sound enough to repay, they have tall promises to do, but position today in the world, economic scenario is so bad that very few countries are good enough to pay, so we see all the angles and then only and then only we take the decision that should we go there or not. We get proposal everyday from this country, that country, the UAE people came that you make for us, Abu Dhabi people came, you make for us, so we see everything in all aspects and then we take a decision because construction organization if take any wrong decision can be hit very badly and we don’t want to do that.

M. K. Singh: And coming back to your specific question of inflow of order book in next 2 to 3 years, the past trend has been that roughly 5000 crores is what we are adding to the order book every year, either in terms of executable from the existing bucket of orders or adding the new projects, so in 2 to 3 years, we will be roughly having 12 to 15,000 crores of order book being added.

Moderator: Thank you very much. That was the last question in queue. I would now like to hand the conference back to the management team for closing comments.

S. K. Chaudhary: Thank you very much and sometimes it becomes quite, we also learn a lot by the questions which they ask, but infrastructure companies, generally very few people will understand. It is only on the basis of management which demands that how they run the company. I always tell that the number speaking orders is never difficult. In the last 3 years, if you see almost 80 to 84 construction companies have closed are in bad shape, so they have been hit only because by the wrong decision of chasing the order book that we want to have an order book and people do not understand sitting in the market that making order book is not a issue at all but completing that project with profit and earning money is very difficult. If you take the orders in a competition in a very reduced rate where the negative margin of 10% and 20% and then if you chose the wrong client, so lot of things are there being in an infrastructure company, but if you see the sector in which you operate and our people who are there along with us, whether Ircon is there, one of the company, NBCC, RVNL, KEC, L&T, Dilip Buildcon or IRB, so if you compare that what are they and how they do and what are their profitability to the turnover, then you will understand that how we are playing and how better we are. It is a consistently profit making company from last 43 years is not a joke and working in many different environments and completing all the project is a record itself, never defaulted, never punished, never anything. So, it is in a very sound fitting and I sit with all the CMDs of the leading companies who are the number 1 and 2, 3, 4, listed together and we discuss, I sometimes feel that when investors look at it, earlier they should see everything not only the part, the quarter, the year or this, as a whole project, project as a life cycle. Project is not a number, project is a life cycle. It has to be completed. It has to be delivered. So, how many successful things are there. So, it depends because you are having the money invested from funds or mutual on behalf of public. They should be invested properly and so that the issues which were faced, it is not good for the country that if the construction companies have closed
because it should not happen that we don’t find executing agencies to execute the work, so we want that construction should work healthy and operate at a margin of minimum 10%. Otherwise, they cannot grow, they will die and that is what happened in last 3 years because of this. Thank you very much.

**Moderator:** Thank you very much. On behalf of Anand Rathi Share & Stock Brokers Limited that concludes the conference. Thank you for joining us ladies and gentlemen.

**S. K. Chaudhary:** And I would request Anand Rathi to hold one this kind of a meeting in Bombay for us, so that we can explain in person all the things that what is happening in infrastructure scenario.

**Rachit Kamath:** Sure sir, we will take this offline.

**S. K. Chaudhary:** Thank you very much.

**Moderator:** Thank you very much. With that, we conclude the conference. Thank you for joining us and you may now disconnect your lines.