Ashoka Buildcon Limited

To, The Manager, The Department of Corporate Services BSE Limited Floor 25, P. J. Towers, Dalal Street, Mumbai – 400 001	To, The Manager, The Listing Department National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051
Scrip Code : 533271	**Scrip Symbol : ASHOKA EQ.**

February 17, 2023

Sub: Call Transcript

Please find enclosed herewith the copy of transcript of the Earnings Call held on February 13, 2023 in respect of Unaudited Standalone and Consolidated financial results for the quarter and nine months ended December 31, 2022.

Kindly take the matter on your record.

Thanking you,

For **Ashoka Buildcon Limited**

MANOJ ACHYUT KULKARNI

Digitally signed by MANOJ ACHYUT KULKARNI
Date: 2023.02.17 13:02:30 +05'30'

Manoj A. Kulkarni
(Company Secretary)
ICSI Membership No. : FCS – 7377

"Ashoka Buildcon Limited
Q3 FY '23 Earnings Conference Call"
February 13, 2023

MANAGEMENT: **MR. SATISH PARAKH – MANAGING DIRECTOR – ASHOKA BUILDCON LIMITED**
MR. PARESH MEHTA – CHIEF FINANCIAL OFFICER – ASHOKA BUILDCON LIMITED

MODERATOR: **MR. ASHISH SHAH – CENTRUM BROKING LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Q3 FY '23 Earnings Conference Call of Ashoka Buildcon Limited hosted by Centrum Broking 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 call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ashish Shah from Centrum Broking Limited. Thank you, and over to you, sir.

Ashish Shah: Yes. Thank you. On behalf of Centrum Broking, I welcome all the participants to the Q3 FY '23 Results Earnings Call of Ashoka Buildcon Limited. We have from the management, Mr. Satish Parakh, Managing Director: Mr. Paresh Mehta, the CFO of the company. We will have the opening remarks from the management and we'll be following that with the Q&A. So over to you, sir.

Satish Parakh: Thank you, Ashish. Good afternoon, everyone. I would like to extend my warm welcome to everyone on this earnings call for third quarter and 9 months that ended December 31, 2022. I have Mr. Paresh Mehta, our CFO, along with me on the call.

Let me now give an update on the equity sales of ACL project. As mentioned earlier, we have signed a foreign asset sale transaction of Ashoka Concessions Limited for 5 SPVs by entering into a share subscription and share purchase agreement with Galaxy Investment II Private Limited, an affiliated entity of KKR. The deal needs to be completed soon after receiving required approvals from the lender and HAM and other relevant stakeholders and completion of certain condition procedures.

We have received approvals for a few lenders and other stakeholders. We are still in process of completing the balance. Meanwhile, we have received an extension of peer for the fulfilment of CPs from our investors. The deal transfers the entire share capital of these five BOT SPVs, including repayment of shareholders' loan for an aggregate consideration of INR 1,337 crores. The total proceeds received will be utilized to facilitate the exit of SBI Macquarie from Ashoka Concessions Limited and allowing SBI Macquarie to exit the company fully. Further transfer of these 5 SPVs will reduce the consolidated project debt of ABL by INR 2,833 crores.

Also, we have executed a share purchase agreement with National Investment and Infrastructure Fund for sale of 100% equity of Chennai ORR. For an aggregate financial consideration of INR 686 crores. Of INR 686 crores, ABL is expected to receive INR 450 crores and INR 250 crores towards loan repayment, around INR 200 crores towards 50% equity stake in SPV.

Recently, we have executed a share purchase agreement with National Investment and Structure Funds for sale of equity of Jaora Nayagaon project for an aggregate financial contribution of INR 691 crores. Post this transaction, the company will remain with the following major projects in highway portfolio. Three fully owned annuity projects, which is Hungund-Talikot, Bagewadi-Saundatti and the fully owned portfolio of 11 HAM projects.

Coming to HAM projects. We have execution of concession agreement with NHI about INR 1,079 crores for the development of six lanes Access Controlled Greenfield project at Baswantpur to Singnodi section of NH 150C on Hybrid Annuity Mode under Bharatmala Pariyojana.

The construction period is 912 days, and the operation period is 15 years. We've also achieved financial closure for the same. And we have received appointed date on 13, November 2022. We received pre-COD of our TS1 which is Mallasandra Karadi on NH 206. Also received Pre-COD of Kandi to Ramsanpalle of NH 161. The total equity requirement of 11 HAM projects is about INR 1,096 crores of which we have already invested INR 901 crores as of December 2022.

Coming to our order book, as mentioned, we have achieved a robust inflow. Some of the key large orders received from 1st October are as follows; so we were L1 in EPC project in Kerala of INR 1,668.5 crores in November 2022 followed by an LOA we've got for the same project in December 2022. And now the appointed date also is given from 1st February 2023.

Secondly, we received the LOA for EPC project in Bihar of INR 2,161 crores in January 2023. This is a project of Construction of Four Lane Elevated Corridor of Danapur-Bihta on EPC mode. When we were awarded project of INR 754.57 crores for Madhya Pradesh PoorvKshetra Vidyut Vitaran Company for power distribution infra in Balaghat circle, Satna circle and Rewa circle of MP. We also received LOI from UP Power Distribution Utility company for a project of INR 807.64 crores in January 2023. Again, for development of distribution infrastructure at Aligarh and Agra zone.

Our balance order book as on date is INR 19,150 crores. The breakup of INR 19,150 crores order book. As on date is, roads and railway projects comprise around INR 12,455 crores, which is 65% of the total order book. Among the road project order book, HAM projects are to the tune of INR 2,363 crores and EPC road projects are worth INR 8,653 crores and railway is around INR 1,439 crores. Power T&D and others account for around INR 3,669 crores, which is approximately 90% of that total order book. The total EPC building segment is INR 2,996 crores, which is 16% of the total order book and EPC work of CGD business comprises of around INR 29 crores.

Let me reiterate that our focus remains to build strong EPC business in segments of highways, railways, power T&D and buildings. The current order book of INR 19,150 crores providers with good visibility of EPC business growth. Our asset portfolio, we have already built 11 HAM projects. In terms of new project building, our priority will remain on HAM projects and strengthen the HAM project portfolio.

This is all from my side. I would now request Mr. Paresh Mehta to present the financial performance of Q3 and nine months of FY '23. Thank you.

Paresh Mehta: Hello. Good afternoon. The result presentation in this press release for the quarter have been uploaded on the stock exchange and the company website. I'm sure you must have had time to go through the same. Now I will present the financial results for the third quarter dated December 31, 2022. Starting with the consolidated results. The total income for Q3 FY '23 grew by 35% year-on-year to INR 1,996 crores as compared to INR 1,475 crores in Q3 FY '22. EBITDA stood at INR 530 crores for Q3 FY '23 with a margin of 26.6%. Profit after tax is at INR 138 crores in Q3 FY '23.

For 9 months FY '23, total revenue was INR 5,757 crores, up by 41% year-on-year. The EBITDA stood at INR 1,518 crores with a margin of 26.4%. Profit after tax stood at INR 339 crores. Coming to the standalone numbers. The total income for Q3 FY '23 stood at INR 1,590 crores as compared to INR 1,133 crores in the corresponding quarter last year, registering a growth of 40%. EBITDA for the quarter was INR 147 crores with an EBITDA margin of 9.3%. The company reported a net profit after tax of INR 67 crores in Q3 FY '23.

For 9 months FY '23, total revenue was INR 4,140 crores, up by 39% year-on-year. The EBITDA stood at INR 465 crores with a margin of 10.5%. Profit after tax stood at INR 237 crores. As you are all aware, due to equity sales transitions, we are not recognizing interest from SC in our books, and it has reduced the EBITDA. Also, EBITDA margins have been impacted mainly due to inflationary pressures and higher competitive biddings in some of the projects in the -- during the COVID period.

During Q3 FY '23, BOT division recorded a total collection of INR 291.4 crores as against INR 251 crores in Q3 FY '22 and INR 275 crores in Q2 FY '23. Total consolidated debt as on 31st December 2022 stood at INR 6,987 crores of which project debt INR 5,942 crores, of which INR 283 crores stand for the 5 BOT projects. NCD stood at INR 200 crores at ACL level. The standalone debt is at INR 846 crores, which comprises of INR 146 crores of equipment loan and INR 699 crores of working capital.

Out of the total consolidated debt of INR 6,987 crores, INR 2,833 crores will be transferred along with the 5 assets of the BOT projects and also INR 130 crores of the Jaora-Nayagaon project on exit. Post the sale transaction, the effective consolidate would be around INR 4,024 crores. With this, we now open the floor for question-and-answer. Thank you.

Moderator: The first question is from the line of Mohit Kumar from DAM Capital.

Mohit Kumar: My first question is on the margins. While our top line has grown at a very healthy pace, EBITDA and other income. In fact, our EBITDA margin is below around 8%. I think it was 8% over last 3 quarters. So to -- how do -- how should one look forward to, let's say, for FY '24, FY '25? Can you go back to 10% given the current order book?

Satish Parakh: Yes. As we had spoken in the last con call for September '22, our margins have been subdued due to a couple of reasons like competitive bidding during our COVID period where competition was high. Escalation has also contributed to that because -- which has changed the budgets have been revised per site. In certain cases, when projects have been completed, and they are on completion stage 4 PCOD. There are also extra cost incurred for closing the completion certificates. Costs had to be incurred for handing over the asset to the authority. So these were reasons which contributed to the low margins. We believe that this probably will go up to another couple of quarters when then we can start looking at better EBITDA numbers because the recent contracts are at a better margin.

Mohit Kumar: So you say better margins are aspiring to 10%, 11%. What kind of margin we are looking at?

Satish Parakh: In the range of 9.5-10% should be definitely looked at.

Mohit Kumar: And my second question is on the deal which we -- I think we have done around 3 sale deal now. When do expect all of them to close? And how much money will flow to the company post all the sales and executing all liabilities?

Paresh Mehta: So as described, the KKR deal will purchase 1,337. That is expected to close by Q2 of next year, Q1 -- between Q1 and Q2 of next year, we should be able to close it, wherein 1,337 will flow in. On the Chennai ORR deal, we expect to close it before the Q1 of next year. So by June, definitely, we should be through the transaction, which will fetch the company around INR 450 crores. And on the Jaora-Nayagaon sale, I believe Q2 next year would be the time when the transition would get over, which will fetch us approximately INR 400-odd crores.

Mohit Kumar: And we're to pay INR 12 billion to Macquarie, is that a fair number?

Paresh Mehta: Yes, that's right. SBI Macquarie exit, we will be -- we'll have to pay INR 1,200 crores from these receipts.

Mohit Kumar: Do we need to pay anything extra sir, over and above because of delay in closing the transaction…

Paresh Mehta: At present, there is definitely not any -- it's a freeze amount.

Mohit Kumar: Lastly, sir, on the distribution. We are looking to get more and more order in UP or let's say, and MP, mostly, it looks like is reform development linked savings scheme tenders. So what is the EBITDA margin expectations in these tenders?

Paresh Mehta: On the utility -- power utility contract we have in past, we are expecting a range of 10% to 11% of EBITDA margins in these projects.

Mohit Kumar: And how do you see these portfolios are going forward? I think the large amount of order I think is this in pipeline?

Paresh Mehta: So we'll continue to pick for power project also. There is the pipeline, but we target that our ratio of roads and other projects would be in the range of 60 to 65%.

Moderator: The next question is from the line of Mahesh Bendre from LIC Mutual Fund.

Mahesh Bendre: Sir, the agreement with KKR, I think earlier expectations was that we will close by March. Now we are talking about Q2 next year. So why we're looking for a 6 months of extension?

Paresh Mehta: So we expect all our CPs to get over by -- between March and May. And then when they do a drawdown, they'll take another 40, 45 days. Basically, the delay is on account of what you call NOCs from the lenders and NHAI. NHAI also takes its own time to sort out claims and other matters. So as to fetch the NOC from them.

Mahesh Bendre: And sir, the margins -- operating margins have come up significantly over the last 7 quarters. So you said another 2 quarters, it will take time to recover.

Paresh Mehta: Right.

Mahesh Bendre: So will it go further down or they will stabilize here for atleast next 2 quarters?

Paresh Mehta: We believe that it should be okay. We should maintain the -- at minimum, this will probably increase after a couple of quarters.

Operator We have the next question from the line of Jitendra Petkar from JD Capital.

Jitendra Petkar: My question is to Mr. Paresh Mehta, and this is about the EPS for the 9 months ended 31st December this year '22. I believe there was some correction and clarification after the results were initially published. And then EPS stands at 11.91. Am I right?

Paresh Mehta: Yes.

Jitendra Petkar: And as compared to the previous year, it is 8.07 for the 9 months ended 31st December '21, right? And the -- and then we see the -- for the year -- last year ended 31st March 2022, the EPS has grown almost twice from 8 to 16. We can understand that the last quarter which is more accruals, but do we expect the same thing for this 9 months to the next quarter as well?

Paresh Mehta: There was a exceptional item of INR 326 crores reversal of liability for our -- exit of our..

Jitendra Petkar: I'm talking without the exceptional item. The last 2 rows, that is without the exceptional item.

Paresh Mehta: Yes. So that is generally -- so for the quarter, for -- generally, the March quarter fetches more revenue and profitability. So we expect that, that should happen in the same way.

Jitendra Petkar: This time also. It is -- yes, because it's quite a sudden jump as we can see. Almost 3 quarters earnings are accruing just the last quarter? So is that guidance also for this time as well.

Paresh Mehta: Bonuses and other recognized. But at present, we will maintain, say, 15%, 20% higher quarter-on-quarter. But we'll see at the end of the quarter how the performance of all the projects and completions happen based on which maybe any bonus or otherwise is expected.

Moderator: The next question is from the line of Nikhil Abhyankar from DAM Capital.

Nikhil Abhyankar: We have got around 190 billion of orders now, and we are clocking a revenue of around 6 or 3 book-to-bill ratio. So should we expect that there will be a certain or a gradual revenue ramp up in the next 2 years?

Paresh Mehta: Yes. Based on the order book, we should definitely see a ramp up in the execution. For the quarter, for the 9 months, we are already 39% up. So coming quarters also, we see ramp-up and '23, '24 also should see better performance.

Nikhil Abhyankar: Sir, what kind of number should we consider for '24?

Paresh Mehta: I believe a 20%, 25% minimum should be feasible growth.

Nikhil Abhyankar: And sir, given this order size, will we go slow on any new order inflows?

Satish Parakh: See now going ahead, since our order project is already achieved. Going ahead, we will be selective in bidding. But definitely, bidding activity will continue.

Nikhil Abhyankar: And sir, just on the executable order book as of December '22?

Satish Parakh: Can you repeat your question?

Nikhil Abhyankar: What is the executable order book? Like everything is right now being executed?

Satish Parakh: See, the building order book is a little delayed. Around INR 1,500 crores. Otherwise, everything is executable.

Nikhil Abhyankar: And sir, can you also give me the inventory, trade receivables, contract asset, trade payable for that liability as of December?

Paresh Mehta: You want the inventory…

Nikhil Abhyankar: Yes, trade receivables, contract assets, trade payables and contract liabilities?

Paresh Mehta: So receivables, all net of ECL would be INR 1,192 crores. The unbilled revenue would be INR 1,528 crores. And advances, again, that would be around INR 815 crores.

Nikhil Abhyankar: So payables, you said how much?

Paresh Mehta: Payables would be approximately INR 1,147 crores.

Nikhil Abhyankar: INR 1,147 crores. That's helpful.

Satish Parakh: And stock would be INR 297 crores.

Nikhil Abhyankar: Inventory, I forgot inventory?

Satish Parakh: INR 297 crores.

Nikhil Abhyankar: INR 1,297 crores?

Satish Parakh: INR 297 crores.

Moderator: The next question is from the line of Prem Khurana from Anand Rathi Shares and Stock Brokers.

Prem Khurana: Congratulations, good set of numbers this quarter especially on the order booking side. Just to understand our KKR transaction a little better. So as far as I know I think Dhankuni Kharagpur, we don't have CoD in place and the concession agreement says you're allowed to exit only if you have CoD. I think we were in discussion with the NH going to get corrected. What's the status there? And also can you help us understand on Chennai ORR, the partner or under NCLT there. I mean, have you made any progress in terms of acquiring the stake from the partner that we are supposed to?

Paresh Mehta: Right. So on the Dhankuni project, let me clarify, we received CoD in September '21. So already 1.5 years is over. So that is the status of Dhankuni. So, their exit is not a challenge. We are already requesting for -- there is already a circular for reduction to 1 year. So I think that is possible.

On the Chennai ORR transaction, our partner who was under NCLT, he is already out of the NCLT proceedings and one of the investors have already -- the potential bidders have already bought it out. So now they are free from any restrictions of doing business.

Satish Parakh: The challenge there is putting off those switch.

Prem Khurana: Sure. And on the KKR transaction because there are 5 assets involved. So all these 5 will go together and we could sell these on an place business so let's say if we have approvals and everything in place, CPs are complied 4 out of 5. Is it possible to sell 4 and then wait for the fiscal year have everything in place and then transfer? Or is it that we would have to transfer all the 5 as a single bunch?

Paresh Mehta: To do it as a bunch, only what would happen is, there may be a timing difference. Once they have a circular, all the 5 is happening.

Prem Khurana: And sir, on order addition you had previously good order addition until this time. But how much more are we targeting in Q4 and possible to share? I mean, how many tenders we would have already created bid for and how the prospect pipeline looking like?

Satish Parakh: So looking at order book, our target order book is almost done like. And we'll be very selective in bidding projects now. Our focus would remain on HAM projects and some specialized structures. As far as power distribution is concerned, we have enough orders in hand. As far as railways is concerned, we still will off for bidding in some selective stitches.

Prem Khurana: And just to clarify on the recent NHI-EPC orders, I think, numbers that we have in place, it seems that our bids are lower than the base cost estimate. So how do you explain the discount, the base cost estimate. And will it be possible for us to kind of deliver the kind of margin that we target, I mean, if it has been below the base cost? I think at Bihar we are at a larger variance and even Kerala was below the base cost which was from the NHI?

Satish Parakh: Yes. Basically, these are all design win structures. So cost of every builder will vary. We had bid at a good margin, both the projects in Bihar and Kerala.

Prem Khurana: Okay. So will be contribute 10-odd percent that we target on a blended basis….

Satish Parakh: Absolutely, there is nothing to worry.

Moderator: We have the next question from the line of Vishal Periwal from IDBI Capital.

Vishal Periwal: One, first is on revenue guidance, which you have given for FY '23, which is like around 25%, 27% -- 25-odd percent range. if you can do the working imply it for the fourth quarter, it come in like flattish to marginal decline. So, will that be a fair understanding?

Satish Parakh: So see, overall for the year, we'll close around 30%.

Vishal Periwal: And next is on our margins. I think you did mention like the initial commentary from -- so it was comment like for the next few quarters, it will be like a weakish margin. So when you say few quarters, would you like to quantify a number of quarters that we'll have this kind of margins?

Satish Parakh: So this basically will depend on completion of projects, which we have picked up at aggressive, major in COVID period. When all the qualifications were diluted. So until the completion of that, so maybe another three, four quarters, our margins will be depressed. The new orders which we are taking are again at comfortable margins. So that will start improving as the mix changes.

Vishal Periwal: So is it coming from any particular segment, if not any particular project you want to highlight. Any segment roads or maybe non-roads?

Satish Parakh: Some road projects, building projects, even the railway projects where we have taken a JV where JV charges are to be paid. So it's all mix. So this maybe three, four, five projects, will get over by another three, four quarters and our mix will start improving.

Vishal Periwal: And one last, which is more of a -- from a number point of view, I think there was a clarification from a project like Chennai ORR, which we have sold being fetch around INR 450-odd crores, but the PPT mentioned the equity is something like in the range of INR 690 crores or INR 700 crores. So what is the difference, if you can clarify?

Paresh Mehta: So INR 690 crores is the total consideration. There will be some year-end, adjustment of working capital adjustments on the SPV, which will net fetch the shareholders INR 650 crores, of which INR 450 crores will be paid to Ashoka Buildcon and INR 200 crores will be paid to the JV, the other partners. Our equity at to equity and debt profile for the SPV, INR 200 crores plus, INR 250 crores.

Vishal Periwal: So we have as an investment, we have done like INR 450 crores, same in terms of like the same that we are getting back is the same or? That's fair to understand?

Paresh Mehta: Pardon.

Vishal Periwal: No, you mentioned like INR 200 crores of debt, INR 250 is the equity.

Satish Parakh: INR 250 crores is the debt and equity is INR 100 crores, which we put in INR 98 crores we put in against which we'll get around INR 200 crores.

Moderator: The next question is from the line of Rikesh Parikh from Rockstud Capital LLP.

Rikesh Parikh: So I just wanted to understand more of the KKR deal side. Now we are targeting a Q1 or Q2 of the next year. So do you think further delay will be possible or this will be the final timeline by which we should be receiving the money?

Satish Parakh: I don't think there's any other delay. I think this should conclude by June; I'm just keeping a safety margin. June should be the period when we should be able to conclude.

Rikesh Parikh: And second thing is on our HAM project, we have been mentioning that we are looking at elevate our sale to investor. Any movement on that side?

Satish Parakh: So we have bankers working on the transaction, and we'll see as soon as we get proper offers, we'll come back to the investors for what is actually happening on the -- but we are already exploring the cost.

Rikesh Parikh: And then last thing, once we have this exit of the stake, probably in FY '24, we'll be comfortable on the debt equity side. So how do we look at it from the debt equity point of view we'll be looking at from the going forward basis post that?

Paresh Mehta: So generally, as we have disclosed in the previous quarters, we would like to be a multi-sector EPC player. Though in the road sector, HAM is one model, which is typically for a few -- for the initial period, it is a captive project, but we would like to monetize it. So we'll generally try to keep a low consolidate going forward once these transactions are true, including the HAM transaction.

Moderator: The next question is from the line of Ash Shah from Elara Capital.

Ash Shah: So can you just provide some timeline on the non-moving projects from the building segment. So for example, the Maldives or the D.Y. Patil or the new airport, Patil hospital and other projects which are not moving? When do we expect that?

Satish Parakh: So Maldives, we expect in the coming quarter to -- by March, it should be cleared. D.Y. Patil may take some more time. And other all projects are moving smoothly.

Ash Shah: Why is the delay for the D.Y. Patil? I mean, if you could provide some color on that?

Satish Parakh: For D.Y. Patil, this was a concession agreement between port authority and D.Y. Patil and there is some dispute between the parties. So the EPC take-off has been delayed.

Ash Shah: Next is, have we started working on the sewage treatment plant that we have received from MCGM?

Satish Parakh: MCGM work has already started now.

Ash Shah: And coming back to the earlier participant's question on the asset monetization. Could you just throw some light on how many HAM assets are we planning to sell and what is the equity that we have invested in those assets?

Paresh Mehta: From an overall concept, we are planning to sell all the 11 projects, though a couple of projects are still under construction. I mean substantial construction is spending. The total equity to be invested in these projects are in the range of INR 1,050-plus crores, of which INR 900 crores is already invested. So that's what we intend to monetize.

Ash Shah: And last question, can you just provide what will be the users of the excess cash that we received from all the transactions for example, KKR or Chennai ORR. What will be the capital allocation for the sale?

Paresh Mehta: Currently, we have not -- we have a couple of options, which we have taken like to reduce working capital debt or to -- with the two -- paid by investors certain money in the form of buyback contributed. But those options will be exercised once we come to that stage with good certainty of cash in hand. So we are in Q2 next year.

Moderator: The next question is from the line of Rohit Natarajan from Antique Stock Broking.

Rohit Natarajan: So my question is more to do with the monetization of BOT projects. We are -- I mean, post the payment to SBI Macquarie, I think somewhere INR 1,500-odd crores of cash will be there. But those will be at ACL level. Is there any withholding tax or some tax consideration to upstream to the parent level?

Satish Parakh: No. So the instruments which held by ABL in ACL or to be held by ABL in ACL would be in the form of CCDs end typically would not attract any withholding tax kind of a structure. It will be a redemption of CCDs or repayment of loans of ABL to ACL.

Rohit Natarajan: Sir, in the HAM projects that we have in the portfolio at this point in time, I understand the equity is almost at INR 900-odd crores you have invested in. What are the loan advances to these projects?

Paresh Mehta: So as already in the loans, on just tell you the number. Total loans on HAM projects is to the tune of INR 2,563 crores as of date.

Rohit Natarajan: Advances from your side, the parent side to this HAM projects not the loans on the books.

Paresh Mehta: Whatever equity we have communicated. That is all that has been invested from ABL either through ACL or directly by ABL, INR 901 crores.

Rohit Natarajan: Sir, my final question is more to do with I understand that you have said on the margin part, it will be -- maybe there will be some pressure on the more quarters, but in the longer-term horizon, are we looking at those double-digit what we used to do in the past? Is that something in the horizon?

Paresh Mehta: Yes, definitely. I mean we are looking at a double-digit margin going forward. And this is the way we have bid for the projects also, which are new projects added to the portfolio.

Moderator: The next question is from the line of Parvez Qazi from Nuvama Group.

Parvez Qazi: So a couple of questions from my side. Can we get the equity inclusion schedule for what is the pending, equity that you need to do?

Paresh Mehta: So approximately INR 197 crores of equity will be pending as of date. Of which INR 64 crores will be invested by March end. INR 92 crores will be spent between '23-'24 and in '24-'25, INR 41crores. That is the schedule of investment of equity for the HAM projects.

Parvez Qazi: And what was the revenue breakup for Q3, would it be possible to break it in terms of various segments?

Paresh Mehta: For the quarter?

Parvez Qazi: Yes, for the quarter.

Paresh Mehta: In the road sector, it was INR 1,121 crores; in the power, it was INR 152 crores; railway, it was INR 139 crores; CGD and other sector was approximately INR 80 crores; and RMC, INR 61 crores.

Parvez Qazi: And lastly, what was the capex that we incurred in Q3 or nine months and whatever number that's available?

Paresh Mehta: For nine months approximately, INR 51 crores was spent on capex, of which in Q3 it was INR 28 crores.

Moderator: The next question is from the line of Jiten Rushi from Axis Capital.

Jiten Rushi: Sir, on the revenue pickup. So can you give us the nine-month revenue breakup segment wise?

Paresh Mehta: Yes, for road, it is INR 2,973 crores; power, INR 452 crores, railway, INR 476 crores, CGD and other segments is approximately INR 240 crores, and RMC, INR 160 crores.

Jiten Rushi: And sir, on the capex you said nine months is INR 51 crores. So what would be the Q4 capex number and next year because of the high order backlog, so we expect execution to pick up from next year? So what would be the capex number for Q4 and next year, sir?

Satish Parakh: Coming five quarters, where we will invest approximately INR 250 crores.

Jiten Rushi: INR 250 crores. Okay.

Satish Parakh: Coming five quarters...

Jiten Rushi: Basically next, Q4 and next year, you will be investing INR 250 crores combined?

Satish Parakh: Yes.

Jiten Rushi: And sir, obviously, you've given the details like on the order inflow, you will not be looking for order inflows in this quarter aggressively. But sir, any view on the next year order inflow target in terms of segment? And also at what kind of margin we'll look at? Obviously, we have, as you said, currently, that margins have been compromised this time because of aggressive bidding. But what about the recoup in margins from next year. Are we looking to recoup? Or we will see aggressive bidding to continue, and we will participate in that, or we'll lower exchange from participants because of the high order backlog.

Satish Parakh: See, now going ahead, we definitely will be selective. As a company, if you see the history of Ashoka, we have been conservative in bidding. Only during COVID period, we have been aggressive. And going ahead, definitely we will come back to our original margins.

Jiten Rushi: The projects which you have won this year, are in double-digit EBITDA, like 12%, 13% of what you saw last time or…

Satish Parakh: Current projects are all in double digits.

Jiten Rushi: Any guidance in terms of order inflows next year?

Satish Parakh: Next year order inflow will be like we will be focusing more on HAM projects than EPC roads. Definitely power and railways.

Moderator: There is a follow-up question from the line of Ash Shah from Elara Capital.

Ash Shah: I just wanted to know that we were planning to monetize our CGD business also. So is there any update on that front? Or how is it right now?

Paresh Mehta: Yes, so on the CGD business, we are at a very, very advanced stage, and we should be coming to the investors shortly on what is the transaction.

Ash Shah: And how much have we invested in this business till now, till date?

Satish Parakh: So approximately INR 66 crores invested in this business.

Ash Shah: And this will be…

Paresh Mehta: Ashoka Buildcon share, both parties put together approximately INR 135 crores.

Ash Shah: INR 135 crores?

Paresh Mehta: INR 135 crores, yes.

Ash Shah: And by when will we come to know approximately, I mean by March this end, or it will get postponed to the next FY?

Paresh Mehta: Definitely before March.

Moderator: The next question is from the line of Harshil Kothari, an Individual Investor.

Harshil Kothari: So my question is regarding the arbitrage award that we have got for the rural project, which is going to be eventually transferred to KKR. So previously, it was mentioned that whatever arbitrage award we will win, it will be taken by a Ashoka Construction. So now how the proceeds are going to be?

Paresh Mehta: Yes. So whatever extension of days we have got in this project, the project will be converted into value, and they'll be paid upfront to ABL.

Harshil Kothari: So have become kind of the amount or still its pending?

Paresh Mehta: We've already discussed the amount. Once we have a final transition in place, we'll definitely communicate.

Harshil Kothari: And regarding the solar project, what is the update on that? And how the things are proceeding there?

Satish Parakh: In solar projects, MNRE has given guidelines for giving extension to these projects as well as giving this BCD exemption. And even the solar module prices have come down. As of now, we are still focusing on completing all bands of works, which should happen by March end. And module placement negotiations are underway, and which should be able to place the orders very soon.

Harshil Kothari: And regarding the INR 500 crores NCD or the debt that we are looking to raise in the new Board meeting. So what's the basic reason to raise these ones?

Paresh Mehta: So basically if you see our working capital debt, approximately around INR 800-odd crores, INR 860 crores. This money, which will be raised will be used to replace certain short-term debt into a slightly longer-term debt so that there is a continuity of cash flows available for better periods of time.

Harshil Kothari: And the last question. So in the total NHI claim that we expect? Of course, not the period, but the claim amount?

Satish Parakh: So with respect to arbitration, arbitration is still on certain are still on. And conciliation process is still also initiated. So we are still to see the result of the same.

Harshil Kothari: And so the amount that we have asked for or claimed for?

Satish Parakh: So claims would be in the tune of approximately INR 1,200 crores to INR 1,500 crores for all the five projects, of which a couple of projects we have already settled, Bhandara, Indore. It should be including extension of days for certain projects.

Moderator: The next question is from the line of Hari Kumar S, an Individual Investor.

Hari Kumar S: My first question is regarding these assets held for sale. Like for the timing difference, like do we get the interest or recognize the income in our books, sir?

Satish Parakh: Timing difference from accounting purpose will be -- there'll be a carry on these transactions, but it will be recognized only at the time of final exchange of cash.

Hari Kumar S: So will be recognized in the revenue in our books, sir?

Satish Parakh: So it will be just in the consideration.

Hari Kumar S: And second question, sir, the sub work obtained from Adani Road, like how are the receivables are the secure, like payment. Are the pass-through or something like that?

Satish Parakh: See, Adani, we are doing two projects. One is inaudible 0:50:32], which is a INR 1,400 crores project, where we already completed around INR 400 crores, and we are getting payments in time. This is a BOT project for them. So loans have already been tied-up, and we are getting our payments in time. Also for the EPC project, which we are doing for Navi Mumbai airport, there also we're getting our payments in time.

Hari Kumar S: And last question regarding this huge order growth, like what is the source of funds and the required capital, sir?

Paresh Mehta: I think so from an order book perspective, the captive order book, which is there, we've already communicated that total equity requirement for the balance is INR 197 crores. Otherwise, there's no other capital requirement, equity capital requirement.

Hari Kumar S: Like going ahead, what is the expected quarterly toll collection, sir, run rate like? They're going to improve from here, sir?

Paresh Mehta: So it will continue to remain similar. So last quarter, revenue was approximately INR 291 crores. And so this quarter also, we should be approximately around INR 300 crores.

Hari Kumar S: There won't be any huge ramp-ups?

Paresh Mehta: January has been slightly better, but we have to see the whole year out. February again is another three, four days traffic short, 28 days kind of.

Moderator: The next question is from the line of Akhilesh Babri, an Individual Investor.

Akhilesh Babri: Sir, my question is on this NTPC project, as you mentioned, that ordering for modules will also begin soon. So is there any loss that you anticipate we will have to take on this project?

Satish Parakh: Yes, only on finalization of modules will be able to face. But as of now, prices are already coming to our target price. Only hit which happen is the dollar fluctuation, which has happened over the years. So we will come to you, by next quarter it will be clear.

Akhilesh Babri: And sir, on this transaction with KKR. Just to understand, there is no major structural issue with this deal, right, because it's getting extended. You have given some reasons, but you have no reason to believe that there were any risks to this deal?

Satish Parakh: Well, as of now, there is no risk to the deal. Slowly, we are getting all the clearances. Though it is taking time, but all the clearance are getting in place.

Moderator: The next question is from the line of Vikash Banerjee, an Individual Investor.

Vikash Banerjee: So we are an investor. So we count a lot on the guidance that you gave us. What has been disappointing is over the last so many months, every quarter, we have given some new timelines for the deal closure, which largely impacts the overall view that we have on the business or in the commentary that's given by the management.

Given this quarter, you see a view that it would be closed by June the possibility of second quarter, which is September. Sir, can you give us give as to what is spending in concrete manner so that we know that only A or B or C is left so that we don't keep asking the same questions every time. So that's a request. As an investor, we believe that we have been in business for 20 or 30 years, you would have good visibility as to how much time should it take, disappointed on the fact that every time it is getting extended sir.

Satish Parakh: Yes. I fully agree with you. Even for us, our estimated timelines have gone beyond, our estimation and the reasons are completely beyond our control. Because all these deals need NOC from the employer, which is primarily NHI. And NHI has been doing a concession agreement and model concession agreement then there have been changes.

So every time they have to come out with a circular for a specific agreement, like Dankuni-Kharagpur was one project, where pre-COD provisions were not there. So we had to get -- though it was not affecting our cash flow toll collections were there from day one. But COD as such has to be taken up. And unless we have complete 100% land, they were not giving COD. So we had to come to a settlement agreement where certain descope was done. Descope values were arrived. And we had to freeze the COD after COD, the concession agreement states that till two years you cannot transfer 100% shareholding.

Now there was a relaxation to be sought from NHI. So NHI came up with a circular of one year. So NHI welcoming with circular came up with MC Agreements only. Now unfortunately, Dankuni was before the MC agreements, Model Concession Agreement. So again, we had to go back to Board and request them to consider this also as part of their relaxation.

So that process is now on. So this all is dealing with government and definitely, nobody will go out of concession agreement to help us. So it is taking time. Those are value is freezed, there is a carry cost. So there is a huge comfort which we are giving to investors, but actual deal is taking time because ease of doing in India still remains where it is.

Vikash Banerjee: So sir, just answer one layman question. So the delay that's happening, how does it impact we as investors and you as company. The delay from an initial thought of let's say six months to now let's say 18 months, would we be at any loss, or will it be neutral to us from a consolidation perspective?

Satish Parakh: The losses from the availability of cash and use of that cash. Otherwise, INR 1,337 crores does have a carry cost till the end of the deal. That is up to September end. We'll still enjoy a carry cost. But if you say, is carry cost enough for businesses which we do? No. If we get cash in hand, our equity returns will be much more.

Vikash Banerjee: So wish you luck, and we all count on you and your leadership to steer us through get us good returns, sir.

Satish Parakh: Yes, to give you comfort like, all of our -- we are trying to be pure EPC players, and we are -- even our HAM projects portfolio is on an advanced stage of sale. Our CGD, definitely before March, we'll be able to announce that. Jaora-Nayagaon is another typical case where governments may take a little more time, because they are typical conditions in the concession agreement where delay may happen for NOC. Even Claim settlement is what is insisted by NHI and other parties before they give us an exit. So all this takes a little more time than estimated and it is not for us, but for almost all the players in the industry.

Moderator: The next question is from the line of Narendra Samar from Samar Chemicals.

Narendra Samar: Congratulations management team for giving a wonderful result. Sir, my main concern is that what is our debt reduction program because that is a main killing our profit margin impact?

Satish Parakh: I didn't follow, sir. What did you say?

Narendra Samar: Debt reduction program because if they -- it will be killing our profit margin.

Paresh Mehta: Yes. So on the consumer side, definitely, we have a large debt, which majorly is all pertaining to project funding. So these are the direct project-based funding. As and when we monetize these assets, this will go off our balance sheet. Other they are still sufficient to take care of their own cash flows. They have no -- they don't have a pressure on the ABS, EPC business to fund them. So that is one of the characteristics except for one project, simple project, which typically has that problem. Otherwise, all projects are independent.

As far as standalone debt is concerned, this is more related to the EPC business and the credit cycle in that business. We believe that as time goes by, this cycle will slightly reduce, and this debt amount should go down in this couple of quarters.

Narendra Samar: Sir, this raw material prices has come down considerably. And what is the reason that we are having such a constrained in the margin?

Satish Parakh: See, raw material prices have not come down. In fact, they have gone up in recent years. There has been some dip only in steel otherwise, cement and oil has always remained high, and fuel is also very high. And some of the projects have been fixed price contracts. So most of the projects are pass through kind of.

Narendra Samar: And final question, that again the shareholder will be rewarded from the management because patiently they are waiting for the result.

Satish Parakh: Could you just repeat?

Narendra Samar: See when shareholders will be rewarded this year because they are waiting patiently with you.

Paresh Mehta: Yes. As we said the cash flow of the company is expecting through monetization of this assets. I think it is typically will throw a substantial cash in the ABL equity and apart from a few debts amount I think there is a good opportunity to return capital to the investors to improve their EPS. So let's hope that this '23-'24 somewhere in quarter 2, quarter 3, we'll be able to demonstrate something on that account.

Moderator: The next question is from the line of Yachna Bhatia, an Individual Investor.

Yachna Bhatia: I wanted to find out the status of the INR 200 crores Kavach project that we had received from East Central Railways, if you could update on the current status of that?

Satish Parakh: Yes. This is in the initial phase of its working. Though the projects have started. So we are getting all the approvals of the OEMs.

Yachna Bhatia: So in particular, I wanted to understand that India Railways had approved only three players for Kavach. So my understanding was that you would need to go through a technology tie-up for that? I wanted to know has that been completed?

Satish Parakh: We are in the process of tying-up with one of them here.

Yachna Bhatia: So have you frozen on your technology partner yet?

Satish Parakh: No, we are under negotiation with them.

Yachna Bhatia: And is there a deadline to complete this thing?

Satish Parakh: Yes, it's an advance stage of negotiations. So maybe – by this March end will be completing.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Ashish Shah for closing comments. Over to you sir.

Ashish Shah: Yes, Sir, any closing comments from you.

Paresh Mehta: Nothing significant. We thank everybody for joining the call. And trying to understand what is our mission ahead, and we are available for any responses or replies or queries, directly or through Stellar Investor Relations. Thank you.

Ashish Shah: On behalf of Centrum Broking, we thank all the participants for attending the call and thank you to the management for letting us host the call. Thank you.

Moderator: Thank you, sir. On behalf of Centrum Broking Limited, that concludes this conference call. Thank you for joining us. And you may now disconnect your lines.