



Ramky Infrastructure Limited

Q4FY13 Earnings Conference Call

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Ramky Management

MR. Y.R. NAGARAJA – M.D., RAMKY INFRASTRUCTURE LIMITED

MR. M GOUTHAM REDDY – EXECUTIVE DIRECTOR, RAMKY GROUP

Moderator : Ladies and gentleman good day and welcome to the Ramky Infrastructure Limited Q4 FY 13 earnings conference call. We have with us today Mr. Y.R. Nagaraja MD at Ramky Infrastructure Limited and Mr. M Goutham Reddy : Executive Director at Ramky Group. As a reminder for the duration of this conference all participant lines will be in the listen only mode. There will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference please signal an operator by pressing '*' and then '0' on your touch tone telephone. Please note that this conference is being recorded. At this time I would like to hand the conference over to Mr. Goutham Reddy, thank you and over to you sir.

M Goutham Reddy : : Thank you and good afternoon everyone. Before we start the questions I would like to give an update of the quarter and summary of the annual performance for FY 2013 and from there we will take you it forward to the Q&A session.

Very broadly the business continues to be in same line as we discussed earlier which two lines of business are: one is the stand-alone company which predominantly represents the EPC business which is focusing on Water, Building, Roads, Irrigation, industrial construction and power transmission and distribution. The 2nd one is plus the investment that have been made into the SPV and the consolidated is the performance of stand-alone business plus the developer business which broadly is based around roads, transport terminal, integrated townships and the international business. That is the same as earlier, so there is no new vertical or geography that we are discussing.

The international business is predominantly continuing to be in the bond area. The developer business is still predominantly focused around roads, industrial park with a little bit also coming from transport terminal and integrated townships and the overall performance of the company is as I enumerate here under:

The stand-alone companies were Q4 performance has been Rs. 945 crores sales income which is predominantly coming from the EPC work from the existing order book and then this is also coupled with PAT, PAT of about Rs. 5.68 crores after tax for the current year current quarter and the consolidate income for the quarter is Rs. 1112 crores with a PAT of Rs. 41 crores is the performance for the quarter. On a cumulative basis for the year the stand-alone revenue is Rs. 3,038 crores with a PAT of Rs. 60 crores and consolidated revenue of Rs. 3773 crores with a PAT of Rs. 151 crores that has been the performance of the company.

Now predominantly the broad change if I may say is compared to the last year 4th quarter the revenue has been down whereas compared to Q3 of current financial year it has been slightly up and one of the key factors for the current year performance can be indicated as low order inflow. As of today the companies order in flow for the current year is Rs. 1,200 crores and revenue of little over Rs. 3,000 crores. So on a cumulative basis there is a reduction in overall order book. The year ended with a closing order book of about Rs. 12,000 crores

and we have not foresee any major loss but one of the key factors that is a result of low order inflow is a liquidity concern because mobilization advance corresponding to order in flow is proportionately down and as a result cumulative net mobilization advance unrecovered has come down. So there are 3 major changes because of liquidity: one is reduction in mobilization advance, second is an increase in retention money and third is reduction in debt in the Q4, cumulatively there is a reduction of cash flow by about 100 to 150 crores which is caused this reduction in the revenue. Barring that I think overall the company's performance for the quarter at an EBITDA level and PAT level has obviously come down because of reduced revenue but at annual level I think the company's performance remains to be with around 9.95%-10% EBITDA and a PAT of about 1.97% or 2% and at a consolidated level the revenue is Rs. 3,773 crores with a EBITDA of 15.5% which is Rs. 586 crores EBITDA and a PAT of Rs. 151 crores which is 4.4% on the overall revenue. That is very broadly been the performance of the company and I will be more than happy to take Q&A.

Moderator : Thank you very much sir. Ladies and gentlemen will now begin the question and answer session. We have our first question from Mangesh Bhadang of Quant Broking. Please go ahead.

Mangesh Bhadang : My question is regarding the margins again you know the last couple of quarters we have seen really a low margins and this is not the trend. So whether any provisions for back debts in this and the last quarter or it is just the input cost and the fixed price contract because of which the margins are down?

M Goutham Reddy : I would tend to say that the increase in operating cost is marginally high which is about 1% higher than the previous year but primarily if you look at there is increased cost of interest cost and increased depreciation because of higher assets and

Mangesh Bhadang : At operating level so we are doing 9% to 10% in fact even more than 10% EBITDA margins but it has come down to 7.7% and 6%.

M Goutham Reddy : Correct. In operating levels there are 2 factors: In Q4 if you see as I had indicated the revenue compared to corresponding year Q4 has come down from a Rs. 1182 crores in last year it has come down to Rs. 944 crores while this is higher than the previous quarter of the same year Q4 is typically expected to give us a higher revenue, the reduction in revenue has contributed an increase in overheads and therefore EBITDA has come down.

Mangesh Bhadang : Secondly if you can just give me the completion status of NAM Expressway or Jorbat Shilong and Srinagar one year?

M Goutham Reddy : On NAM Expressway is progressing quite well, we are expecting the completion of the achievements of COD by July-August of this year which is pretty much in-line with the original schedule. We

have achieved close to 62%-63% progress on this project and we expect to complete the balance 17%-18% between this quarter and July, so that we are able to achieve COD.

In terms of the Srinagar-Banihal Expressway, we have achieved so far about revenue of RS. 230 crores over a project cost of Rs. 1600 crores that translate to about 16% in terms of progress and Jorbat Shilong has achieved about 50% progress so far.

Mangesh Bhadang : So all these are on schedule?

M Goutham Reddy : All of them are on schedule, yes except Srinagar-Banihal which is behind schedule but most of the delay is attributable to NHAI because there has been land issue there but we will still complete the project on schedule.

Moderator : Thank you. Our next question is from Sagar Parekh of Enam Holdings. Please go ahead.

Sagar Parekh : Can you give us the future outlook for order inflow for FY 14, what is the expectation and what is the bidding pipeline currently?

M Goutham Reddy : See we are not really seeing a very strong order inflow I mean quite as I had indicated to you. Our average order inflow in 2011 and 2012, 2 years prior has been over Rs. 5,000 crores, 2011 in fact has been 6,000 plus crores and 2011-2012 has been 5,000 odd crores current year ended up only at 1,200 and even in the first 2 months of the current quarter we have not been a very strong in flow, so that's really not giving us lot of confidence and with the election year coming ahead for the current period we do not expect a very large value but we expect around 3,000 crores still to come not as bad as the previous year.

Sagar Parekh : Your expecting this largely from road sector or from buildings and water?

M Goutham Reddy : Everything, it is going to be a mix of all the sectors. No single sector focus will be there.

Sagar Parekh : In NHAI you know it is coming up with EPC ordering of about close to 2,000 crores. So what is your outlook on that? Is the competition very high over there and are you going to bid future for BOT projects as well?

M Goutham Reddy : It is actually 3,000 kilometers is what they have announced which will probably translate to about Rs. 20,000 crores but what we have seen there have been 2 projects that have already come out and we have seen that the competition is extremely stiff, we have not even seen that the projects have been bid out in our view at basic material price. So that is-

Y R Nagaraja : Yes, the EPC contracts in the last quarter whatever has stalled NHA the projects sizes are very less. If you ask me the project size are between 152 - 250 crores and those are bid by the small time contractors at net well price of ours. With that project size I do not think it is viable for our kind of company.

M Goutham Reddy : During the initial stages of the bidding at least until 30% - 40% of the EPC bidding is over we anticipate that the competition will be very stiff and only then there will be some realization and rationalization, so well we will continue to participate at our cost, we are not very confident that it will cover at a very rapid pace.

Sagar Parekh : What about BOT projects?

M Goutham Reddy : BOT projects sure we are not bidding very aggressively, we will be bidding only a few because I think at this point liquidity will be an important thing for the company and we will try to conserve cash.

Sagar Parekh : You have in the current quarter that the debt has come down by Rs. 75 crores and so I wanted to know how did you fund this amount. What is the cash flow from operations for this current quarter?

M Goutham Reddy : See the cash flow from operations for the current quarter and for the current year is positive. But that is not the key in fact reduction in debt has certainly impacted the topline, anyway that is one of the factors which has caused reduction in topline. Not only has the debt reduction happened there is also mobilization advance which has got recovered and retention money which has got enhanced. So I personally think debt reduction go with a good side when we look at balance sheet perspective but from our operations perspective we will see some impact and we are trying to raise it.

Sagar Parekh : So how much are you trying to raise?

M Goutham Reddy : We are targeting to raise about 200-250 crores during the years but in the short term we will be looking at about 150 crores.

Sagar Parekh : Any outlook on FY 14 for stand-alone sales or any guidance?

M Goutham Reddy : We generally do not give out guidance but at a very macro level the environment looks more consolidating phase than growth phase. So we will more be concentrate towards consolidating revenues.

Sagar Parekh : So at least at the current order can we expect 15% topline growth?

M Goutham Reddy : I do not expect growth in order book because-

Sagar Parekh : No in the sales, can we expect 15-

M Goutham Reddy : Total infra only 3,000 crores so probably end of the year we must be say constant. Probably I would tend to say there can be about 10% growth can be expected in the current year that is the outer ...

Sagar Parekh : In terms of margins can we sustain at 9% - 10%? What is your outlook on the margins?

M Goutham Reddy : We do not see any pressure on EBITDA margins, we think the EBITDA margins can be recovered back to the 10% level but the PAT margins will continue to be under stress because of the interest cost and depreciation, we anticipate PAT to be closer towards 2% - 3% during the year.

Moderator : Thank you. Our next question is from Parvez Akhtar of Edelweiss. Please go ahead.

Parvez Akhtar : Couple of questions: one if it would be possible to give project wise details of the equity already infused and what is the balance that we need to put in future?

M Goutham Reddy : I can send you a separate mail but it is actually macro picture I can tell you: NAM is a project which is fully funded, there is a 117 crores equity from Ramky which is fully funded, Jorbat Shilong is about a 42 crores equity of which 26 crores has been funded, Srinagar-Banihal is a project with about 118 crores equity and about Rs. 60 crores has been funded. So the large value of equity anyway is coming from these 3 projects on the operating set up, so I still have balance of 116 crores of equity to be funded in these projects. However Srinagar Banihal is a tail ended equity because all the upfront equity both for previous year and the current is fully funded, the balance Rs.56 crores of equity in Srinagar Banihal is expected to be funded in FY 15. In FY 14 we expect another 16 crores of equity to be invested in to the Jorbat Shilong. In addition to this there may be another 5 crores -10 crores of equity in the small and medium projects that we have, so we do not anticipate more than 25 crores of equity to be invested into the SPV. Say for about 36 crores in the current year will be the maximum equity that will be funded into SPV's in the current year and about 100 plus crores in the next year.

However I have not included 2 projects when I am discussing this: One is the Agra Etawah Tollways and the second one is the Hospet Chitradurga toll ways. In Agra Etawah and Hospet Chitradurga NHAI is yet to achieve their conditions presided and we are anticipating that given the current state at which some of the decision on the deferment of premium compensation for delayed NHAI performance we don't know when the appointed date will come. Given the very macro perspective I do not anticipate Agra Etawah to achieve appointed date in the current financial year, so whereas Hospet Chitradurga may actually happen towards end of Q3 or early Q4. So there may be some equity requirement but we have not budgeted in the current statement.

Parvez Akhtar : Considering the fact that both these projects were awarded in FY 10 especially with Agra Etawah you don't expect appointed date in the current year it would probably be more than two years since project awards. Are we thinking on lines of termination of the projects to any such things or still we want to go ahead with these projects?

M Goutham Reddy : These projects not in FY 10 but they were awarded in FY 12. We bid for these in August 2011, the concession agreements have been signed in January 2012 both the projects, they should have actually achieved appointed date by June - July of 2012. So there is at least a 12 months delay and in effect there is a 18months delay from the signing concession agreement and if we take from the time if we have submitted the bid we actually talking about 24 months behind schedule in terms of NHAI's performance. So we personally have given fairly strong notice to NHAI indicating that it is not fair and appropriate compensation must be made. What I am tending to believe unless there is appropriate compensation we are not willing to move forward on one or more of these projects, will have to wait and see how NHAI responds on that.

Moderator: We have a follow up question from Parvez Akhtar of Edelweiss. Please go ahead.

Parvez Akhtar : One more question, has there been any incremental field booking in the Pharma City during the quarter?

M Goutham Reddy : Come again I did not get your question, last word?

Parvez Akhtar : Any incremental sales booking in the Pharma city project during the quarter?

M Goutham Reddy : No there has been launches in Q4.

Moderator : Thank you and our next question is from Sagar Parekh of Enam Holdings. Please go ahead.

Sagar Parekh : Can I have the break-up of order in-flow for FY 13, segment wise?

M Goutham Reddy : I think the 1250 crores is the order in-flow in FY13. Building is Rs. 228 crores, water is Rs. 377 crores, roadways is at Rs. 222 crores, industrial construction is 50 crores, power transmission and distribution is Rs. 117 crores, irrigation project is Rs. 254 crores.

Sagar Parekh : For full year FY 13 how much was the sales from Pharma city?

M Goutham Reddy : Sale from Pharma city is captured in the consolidated revenue- one second I will just tell you;-from Pharma city for full year is Rs. 92 crores, to the income.

Sagar Parekh : How much is left now in terms of land bank and what is revenue expectation for FY 14 from this Pharma city and any other industrial park? If you can give us an update of other industrial parks also?

M Goutham Reddy : There is a balance revenue of 200-220 crores to be accrued from the capital or land sales revenue and there is a perpetual O&M revenue, currently the O&M revenue has reached about 40-45 crores per year I mean last year and I think it will tend to go up towards 200 crores in about 3 year period.

Sagar Parekh : So this 92 crores in FY 13 it includes 40-45 crores from O&M?

M Goutham Reddy : You can include about 40 crores from O&M but 53 crores is coming from the land sale. In the current year obviously there is a certain amount of hang over on sales coming from the CBI and ED matters, obviously may be a little pre mature to comment on how much land sale will happen in the current year, momentum revenue of 45 crores is a certainty land sale also you can anticipate at least 50-60 crores provided if the hang over is about little bit.

Sagar Parekh : In terms of margin how is the picture for Pharma city?

M Goutham Reddy : Our margins are still very robust, in the current quarters we have not made any profits because there is no land sales, but in the whole year we have made around 23 crores of profit.

Sagar Parekh : And going forward we can expect the margins to sustain at this levels?

M Goutham Reddy : I mean until, so longer the land sales will continue I think we will have at least 20-25 % margin to continue.

Sagar Parekh : Can you explain me the economics for O&M revenues? When you book the revenue what is the cost structure like for O&M business?

M Goutham Reddy : O&M is the costless model, basically every cost that is incurred we load it on to the project and we add about 16-18%, 16% on infrastructure which are not relevant on how people use it like security, street lighting, storm water drainage and things like it and 18% on components like water treatment plant, waste water treatment plant which are largely dependent on the usage of the infrastructure. So it costs us about 16-18% model. We have our own assets of about 100 crores on the balance sheet; balance is already dripped at 4 now. So there will be depreciation on Rs. 100 crores, there is a debt of about Rs. 56 crores there will be interest rate depreciation on these amount which will eat into these 18% revenue, balance will be PBT and then PAT.

Sagar Parekh : Any update on the other industrial parks?

M Goutham Reddy : May be Ramky multiproduct industrial park is continued to do well, so we have not added a lot of land during the current quarter primarily as explained because of the debt going down and the liquid concerns, otherwise we continue to believe that we will have to mop up the 2000 acres of land and launch the projects when we are about 1500 acres. So hopefully by middle of Q2 to end of Q2 we should have completed 1500 acres of land acquisition and commence the project.

Sagar Parekh : So currently how much lands have you acquired?

M Goutham Reddy : We are at about 1100 acres of land.

Sagar Parekh : So by Q2 we should expect around 1500 acres to be acquired and what is the approximate cost at which you acquired this land?

M Goutham Reddy : Average put together you know procurement cost, registration all put together we are getting close to around 9-10 lakhs per acres.

Sagar Parekh : None of the other industrial parks have, you know have seen progress expect this multiproduct.

M Goutham Reddy : They are small in size, they are not very significant also, but yes not much progress has been seen.

Moderator : Thank you. As there are no further questions from the participants I would now like to hand the floor back to Mr. Goutham Reddy, over to you sir.

M Goutham Reddy : Thank you all very much for your continued support but at a very macro level I must say that infrastructure sector currently it is probably going to one of its steepest phases where equity infusion continues to be the requirement, addition of assets continued to be the requirement whereas cash flow is getting constraint by the fact that banks and equity investors are not that very comfortable with the sector. But per say I must say that the operation of the sector itself and business itself will continue to do well, it's just the cost of interest is going high, equity is not coming at the pace it should into the company as a result of that we are seeing some liquidity stress, baring liquidity stress and corruption issues which are linked between the government and private sectors, the sector I am sure will come and bounce back very strong. Ramky Infrastructure is surely in a fairly good position baring those sectorial issues which are surely troubling the company at a little bit of hang over the CBI matter, we continue to believe that the company will perform very well in the days to come. Thank you all very much for supporting us. We look forward for your continuous support.



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Moderator : Thank you very much. Ladies and gentlemen on behalf of Ramky Infrastructure Limited that concludes this conference. Thank you for joining us and you may now disconnect your line.