



Ramky Infrastructure Limited

Q2FY13 Earnings Conference Call

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Ramky Management

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Moderator: Ladies and gentlemen good day and welcome to the Ramky Infrastructure Limited Q2FY13 earnings conference call. We have with us today Mr. Y. R. Nagaraja M.D, Ramky Infrastructure Limited; Mr. M. Goutham Reddy, Executive Director, Ramky Group and Mr. R. S. Garg, CFO, Ramky Infrastructure Limited. As a reminder for the duration of this conference, all participants' lines will be in the listen only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. M. Goutham Reddy, thank you and over to you sir.

M Goutham Reddy: Thank you and welcome to everyone to the conference call. Before we get into the Q and A session, I would like to give a quick overview of the results of Q2 for financial year 12-13 and then we can probably take it forward with the question and answer session. The company's Q2 results have been announced on 8th of November and in the board meeting, the results have been approved. The consolidated revenue for the company has been 750 crores and EBITDA of about 139 crores with a PAT of 35.65 crores. This has been the consolidated results for the year and on a standalone basis the company's performance has been 613 crores income and EBITDA of about 78 crores and a PAT of 18.75 crores. This has been the results of the company for the second quarter. If you look at the half year, the income has been 1632 crores has been the income and net profit till date has been 100 crores, which translates to an EPS of 15.14 per share that has been the half year performance of the company. The major thing that has come in the current year versus the previous year where the PAT has added slight impact in terms of a downward movement of PAT has been primarily because of the increase in depreciation and interest. On a standalone basis, there has been an increase in EBITDA both in terms of absolute number. However, the PAT has come down primarily because the interest cost has gone up. The rise in interest cost is primarily because of two to three factors. One we are seeing a rise in interest rate, which is causing the rise in interest rate and the second factor which is causing the rise in finance cost is because of the receivables which have started to get a little stretched because of macroeconomic issues we are seeing that the government payments are a little delayed. Barring that the company's performance in terms of standalone operations are better than the previous year. As I said EBITDA of 78 crores as compared to 71 of the previous year. In terms of the consolidated business, again the company's performance is in line with expectations. In addition to the standalone changes that have had an impact on profitability for

the consolidated business are predominantly Pharmacity. Pharmacity has had no sales of land in the current quarter and that is one area where profit has come down a little bit and few other SPV projects were there with marginal change which has made a marginal impact on profitability. Otherwise, the company continues to be performing in line with the expectation. We do not see any macro changes in the company performance. Company is continuing to do well and hopefully we will continue to do well. We don't see any major changes. As we close right now, the order book stands at about 13200 crore broadly split between the major sectors that we had earlier also. Road constituting about 43%, buildings and water constituting about 16%, irrigation at 13%, industrial at 5% and power transmission and distribution at 5% is how the broad order book breakup is and it is equally distributed regionally with north and south constituting 27% and 38% with a higher share and east zone having about 18% west at 10 and central at 8% is how the order book is distributed. 70% of the work is coming from third parties and 30% of the work is coming from subsidiaries of the company where we are executing some of our own industrial parks and road projects. Very broadly sectoral diversification, geographical diversification and focus on execution continues to be the company's emphasis and will continue to be the driving force to our company going forward business performance. So that very broadly describes the company's performance for the quarter and where we stand today and how things will look like on a going forward basis. One important thing that probably you may be interested, we have just concluded the financial closure of one of the road projects. This is the Hospet - Chitradurga Road Project, which we have been awarded from NHAI, it is a two lane project which has been upgraded to a four lane. It is a length of 120 km. The total project cost is about 1102 crores. This is being financed with 272 crores equity and 830 crores debt. The financial indications for 830 crores debt have been completed and we have filed the documents with NHAI. Hopefully this project should start in 2-3 months once some of the conditions & terms of NHAI like land acquisition and all are completed and position is handed over to us, so this is an announcement which we have just made it today, so that another important development in the company's progress. I will take question and answers and if there is anything we will catch up at the end.

Moderator: Thank you very much sir. We will now begin the question and answer session. The first question from the line of Manish Valecha from Anand Rathi, please go ahead.

Manish Valecha: First question is on the financial closure, at what rate have we tied up this finance at?

M Goutham Reddy: This is at 12.25%.

Manish Valecha: What is the status for the Agra – Etawah project financial closure?

M Goutham Reddy: We should be achieving this in another 2 weeks to 3 weeks' time.

Manish Valecha: That should be on the similar lines in terms of interest rate?

M Goutham Reddy: Yes, interest rate should be exactly same.

Manish Valecha: How much debt are we raising there?

M Goutham Reddy: Debt we are raising about 1225 cr.

Manish Valecha: On the execution front, on the standalone the revenue growth was slightly muted, so any particular projects you think could have been because of this you saw the revenue growth was low?

M Goutham Reddy: It is expected to be tapering down because the previous growth rate cannot be expected, number 1, because of the overall size and volume of the company has gone up, number 2, I think the receivables which have started to get stretched naturally will put pressure on working capital requirement and that also adds to a little bit of muted growth and we believe that the growth will be in line with this kind of size and scale. The growth is, I must say, reasonable and in the current macro environment this is a decent growth is what I would like to say.

Manish Valecha: So would it be right to say that for the full year we will do something like 8 to 10% growth?

M Goutham Reddy: We haven't been giving projections, but broadly growth will be in that range.

Manish Valecha: On the order inflow, what kind of a number do you see coming in the next 6 months or so?

M Goutham Reddy: We expect about 4000 cr for the whole year, we have recently added about 250 cr of order one with the power project in Uttar Pradesh about 80 cr and an another road project in Delhi worth about 57 cr we have recently added and we expect to close the year at about 4000 cr.

Manish Valecha: On the BOT projects, how much have we invested so far in equity?

M Goutham Reddy : 358 cr is the equity as you can see in the balance sheet, but in addition to this there is about 150-160 cr in the form of working capital which will get converted at an appropriate time.

Manish Valecha: So all together close to 500 cr.

M Goutham Reddy: Yes, in terms of actual investment it will be about 500 cr.

Manish Valecha: And what is the total requirement?

M Goutham Reddy: About 1300 cr.

Manish Valecha: So we need another 800 odd cr to put in over next 3 years.

M Goutham Reddy: Yes, next 3 to 3-1/2 years.

Manish Valecha: Could you give us some of your subsidiaries profits, the major ones at least for the quarter?

M Goutham Reddy: Subsidiaries profit, the larger ones of course Ramky Towers, which is the residential project in Hyderabad, has about 5.75 cr of profit. We have got some of these road projects constituting of 3 cr each, and the international operations from Gabon has given us about 8.5 cr of PAT. The large ones are the 8.5 cr and 5.75 cr. Sum total comes to about 41.55 which include 18.7 cr of the standalone and the subsidiaries. After taking out the elimination of the minority interest, it comes down to 35.66.

Manish Valecha : And Ramky Pharmacy?

M Goutham Reddy : Ramky Pharmacy for the current quarter has been minus 0.6.

Manish Valecha : Lastly, what is the current total debt on the books, on standalone and consolidated both?

M Goutham Reddy : Standalone the current debt is about 1190 cr.

Moderator : The next question is from the line of Sumit Kishore from JP Morgan, please go ahead.

Sumit Kishore: I wanted your view on the business climate particularly in relation to your construction business, could you comment on the order opportunities that you see now in the water, irrigation, road and bridges, industrial and power segments and generally with the reform measures the government is embarking on do you feel that we are closer to our recovery in the CAPEX cycle then we were 6 months back or are we still there?

M Goutham Reddy : Macro environment for the infrastructure surely has not been the best. It has not been doing well primarily because the transparency which is the issue and the corruption issue which has highest on the agenda of everybody has created a general care in terms of decision making in the government. As the result, payments to be received are getting delayed. As a result orders to be received are getting delayed. Decision making is getting delayed in general. Now, this probably will continue for another few months, but at some point in time it will put pressure, because infrastructure has come back, so I believe that for the next 3 to 4 months, this macro environment which is a little fade right now will continue, but will come back to normal in about 3 to 4 months. It has to be augmented with the interest rate subvention and I believe that interest rate will have to cool down a little bit to keep the infrastructure going because the current rates of interest and the volume of money deployed to infrastructure is really quite high and probably in the next few months we believe it will come down and we have heard a few signals that will get us there.

Sumit Kishore : What kind of business opportunities do you see?

M Goutham Reddy : From a business opportunity perspective there is actually no dearth because as I had indicated, we already have little over 13000 cr of EPC order book. In terms of BOT portfolio, we have got projects worth more than 6500 cr of which we have a commitment of 1300 cr of equity and as I have told you in the beginning we are close to about 800 cr more to be invested into the equity, so this is adequate pipeline that will drive the business for the next 3 years irrespective of the order flow decisions. Currently, the most important thing will be the receivables which have to come faster primarily on account of delayed decisions other than that from an operating environment; I don't think order inflow will hurt the performance at all.

Moderator : The next question is from the line of Sagar Parekh from Enam Holdings, please go ahead.

Sagar Parekh : Sir, you mentioned that your receivables are facing an issue, could you throw some more light on that in terms who are the clients which are delaying the payment?

M Goutham Reddy : Most government departments. It is not a specific phenomenon, we believe that this working capital will come back to about 142, but what we are surely seeing is a situation where the same departments are taking few weeks longer to make the release of payment.

Sagar Parekh : Any big payments which are?

M Goutham Reddy : No, I would not be able to specifically pinpoint. There is a general, be more careful, attitude that has crept in because of the macro environment and that be more careful attitude is delaying the receivables.

Sagar Parekh : If I look at your FY12 balance sheet and your September balance sheet, your debt has gone up from let us say 900 cr to about 1200 cr, so this additional increase of 300 cr is largely on account of increase in inventory rather than on receivables, receivables are about 1700 has gone down to 1550 and your inventory has gone up, could you throw some more light on this because it seems more of a problem from the inventory perspective rather than receivables?

M Goutham Reddy : No, we would tend to look at it like this. The increase is actually about 240 cr. It is from 957 cr to 1191 cr of which there is deployment of about 20 cr in fixed assets and there is an increase of investments by another 20 cr and then there is a net working capital increase of another 120 cr. That can be broken down into different categories, but largest category that get expanded is every decision of government whether certifying a bill, whether making a payment, whether it lies in inventory or working capital is a function of whether has government has actually taken cognizance recognized revenues so many factors coming to that, so predominantly we delayed on account of decision making.

Sagar Parekh: If you can give us your status of the three road projects in terms of completion, how much has it been completed?

M Goutham Reddy : Srinagar-Banihal about 12% (15%)* completed, our Narketpally-Addanki is about 41% (48 to 50%)* completed, our Jorabat-Shillong is about 21% (35%)* completed.

*Figures are corrected as per actuals

Sagar Parekh : In terms of Srinagar-Banihal there has been this quarter execution in terms of all these 3 road projects have been fairly good because as far as last quarter it was about 40%, Srinagar-Banihal, which has gone up to 48 to 50%, right?

M Goutham Reddy : NAM you are saying.

Sagar Parekh: Yes, NAM.

M Goutham Reddy: Yes, correct.

Moderator: The next question is from the line of Sagar Parekh from Enam Holdings, please go ahead.

Sagar Parekh : If you can also give us the order inflow number for this quarter and the breakup of that?

M Goutham Reddy : We have received about 250 cr in the near-term, but the total order inflow for the current quarter is roads and buildings we have added about 222 cr, buildings we have added 197 cr, water is about 32 cr, irrigation is 254 cr, industrial construction is 40 cr and power transmission and distribution is 170, total is about 868 cr.

Sagar Parekh : This is for half year or for Q2?

M Goutham Reddy : This is new order inflow up to September.

Sagar Parekh : This includes the 250 cr that you have additionally received after September end?

M Goutham Reddy : No, this doesn't include the 250 cr that we received recently.

Sagar Parekh : That is over and above that. If you can give me the breakup of your three road projects in order book position, unexecuted position of your order book from your in house BOT projects, right now what is the status?

M Goutham Reddy : Don't have September, but roughly Narketpally-Addanki will have about 650 cr of unexecuted order, Srinagar-Banihal will have close to about 1000 cr of unexecuted order, Jorabat-Shillong will be about 300 cr approximately, exact we can probably share it with you later.

Sagar Parekh : 2000 and another 2000 from the two new road projects, so approximately 4000 cr?

M Goutham Reddy : Yes.

Moderator : The next question is from the line of Tushar Manudhane from Quant Broking, please go ahead.

Tushar Manudhane : Just would like to know is the environmental clearance for Agra-Etawah project has been through or it is in the process?

M Goutham Reddy: It is still in the process, it has not yet been achieved.

Tushar Manudhane: How much has the land been acquired for this particular project by NHAI?

M Goutham Reddy: Lastly heard from NHAI was about 64%.

Tushar Manudhane: Only post environmental clearance will be the financial closure, right?

M Goutham Reddy : No, financial closure will be ahead of environmental clearance, land acquisition will be before appointed date, and environmental clearance can have 4 months after appointed date.

Moderator: The next question is from the line of Sagar Parekh from Enam Holdings, please go ahead.

Sagar Parekh: Also if you can give me the revenue numbers of all your major subsidiaries, or you give the profit number, I would also like to have the revenue number?

M Goutham Reddy: The largest revenue is coming from NAM Expressways 51 cr. Second largest is from the Gabon operations, the Dubai company 45 cr, Srinagar-Banihal is about 41 cr that is the next largest. Ramky Towers which is a residential project is about 26 cr. Jorabat-Shillong is 20 cr, balance all around below 10 cr revenue.

Sagar Parekh : Pharmacy was how much?

M Goutham Reddy: Pharmacy is 10 cr, so the grand total is 836 cr, after eliminating the intercompany transactions it comes down to 750 cr.

Sagar Parekh: In your Ramky multiproduct township, you said that 1064 acres of land had been procured earlier and so much land is remaining now to be procured?

M Goutham Reddy: We as of now procured close to about 1150 to 1200 acres we are anticipating to go up to 2000, but we will launch the project once we have achieved about 1500 acres of land.

Sagar Parekh: Okay, so that should be by end of FY13?

M Goutham Reddy: Yes, by March 2013, we should have the land about 1500 to 1600 and we should launch the project.

Moderator: The next question is from the line of Manish Valecha from Anand Rathi, please go ahead.

Manish Valecha: Just wanted to check any update on the Jagan case?

M Goutham Reddy: No, there has been nothing going on, I mean, still the CBI is investigation on some of the remaining allegations on different companies is still pending, until all the charge sheets are filed, the court is not even going to start a hearing, so in my perceived opinion for the next 6 to 7 months there will not be even the first hearing happening in this case.

Moderator: As there are no further questions, I would now like to hand over the floor back to Mr. M Goutham Reddy.

M Goutham Reddy: Thank you all very much for sparing your valuable time to participate in this conference. We would like to continue to interact with you as and when appropriate and as indicated we believe that these things will be more positive with time to come hoping that the macro environment will improve for the infrastructure sector. Thank you all very much and have a good day.



*Ramky Infrastructure Limited
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Moderator: Thank you, on behalf of Ramky Infrastructure Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.