

## Q3FY10 Post Result Conference Call Transcript

**Representative:**

Mr. Sudhir Reddy - Chairman & Managing Director, IVRCL

Mr. Ramkumar - Director - Business Development & Corporate Strategy, IVRCL

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**Moderator**

Good after noon everyone. Welcome to the 3rd Quarter FY 10 of the IVRCL Group. We have with us Mr. Sudhir Reddy and his management team represented by Mr. Ram Kumar and Mr. Sekeran. So what we can do is, we can start the call by some initial remark by Mr. Sudhir Reddy and then we can proceed it for Q&A. Mr. Reddy

**Mr. Reddy - IVRCL Group**

Ya thank you. Good Morning everybody like we mentioned in the last quarter to the things in Andhra Pradesh seems to be as fluid as they can be. Even though we have we have a little bit more knowledge than some of the people you know but we still felt that we should be more cautious based on that we had give a guidance of anywhere between 1300 to 1400 crore rupees. We have achieved, we could manage to achieve about 1250 crore rupees, 242 crore rupees to be precise. This also happened even though we lost close to about 400 cr rupees plus plus just in Andhra Pradesh. You know we could manage to cover about 250 crore rupees in the new project which had come in. If at all Andhra was as planned then probably our guidance should have been at least 10 or 15% more but then that by gone and we even going forward also we would like to still take away the soft view on the Telengana and Andhra issue. We would like to wait and see how it happens. I guess it is the same thing with some of the other people. What they are doing in Andhra Pradesh today is you know trying to do little bit of work in projects especially where the tunnels are involved where the water has to go through this tunnel those are the last mile once what we are trying to complete because the moment we leave it half way and walk out there are good chances of this tunnel collapsing and then we have to, we might end up doing the work again because any of this work almost all these work will restart again and the new projects what we have taken in Andhra Pradesh you know those things are still at stand still, they have not yet began. We would like to concentrate on them once the Government assistance in place and the next project which we have been written in the papers and once this government stabilizes with a far more focus even though there is pressure from the Government of Andhra Pradesh especially the minster and the secretary of the irrigation were very keen that the work be start but many I think almost all the construction companies have put a stop to that. In this way I guess as management I am very happy that the right kind of risk management was taken into place by the team and instead of just trying to make the number I guess by not doing the full percent of the work we had including when we talk about almost about 22,000 crore. IVRCL the project executed by IVRCL in AP irrigation just amounts to about 5%. Of course there are other 17% of AP irrigation job which are on a back to back contract I don't deny that any of that which if they had started executing the back to back contractor. We may have not only got the turnover of balance of 17% we would have also seen the profit which have come in but that's second part of the story and while at the beginning of this year when we gave projection of say that we would like to have of almost about 18,000 crores which we now pushed to about 22,000 crores. That 18,000 was on based on about 2 ½ years of revenue but looking at the uncertainties which were happening be it in Madhya Pradesh, be it in Jharkhand, be it in Andhra Pradesh we felt that probably we should take our backlog position from about 2 ½ to 3 times the so do that in future we would hope to you know stick to the guidance given by us that's how we look at. Even though the every guidance what we give is based primarily on the

milestone which were a part of the project. It's not something that we pull out and then we try and you know use some number just for the sake of you know work it out at 30% growth or 40% growth and work it backwards. No we are not doing it that way. It is more a function of what kind of milestones we are working out and some of you are more interested in the size which we have to honor even though as management we are not into, we don't really look into the project only at a level this is what I have been saying from many many years now but as a norm is we would follow line and we would like you know project like what we mentioned will be above 9.5% will continue for at least one or two quarters without fail in that you know at whatever levels of top lines we do but let me reiterate again if there is a good job which is available to us, if the are lower I will go ahead and still. We are contractors we would like to take the work and there are some cases where me might set a of 11 or 12. In all this so let's hope, in all this when we blend it we are close to that 10% that would be great for us you know. It's a blending but there is a large job and something has to happen we will do it. Another good part which has happened is while we were one of the first guys to enter into BOT's much before any of the big names and the most famous are coming to the stock market. We were one of the first guys to move into BOT's. One of the first guys to run away from BOT's. We have changed our view because of the winds which are favorable now in Delhi and then we demonstrated that by bagging you know pretty good number of projects there which again we felt that we should house them into IVR clan and that process has gone very well and we had our AGM and in AGM it was a full almost a 100% other than a 00.1% of we received a resounding go ahead by the shareholders in that place and going forward I think we will do well in the IVR side. We will continue to do in the IVR side and we would like to take the questions now and then I am sure many of you have lots of doubts on this. Going forward again I think with the kind of works which are happening barring some uncertainties in the country we would great level like to stick on to the whatever guidance we give. Thank you

**Moderator**

Would you like to begin with the Question and answer session?

**Moderator**

Thank you. Ladies and gentlemen we will now begin with the question and answer session. At this time if you like to ask question please press \* and then 1 on you touch stone cell phone. Please use only the handset while asking a question. Anyone who may have a question may press \* and 1 at this time. The first question is from the line of Deepal Delivala from CITI Group, please go ahead

**Deepal Delivala from CITI Group**

Hello Mr. Reddy, sir first question as I understand correctly sir other than 4850 crores from AP we are not executing anything as of right. Except the last mile that you mentioned

**Sudhir Reddy - IVRCL**

Ya ya

**Deepal Delivala from CITI Group**

Okay based on that current years top line full line guidance full year top line how much of growth should be looked at because you mentioned we lost revenues roughly 400 crores right if I am not mistaken from AP in this quarter only right

Sudhir Reddy - IVRCL

No no right through you know it's a accommodation from the last 6-8 months

Deepal Delivala from CITI Group

Right so so what kind of I mean based in the situation in AP what kind of growth for this full year for FY 10 should be looked at for the next 3 months. What growth numbers should be last year last year

Sudhir Reddy - IVRCL

See the good case scenario is you know 6150 and the bad case scenario could be 5800

Deepal Delivala from CITI Group

Okay that is the revenue kind of number we could be looking at

Sudhir Reddy - IVRCL

Ya because you are some of them kick of really then probably Andhra Pradesh loss and probably still stick to the very close to the guidance

Deepal Delivala from CITI Group

Sir and next year over this what is the kind of the growth that we could be looking at for the next 2 years because we had had you study of orders as well

Sudhir Reddy - IVRCL

Absolutely no we would having learned the lesson last year I would stick my neck out for 22 -25% of growth

Deepal Delivala from CITI Group

20-25% of growth

Deepal Delivala from CITI Group

Sir, the fourth question I have is on the AP receivables, how much do we have on our books right now

Sudhir Reddy - IVRCL

52 crores is to our account, sorry 147 crores is to our accounts whatever we are executing. Around 200 crores will be back to back

Deepal Delivala from CITI Group

Basically you have the liability; somebody else has a liability towards you



Sudhir Reddy - IVRCL

Ya that is 200 crores

Deepal Delivala from CITI Group

So your net exposure is only 147 crores

Sudhir Reddy - IVRCL

Ya out of that also we have mobilization advance of roughly around 50-60 crores

Deepal Delivala from CITI Group

50-60 crores

Sudhir Reddy - IVRCL

Yes

Deepal Delivala from CITI Group

So your net exposure is around 90-95 crores

Sudhir Reddy - IVRCL

Ya right

Deepal Delivala from CITI Group

Sir how long this has been overdue

Sudhir Reddy - IVRCL

This was actually done in the last quarter only because if you remember last quarter we only had a receivables of 40 crores. So the balance, some amount has been collected and this is mostly executed in this quarter

Deepal Delivala from CITI Group

Okay sir on the balance sheet side could we get some numbers like debt numbers and the working capital numbers

Sudhir Reddy - IVRCL

Net working capital is around 2700 crores including a cash balance of around 70 crores

Deepal Delivala from CITI Group

Cash is 70 crores okay



Sudhir Reddy - IVRCL

Ya. This includes loans to subsidiaries also

Deepal Delivala from CITI Group

Sir, how much us that

Sudhir Reddy - IVRCL

Loans to subsidiaries will be around 320 crores

Deepal Delivala from CITI Group

Okay debt will be how much

Sudhir Reddy - IVRCL

Debt will be around 1940

Deepal Delivala from CITI Group

1940 crores

Sudhir Reddy - IVRCL

Ya

Deepal Delivala from CITI Group

Okay and in terms of the future we are already L1 on the 3-4000, 500 crores of order right out of which you have announced 1500 crores of orders today so what are other projects in pipeline over and above of this total of 4500 crores that we are L1 in

Sudhir Reddy - IVRCL

Typically we have, we will have roughly around 1200-1700 crores of L1 based on the bidding which we do. There are two... one or two large projects which have been in L1 for quite sometime which we are expecting in any time. One is around 1500 crores worth so if you remove that it's normal L1 which we have we can converted into orders any where between 1 month to 6 months time

Deepal Delivala from CITI Group

Okay thanks I will come back with more questions if I have.... Thanks

Sudhir Reddy - IVRCL

Thank you

**Moderator**

Thank you Ms. Delivala. Next question is from the line of Mr. Sanjiv Zarbade from Kotak PCG. Please go ahead

**Mr. Sanjiv Zarbade from Kotak PCG**

My question is for Mr. Sekeran, congratulating you for the good set of numbers. Sir just wanted to get some details on the order backlog and order pipeline that's it

**Mr. Sekeran - IVRCL**

See our order book as on date as of 1st of January is around approx around 1350 crores and out of which mineral is about 45%, Environmental is around 28%, the other things are around 20%

**Mr. Sanjiv Zarbade from Kotak PCG**

And sir we also changed our articles to include the some works to be done on the power sector. What is the progress on that front sir?

**Mr. Sekeran - IVRCL**

We are now purchasing that, that should come through. We will be doing that should come through and we already we have started bidding for the of power plant and other things

**Mr. Sanjiv Zarbade from Kotak PCG**

Right and sir we were looking at some major order from the Nagaland Government

**Mr. Sekeran - IVRCL**

That I mean already I mean it is with the Central government. The papers are in the final stages now. It has been clear from the Ministry of Industry in Delhi, we should be getting, and we are expecting the order in this quarter

**Mr. Sanjiv Zarbade from Kotak PCG**

Okay and any other orders wherein we are L1 like

**Mr. Sekeran - IVRCL**

We are as on date L1 in about 442 close of orders Sagar Muncipaltion Corporation and NALCO all these things put together is about 475 crores of order already there in L1

**Mr. Sanjiv Zarbade from Kotak PCG**

And these e will receive over next what time sir

Mr. Sekeran - IVRCL

We are looking at it I mean it should quarter some of them will go next year I mean next quarter. We are positive that this Nagaland will come in this quarter

Mr. Sanjiv Zarbade from Kotak PCG

And how large is that order sir

Mr. Sekeran - IVRCL

It is about 300 crores

Mr. Sanjiv Zarbade from Kotak PCG

Okay that's it from my side and all the best

Mr. Sekeran - IVRCL

Thank you

Thank you Mr. Zarbade. Next question is from the line of Mr. Avinash Nahata from HSBC Invest Direct. Please go ahead

Mr. Avinash Nahata from HSBC Invest Direct

Ya my question is again to Mr. Sekeran. 2 very small questions. First, is Mr. Sekeran how much we have built as far as the UCL contract and HPCL Mittal Energy is concerned

Mr. Sekeran - IVRCL

80 crores we have built in the case of UCL

Mr. Avinash Nahata from HSBC Invest Direct

That's total as on date sir

Mr. Sekeran - IVRCL

Ya

Mr. Avinash Nahata from HSBC Invest Direct

Okay

Mr. Sekeran - IVRCL

And in case of Mittal it is approximately around 75 crores

**Mr. Avinash Nahata from HSBC Invest Direct**

75 crores. Okay sir can you just briefly highlight the qualitative changes in the quarter in terms of new, you have already highlighted the power part of it any other qualitative changes you want to highlight

**Mr. Sekeran - IVRCL**

Now we are bidder for during the current quarter I mean we expect we have opportunity worth about 1800 crores. We are expecting some huge orders from Sterlite industries where we are bided for about 800 crores and also we have bided for IOCL . We are actively participating in the water management so that is approximately around 400 crores that we are expecting. These are 2 big orders that we are expecting during the current quarter and again on the other manufacturing front these initiatives are on to get into heavy manufacturing components for the BHEL and we have already been enrolled by the BHEL Bhopal as well as Haridwar and we have started getting enquiries and submitted quotations, we expect some orders for manufacturing also during the current quarter

**Mr. Avinash Nahata from HSBC Invest Direct**

Sir how much is in this quarter manufacturing sales to 3rd parties

**Mr. Avinash Nahata from HSBC Invest Direct**

Ya sir manufacturing sales in this quarter booked to the third parties

**Mr. Sekeran - IVRCL**

It is approx around 15 crores

**Mr. Avinash Nahata from HSBC Invest Direct**

15 crores

**Mr. Avinash Nahata from HSBC Invest Direct**

And sir just 2 or 3 balance sheet items if you can give us the working capitalization utilization for the 9 month period

**Mr. Sekeran - IVRCL**

Working capital utilization is approx 100 crores

**Mr. Avinash Nahata from HSBC Invest Direct**

It should be okay 100 crores and long term debt as on date sir

**Mr. Sekeran - IVRCL**

We don't have any long term



**Mr. Avinash Nahata from HSBC Invest Direct**

Sir it's only 100 crores working capital

**Mr. Sekeran - IVRCL**

Ya

**Mr. Avinash Nahata from HSBC Invest Direct**

Thanks a lot sir

Thank you Mr. Nahata. The next question is from the line of Mr. Sandeep Bansal from UBS Securities. Please go ahead. Mr. Sandeep Bansal please go ahead

**Mr. Sandeep Bansal from UBS Securities**

Good afternoon sir I had 2 questions firstly on your BOT projects if you can provide us what is the latest update on the various BOT projects and also the funding requirement and planning that would be there in IVR prime for this projects

**Mr. Reddy - IVRCL**

Existing BOT projects one project from September we have already started tolling the other 2 road projects we have already completed. We are awaiting the COD's for those 2 projects. In terms of the new projects which we have bagged Baramati financially closed and which we have announced today and the work is already started a month back in that project and Indore Jabuaa they have started work in terms of design etc. design work and the basic work has already started and in terms of funding and IOTL also work is started it is financially closed which we are just finalizing with the bank etc on the funding arrangement how much which bank will get etc and in terms of IOTL we actually closed in 25 - 30 days from the date we got LOI and we got 3 times over subscription of the debt in the case in IOTL's case. In terms of each of this projects I mean cumulatively we need around 450 to 500 crore of equity to be invested over a period of next 3 years for all these projects.

**Mr. Sandeep Bansal from UBS Securities**

Okay Sir the funding plan for the same

**Mr. Reddy - IVRCL**

450-500 crores is not a major issue for us. One of the key thing which we have done is we have got out and taken already completed debt of 150 crores which currently we have just repaid it for short term period of IVRCL. So whenever we need 150 crores can be drawn back from IVRCL which is nothing but only half of it or slightly over that is what is required for funding for the first year in operation. We are already working on further that in IVR prime so which should come through very shortly. So in terms of equity to be invested in the existing projects the sale of land and as well of debt which we are proposing to take in IVR prime will be able to take care of any investment

**Mr. Sandeep Bansal from UBS Securities**

Okay so basically the debt that would be taken in IVR Prime that would be against the real estate which would be used to fund the BOT projects.

**Mr. Reddy - IVRCL**

See you can't fix it saying this will be used only on real estate. See there are other options clearly available is any tall revenue which comes up that can be also taken back into the IVR prime level and reused in any project. That is possible. The other thing is IVR Prime has to be I mean the pre qualification in IVR Prime will have to be built up. So what we would be doing is initially all the projects will be given as a sub contract from the SCV to IVR at some pre agreed margin and then it will be given to IVRCL for construction. So effectively there will be some amount of cash flow approval which will happen in IVR Prime as well which will be utilized for either repayment of interest or reinvestment in equity

**Mr. Sandeep Bansal from UBS Securities**

Okay fine thank you. Just one more housekeeping question. What has been the CAPEX so far in the 9 months period and what is expected in FY 10?

**Mr. Reddy - IVRCL**

This year we have not done much in terms of CAPEX. We would have done less than 60 crores in CAPEX in the last 9 months and we don't expect anything more 15-20 crores in this quarter also. It can be even lesser. Probably in the next year based on the projects which is available our plan is to do around 60 - 75 crores but this can change depending on the new projects which we bid for

**Mr. Sandeep Bansal from UBS Securities**

Okay thank you sir

Thank you Mr. Bansal. Participants who have a question may press \* and 1 on their touch stone cell phone. Next question is from the line of Shashank Abhishek from BNP Paribas. Please go ahead.

**Shashank Abhishek from BNP Paribas**

Good afternoon sir just a couple of question on the revenue and... can you give us the sectorial break ups

**Mr. Ramkumar- IVRCL**

The order book including L1 will be around, water will be around 10,000 crores, transportation 5000, power 1400, buildings and industrial structure around 4000, oil and gas which is basically nothing but industrial structures will be around 1000 crores. In terms of revenue water will be around 600 crores, transportation 140, power 45, buildings 290 and oil and gas 175

**Shashank Abhishek from BNP Paribas**

Just to understand the 1000 crore that you are talking about is that included in the building and structure

Mr. Reddy - IVRCL

No it is not include

[Shashank Abhishek from BNP Paribas](#)

Okay thank you

Thank you Mr. Abhishek. Next question is from the line of Abhishek Patel from Anagram Capital. Please go ahead

[Abhishek Patel from Anagram Capital](#)

That question has been answered already. Thank you

[Moderator](#)

Thank you

[Moderator](#)

The next question is from the line of Rajeshwari Patil from Spark capital. Please go ahead

[Rajeshwari Patil from Spark capital](#)

Hello good afternoon sir. I just wanted to know the receivables on book as on date

Mr. Ramkumar - IVRCL

Receivables you want.. Total receivable

[Rajeshwari Patil from Spark capital](#)

Total receivable and also how much will be the AP component in that

Mr. Ramkumar - IVRCL

AP component we specifically spoke about giving detail just a second Rs145-147cr is AP and back to back will be around 200cr and the total debt will be around 1400-1500 crores

[Rajeshwari Patil from Spark capital](#)

Okay and how about the credit

Mr. Ramkumar - IVRCL

See I think in the middle of the year we don't talk about the specific numbers

Rajeshwari Patil from Spark capital

Roughly a ballpark number if you could

Mr. Ramkumar - IVRCL

Net working capital will be around 2700 crores for this quarter

Rajeshwari Patil from Spark capital

Okay okay 2700 crore

Mr. Ramkumar - IVRCL

Ya that includes cash balance of around 60-70 crore

Rajeshwari Patil from Spark capital

Okay and also if you could give some information on the debt rate. The current cost of debt

Mr. Ramkumar - IVRCL

Will be around 8 ½ - 9%

Rajeshwari Patil from Spark capital

Okay this will be the working capital

Mr. Ramkumar - IVRCL

We don't have anything other than working capital

Rajeshwari Patil from Spark capital

Okay okay and also how is the revenue run rate been in the 4th quarter as in for Jan if you could give the number on that a ballpark number

Mr. Ramkumar - IVRCL

See the overall full year we have given an overall guidance of 5800-6150

Rajeshwari Patil from Spark capital

Correct correct

Mr. Ramkumar - IVRCL

We have done around 2400 crores I mean 3400 crores, 3600 crores of revenue for the first 9 months so the balance is the guidance for the last quarter

Rajeshwari Patil from Spark capital

Okay but based on the result you are still confident that you know this target will be achieved in the 4th quarter because that will be significant portion the FY 10 numbers

Mr. Reddy - IVRCL

See in a project when we are doing mile stone construction etc past cannot be the basis for what we doing in the future. So it is based on whatever milestones which we have in each of the projects. So that is the basis on which we arrive at the guidance for the next quarter

Rajeshwari Patil from Spark capital

Ya so roughly you are saying revenue run rate of around 700 crore per month as per if we have to do 2000 crores in the fourth quarter

Mr. Reddy - IVRCL

Ya it's pure arithmetic what you say is right but unfortunately projects don't run that way. So probably the first month we could have a slightly lower or higher figure than the other months also. So it all dependent on the milestones of each of the project

Rajeshwari Patil from Spark capital

Thank you sir. That's about it from my side

Thank you Ms. Patil. Next question is from the line of Nimit Shah from Religare Capital Market. Please go ahead

Nimit Shah from Religare Capital Market

Good afternoon sir. Sir regarding the BOT project of Gujarat MP border we have see there was a considerable difference between L1 and L2 any reasons for that

Mr. Ramkumar - IVRCL

I don't know about other people way of bidding but what I can tell you is its been accepted within the, the bid was within the norms of NHAI and NHAI was pleasantly surprised by the other people quoting you know policy and under the new toll policy and under the new toll policy your toll rates are slightly higher and different and in this particular road therefore 5 you know bridges and bypasses and so I have no idea what made the other people to quote. If you look at the other 4 people that the difference is exactly 25 crores between all of them. So I have no idea how it be so precise you know. It's bidding so it can't be so precise

Nimit Shah from Religare Capital Market

Sir but if we have a additional bridges and structures

Mr. Ramkumar - IVRCL

There are only 2 bridges, there are only 2 flyovers

Nimit Shah from Religare Capital Market

The toll rate increases if you have additional bridges and structures

Mr. Ramkumar - IVRCL

By passes, structures, tunnels

Nimit Shah from Religare Capital Market

So by how much does a toll rate increase on account of that

Mr. Ramkumar - IVRCL

Typically if you are getting around 75 say it can go upto 1 rupee 75 paise per kilometer 2 ½ times but it depends upon the length of the bridge or bypass

Nimit Shah from Religare Capital Market

So in our case what would be the toll rate that we have factored in because of this bridges and structure

Mr. Ramkumar - IVRCL

You can't see..... key consideration is you can still have a bridge but if it is less than 50 crores it will not be eligible for new toll policy

Nimit Shah from Religare Capital Market

Correct

Mr. Ramkumar - IVRCL

And the key is your bridges should be large enough for you to come for this new toll policy. Based on the working in the project in terms of individual bridges and this one we have arrived at it. We don't carry that number right now so you can call me separately and probably I will try and give you incase

Nimit Shah from Religare Capital Market

Okay okay thanks a lot sir

Thank you Mr. Shah. The next question is from the line of Akshay Soni from Morgan Stanley. Please go ahead

**Akshay Soni from Morgan Stanley**

Hi gentlemen just wanted to find out as far as the guidance for the last quarter is concerned what is the number that would have been taken in that from Andhra Pradesh

**Mr. Ramkumar - IVRCL**

This time no, nothing

**Akshay Soni from Morgan Stanley**

Nothing so for the 4th quarter basically our guidance is based bottom end of the guidance and the top end of the guidance are both based on Andhra Pradesh being just based on the pick up between other projects

**Mr. Reddy - IVRCL**

Ya ya ya what I am trying to also say is this the any which way last mile work is happening nature of the work is such that we need to. If they are able to take the bills if the government allows us to submit the bills to get accepted then probably we will also get about 150 - 200 crores out of that

**Akshay Soni from Morgan Stanley**

Okay so basically you know maybe that's the kind of number that's there in for AP but that's about it

**Mr. Reddy - IVRCL**

Ya that's about it

**Akshay Soni from Morgan Stanley**

Thanks a lot

Thank you Mr. Soni. The next question is from the line of Neeraj Agarwal from TATA Securities. Please go ahead

**Neeraj Agarwal from TATA Securities**

Talked about the structure of the road project give the construction contract first to IVR prime and the IVR Prime will pass it on to IVRCL

**Mr. Reddy - IVRCL**

Correct

**Neeraj Agarwal from TATA Securities**

Why is this indirect kind of a structure and not giving directly contract to IVRCL

Mr. Reddy - IVRCL

IVR Prime will never get pre qualified in future bidding . We get into the pre qualification and IVR Prime has to do the engineering and the project management. Other EPC only the construction will be retained by the construction company. It is like for anybody else when we go ahead and bid and as contractor I don't take the call of engineering as a contractor I don't take the call of CMC. So they need to do that and plus as Ram said at some stage IVR Prime has to qualify for itself otherwise like the last time the board was suggesting we are offering the pre qualification to IVR Prime is there a loyalty which will be paid. There are 2 -3 different ways of looking at it but by doing that what is it we are loosing, we are not loosing anything

Neeraj Agarwal from TATA Securities

Sir what kind of construction margin can we be expecting

Mr. Reddy - IVRCL

IVRCL has to demonstrate the construction margin what they are able to achieve from the individual bidding for the 3rd parties and things like that so we would stick to. Of course we have checked with some of our peers and they seem to be getting 20 ibbidas but they would like to stick to 9-9 ½ % ibbidda

Neeraj Agarwal from TATA Securities

Sir finally what is the government grant for Coimbatore project

Mr. Reddy - IVRCL

There is no grant spare

Neeraj Agarwal from TATA Securities

In both this

Mr. Reddy - IVRCL

Ya

Neeraj Agarwal from TATA Securities

Okay sir thank you

Thank you Mr. Agarwal. The next question is from the line of Ashutosh Narkar from HSBC Securities. Please go ahead

Ashutosh Narkar from HSBC Securities

Sir this is follow up question on the one which was asked just some time back on your margins from toll business. It is pretty easier for you to take kind of 20% abbida or 15% abbida from your toll business increases your reinvestment opportunities in some other projects . So what is it that is stopping us from doing that



### Mr. Reddy - IVRCL

Nobody stops us. It's not to be done so we are not doing it. When we go ahead and we bid for somebody else when we are not given that kind of a margin and could be a subsidiary or could be a majority to take care of. So we decided that lets, the fact that you are at least getting an opportunity to do a work on a first basis that itself is a great opportunity. What happens is if you are taking a higher margin. If for a toll based company it enjoys the tax benefit whereas IVRCL doesn't get a tax benefit for getting this work so if you are taking 10% margin you are paying 3%-4% tax straight away. So its not a very capital efficient way of trying to load everything into the capital cost

### Ashutosh Narkar from HSBC Securities

IVR Prime gets the total contract and it then passed on to IVRCL. IVR Prime will charge 9% abidda margin for the contract

### Mr. Reddy - IVRCL

No it will not charge. It will be less. Like Mr. Sudhir explained it is more for the engineering and project management. So it will be charged only to that extent of the work which they do. Basically IVRCL is not going to take a risk on this project so it is going to be item rate contract for IVRCL. Risk in the projects will be taken which is engineering and project management which is taken care by IVR Prime

### Ashutosh Narkar from HSBC Securities

So it just IVR Prime would act as a middle men in the entire contract immediately passes on to IVRCL

### Mr. Reddy - IVRCL

Ya some of the equipment, some of the toll booth equipment can be directly bought by IVR Prime and supplied to the rather than getting rerouted through IVRCL. May be steel and cement could be bought wherever required, even the be bought by IVR Prime and given only be supplied to IVRCL. So we are trying to work out which is the best way to ensure that we don't pay higher taxes in that account. So hopefully IVR Prime will still make around 3-4% abidda margin is what we know. So what happens to add to that so many products happening just next month I mean just this month in February almost about 18920 crores is the bidding which is happening in NHAI. Now close to about 20,000 crore bidding just in the month of February having going forward every two months you might find in next one year, every two months you will find you know close to another 10,000 crore every 2 months. That means March could be another 5000 crore, April could be another 5000 crores, June could be going forward I think there would be definitive shortage of good contractors. You would find lot of contractors but good contractors who understand road and then how to understand the logistics. I think am very very sure I am very confident IVR Prime is in good hands because it has a parent who is nothing but a construction company

### Ashutosh Narkar from HSBC Securities

Sure one last question was if you can give orders n your irrigation from the Maharashtra and the other governments. You know the main two or three

Mr. Reddy - IVRCL

Madhya Pradesh we have irrigation or water being that's what we term it both the drinking water. Madhya Pradeesh total amount of work is almost about 2000 - 2400 crores rupees which include the roads you know which about 50%, 100 cores is the irrigation road irrigation projects and Maharashtra on the irrigation side another 1000 crores

Ashutosh Narkar from HSBC Securities

Okay so these are the 2 major ones for us excluding AP

Mr . Reddy. - IVRCL

Yes in terms of Karnataka to 2000 crores, Karnataka is close to around 1000 - 1500 crores and West Bengal seems to be close to 3000 crores

Ashutosh Narkar from HSBC Securities

Okay these are all irrigation orders

Mr. Reddy - IVRCL

No no no it's a mix of all

Ashutosh Narkar from HSBC Securities

No no specifically you said out of

Mr. Reddy - IVRCL

0 Gujarat irrigation 0, UP irrigation 0, Orissa irrigation 0, Karnataka irrigation 0

Ashutosh Narkar from HSBC Securities

Okay thanks a lot sir

Thank you Mr. Narkar. The next question is from the line of Vivek Doval from Boyer Allen. Please go ahead

Vivek Doval from Boyer Allen

Yes actually I have 2 questions first of all why what was the reason for very sharp slow down in the revenue growth on year basis in calendar Q3 and second of all just want to understand you know the growth changing so sharply in the quarter not have been great idea let investors get some idea. Now if it was merely the case of you getting delayed Q4 its fine but if it's the slow down in revenues is that something

### Mr. Reddy - IVRCL

Sure sure I can answer that. I wish I had that kind of a foresight you know I couldn't predict the outcome after the election in Andhra Pradesh. You know there was a draught and there was flood and there was a ..... in Andhra Pradesh. After that it went into this new devil called the Telengana issue happened and which really took the entire Telegana. That's were the major rivers lies in Andhra Pradesh you know and therefore majority of the works are also happening. This is something which I really cant forecast this was not there 6 months back this was not there 9 months back. Then the other reason where we lost money is there is a court case in Government of Madhya Pradesh and Mrs. Smitha Patker well known NGO. Not on the viability of the project, not on the environment issues but on the people for a project which was peaking so much you know where could have easily churned out about 30 - 40 crores a month. You know was stalled by the orders from Supreme Court. This is something which is I can't really forecast you know. But what we have done even though the projects available for us in Andhra Pradesh to go ahead and go on spending money and go ahead and built it I think the team took a good decision of not to build and not to spend any more money in the project. That's a good part that the bad part was of course I surely agree with you. We don't have that kind of vision nor would I have ever visualized that we would have gone into these kind of going forward of that because projecting and there are shareholders invested basing on the guidance what we have given we normally used to hold about 2.5 times of our order as our. We thought about 18000 should have been sufficient but seeing thes problems we have now moved 2.5 to about 3 times. So hopefully we will cover this back as and when the Andhra irrigation project opens up and the Madhya Pradesh court case gets dissolved I think surprise by adding little bit more on the guidance but on the guidance side what lost out about 100 crores. 100 crores in a quarter where we have projected 1300 crores is about 10%. You are right when you say it's a sharp drop but what we are looking at is on the positive side is we still have which we need to execute and for which we will also get paid some mobilization advance, remobilization advance you know demobilization advance all these of course will take little bit of time but this is one area you hould excuse me I had no vision to forecast you know any of these kind of happenings in the country

Right thank you vey much for that just a couple of points on that just to understand your guidance 5852 or have I got the numbers little bit

Absolutely got it right

This guidance actually you know adjust some risk factors as well or isthis in a revenues lost in Q3 Q4 t

### Mr. Reddy

This are the risk factor which are visible today. I am not seeing any great changes happening else where in the country in the areas we are working so that seems to be in Madhya Pradesh just one work other works are going on smoothly. It's just one particular project one particular village hope ypu know and right now there is nothing I can foresee and well I have my figures crossed and we have in place if I bring believe me in last 10 years this year if I don't in the near future

Thank you very much

Thank you Mr. Doval. The next question is a follow up from the line of Atul Tiwari from CITI Group. Please go ahead

### Atul Tiwari - Citigroup

Sir this Madhya Pradesh order how big is the order the unexecuted part of it

Mr. Reddy

500 crores

Atul Tiwari - Citigroup

And work on it is stalled currently or is going on

Mr. Reddy

Ya yaa stalled currently. Supreme courts stay order. Unfortunately I cant make a party to that court cases not involved. So I tried my best to become a party to the litigation so that we can take it forward but I was not made a party so probably we can not include ourseleves in that fight. So we are hoping the government missionary to work and goand answer thw honorable supreme court and probably answer it right and move

Atul Tiwari - Citigroup

Okay from IVR side how much is the loan outstanding to IVR currently after you have paid back 1.5

Mr. Reddy

12.5 temporary thing 280 remains

Atul Tiwari - Citigroup

Okay so basically as of now 280 minus 150. 150 is kind of temporary

Mr. Ramkumar

Ya

Road that has started tolling from September how much has been the revenue so far

Mr. Ramkumar

Everyday we collect close to about 9 lacs rupees. 9-10

Mr. Ramkumar

9-10 lac rupees

And how much was the CAPEX. If you can just remind me

Mr. Ramkumar 430 crore is I think the CAPEX

Okay sir thank you thanks a lot

Thank you Mr. Tiwari. The next question is a from the line of Tina Vermani from Kotak Securities. Please go ahead

Tina Vermani - Kotak Securities

My question is regarding this BOT projects Indore projects and projects what is the percentage stake of IVRCL in that

Mr. Ramkumar

Sorry please come again

Tina Vermani - Kotak Securities

What is the percentage share of IVRCL in your Indore BOT and BOT

Mr. Ramkumar

IVRCL will be 0 will be 100%

100%

So based on that 100% share of IVR Prime overall equity requirement 72 25 debt equity ratio it come out to be much larger than 500 crore equity which you were saying am I going wrong anywhere in the calculation or it may be higher

1300 crore project so any project which is more than 1000 crore will also do small amount of making each of the project only 10% equity investment from our side so if we were to invest 250 crores we will end up doing 100 crores of . basically the project will be able to support debt will at 12% - 13%

Okay

So it will be a mix of debt equiti and

Over all your requirement equity requirement would be 450-500

Thank you Ms. Vermani. The next question is a follow up from the line of Ashutosh Narkar from HSBC Securities. Please go ahead

Hi ram if you could give the break up of your revenue this quarter broadly

Mr. Ramkumar

Water 600, transportation 140, power 45, building and industrial structure 290, oil and gas 175

Okay thanks a lot

Thank you Ms. Narkar. The next question is a follow up from the line of Rajesh Kothari from Alpha Accurate Advisors. Please go ahead

Good afternoon sir

Good afternoon

What is the Andhra Pradesh contribution to current order book

Sorry

Total order book of 17300 crores

**Mr. Ramkumar**

5% is directly 70% indirectly

Out of your total 9 months revenue how much is from Andhra Pradesh

May be around 300 350 crores

**Mr. Ramkumar**

300 - 350 crores and when you are giving next years guidance about growth are you assuming any numbers from Andhra Pradesh

No not as of now we are not doing that

Okay basically whatever projects right now going on in Andhra Pradesh everything is on what complete hold. Can you please give some update on what's happening in Andhra Pradesh from your side . Are we completely on hold or is it going to start in next 1 or 2 months . how we should see

**Mr. Reddy**

I would love it if the state gets bifurcated. We would get one more government, we get one more state to work on and if they do that it is on a selfish mode as a businessmen I would like the state to be broken into 3 or 4 parts and 3-4 coming up but as an Andhrate I would love to see unified and continue to work as one particular state and for that if it takes 2 months 3 months and 6 months

Okay so basically all the current projects where we are working is completely on hold what is the status

**Mr. Reddy**

Yes it is on hold except that what I mentioned earlier that tunnels that are part of our project which completion we would like to complete that because engineering wise I was told it not to leave a tunnel not completed. One set is done then probably we will take it back and meanwhile the government the minister of irrigation was very moment he repays the

Okay so whatever you know they pay me the money then I need to start the work because then I moment they will

Basically you know whatever work wherever told do we have any huge kind of a capital employed you know in the total projects where it is on hold

I mean is there any equipment

That's what we did

Okay fine fine thank you

Thank you Ms. Kothari. The next question is from the line of Parvez Akhthar from Edelweiss Capital. Please go ahead

Good after noon sir my question is already been answered

The last question is from the line of Mitul Mehta from Lucky Securities. Please go ahead

Ya sir congratulations to the entire team of HDO for excellent performance. Sir I had few questions if we go back 3-4 quarters back we were in the region about 120 -130 quarterly billing kind of scaled it up to 180 and now we are comfortably around 200. See this kind of number going forward as we keep booking orders

Mr. Sekeran Ya we will be trying to do. We are getting into area. We have gone it handling now okay looking at the balance of power plant

**Mr. Reddy**

Powerpalnt we should also inform the shareholder that it is a function of we are hoping to do it because we do many of balance of power plant items individually. So these are some of the new areas which will open out as gather enough EPC we will look for jobs which has more engineering and construction angle manufacturing angle

Sir you have done a excellent job on working capital also How do you see that going forward grow in terms of size

**Mr. Reddy**

As a company we remain optimistic we hope to market condition but as of now going with the kind of orders what we have I think it's a good story going forward

In terms of margins we are about 12 - 12 ½ % so you see these kind of margins sustaining

**Mr. Reddy**

Again it is the function of what is the completion and going to get and what kind of money somebody seems to be a good competitor suffering due to great losses some projects not getting over and other places and to the client that they are able to executing this project much faster than many of the existing player in the same field and to maintain that grip on that and to be complete if we are getting this kind of margin as a management be very happy you get more than that you need to get into next level of turnkey projects which need a different pre qualification skills

Earleir guidance of 700 crores looks now easily surpassed for the year 2010 now for 2011 would you like to share any guidance

**Mr. Reddy**

HDO does not works in areas like Andhra Pradesh whether is uncertainty in a very controlled environment. So if that happens in a very controlled environment then will grow



Okay and what about paid out ratio going forward

Mr. Reddy

Cant comment

Okay thank you very much and all the best for the coming quarter

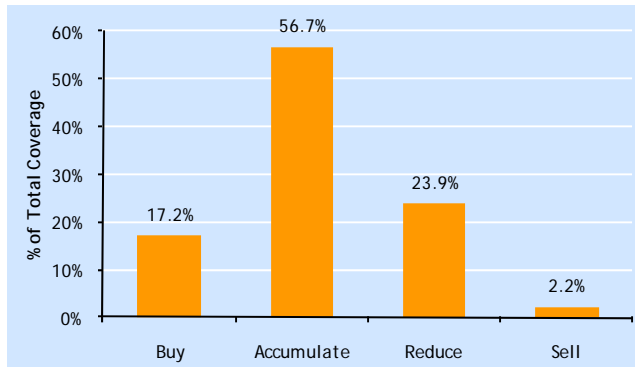


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