



"Reliance Infrastructure Limited"

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MODERATORS: MR. DHIRENDRA TIWARI
MR. LALIT JALAN
MR. MADHUKAR MOOLWANEY

Moderator: Ladies and gentlemen good day and welcome to the Q3 FY'12 earnings conference call Reliance Infrastructure Limited hosted by Motilal Oswal Securities Limited. As a remainder 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. If you should need assistance during the conference please signal an operator by pressing "*" and then "0" on your touchtone telephone. I would now like to hand the conference over to Mr. Dhirendra Tiwari. Thank you and over to you Sir.

Dhirendra Tiwari: Thank you. Good morning ladies and gentleman. Welcome to 3Q FY'12 post results conference call of Reliance Infrastructure Limited. We are pleased to have with us today Mr. Lalit Jalan, CEO & Director, and Mr. Madhukar Moolwaney CFO to discuss the results and the outlook. Without taking much time, I would request now Mr. Jalan to begin his opening remarks following which we can take Q&A. Over to you Sir.

Lalit Jalan: Thank you, good morning all analyst friends. I am very happy that you have joined in your busy schedule to the conference call of the third quarter results of Reliance Infrastructure Limited. This has been a very encouraging and a satisfying quarter for us at Reliance Infrastructure. I will quickly go through the key numbers. The total operating income for the company has been Rs 6,130 Crores which is a growth of 66%. The EBITDA for the quarter is at Rs 955 Crores, which shows the growth of 39%. The frontrunner among all our divisions has been the EPC divisions which show revenue of Rs 2,941 Crores which is a growth of 177%. The company continues to be conservatively financed. It has a very well funded balance sheet. Our network at the end of third quarter is Rs 24,868 Crores and the book value per share comes to Rs.945. We are conservatively financed in the infrastructure space and have a debt equity of 0.67, one of the very few companies with debt equity below 1. Coming to the various segment, firstly to our oldest segment namely the electrical business the revenue for the quarter is Rs 3100 Crores which is a growth of 20% the EBIT for the division is at Rs 447 Crores which is a growth of 35%. In the last quarter we had mentioned that the regulator had approved our regulatory assets and asked us for our recovery plan. We have submitted the recovery plan for recovering regulatory assets over a period of six years at Rs 800 Crores every year over six years so total recovery of Rs 4800 Crores together with carrying cost. The cross subsidiary surcharge which had been approved by the regulator is now being levied on migrating customers and we have earned Rs 29 Crores of this amount in the last quarter. We have added 60,000 consumers who are networked in the current financial year and as of now we have more than 28 lakh customers being served on the Reliance Infrastructure network. One thing which I would want to explain to all of you is that we have recognized a total regulatory assets our Rs 2,200 Crores in our books today, the total recovery that we have claimed and this is what has been approved by the regulator is Rs 4,800 Crores over the next six years. Coming to Delhi distribution as we have been saying in our talks, that in spite of the tariff increase that happened in August' 11 the current tariff in Delhi Discom is much below our cost of purchase. All the Delhi Discoms continue to bleed at about 2 rupees per unit and to

take care of this cash deficit we had approached various banks and we have now got approval from IDBI bank for financial package of Rs 5,100 Crores which required a total equity infusion of Rs 1,020 Crores out of that, we have contributed our share of Rs 520 Crores to the Delhi Discoms, the Delhi Government has contributed their share of Rs 500 Crores and we expect that the bank would release their funds, so that the payments to the generators which had become irregular could become regular. The tariff hike of 22% is in operation from September 1, 11, that is being collected from all the customers. In the current month the regulator has also approved the fuel adjustment charge. They have given the provisional recovery of 5% that is also being recovered from the customers. Together with the new order which has been given by the appellate authorities on 11th of November we expect now that in the coming year that is FY'13 an absolutely cost effective tariff in Mumbai and Delhi which will mean that we will get our normal EBITDA from running operations, also the regulatory assets which have been accrued over the year has to be given back to the Discoms over a very tight defined period together with carrying costs and these are now strong mandates by the appellate to reform the electricity sector and we are very hopeful that at least in Bombay and Delhi Discoms these will get implemented. We have added 130,000 customers in the current year and we are serving more than 28 lakhs customers in Delhi also. Similarly if I look at Delhi, the two Discoms we have so far accrued Rs 8,200 Crores of regulatory assets. Our claim to the regulator is for Rs 14,400 Crores and these are claims which have either been approved at the DERC level or approved at the appellate level. Coming to the transmission business Bombay is landlocked and it is a challenge to bring power in to Mumbai. It is not possible to increase generation capacity within Mumbai, so any new growth has to be bought in from outside. We have commissioned three extra high voltage GIS substation in Mumbai city in the current quarter.. With this we have commissioned six EHV stations in the city of Mumbai and these substations are operating at 99.8% plus availability. Our WRSS project is under construction five lines out of nine are already operational and revenue earning and the balance lines will get ready in the current year and the delay is owing to the very difficult ROW which are left for which we are discussing with all the authorities so that the project can be completed at the earliest. Coming to the EPC business revenue for the quarter is at Rs 2,940 Crores which is an increase of 177%, there is an EBIT of Rs 350 Crores which is a growth of 212% . The total order book as of December 31 is at Rs 21,155 Crores. Our EBIT margins are being steady around the 10% level and we are currently working on 11 projects comprising of 6-power projects one transmission project and 6 road projects. Coming to our newest division which is the infrastructure division that is slowly and surely catching traction. We now have five road projects which are operational and one Delhi metro which is operational and 5 more road projects are expected to become operational in the next three months. If I look at the revenue the revenue is at Rs 85 Crores for the quarter which is a growth of a 100%, of course it is a small base and the year to date revenue is at Rs 273 Crores which is a growth of 200%. Coming to the metro business our Delhi metro in this month would be completing the first full year of operation. We are very happy to report that this is

the only private sector rail system in the country and the only private sector metro system in the country. The operations have been flawless and we have been running trains at 18 hours per day at pretty much 100% reliability with no glitches whatsoever, so it gives us great comfort in our operations team that they have been able to assimilate the latest technology and have a clock book kind of efficiency running in our metro operations. Daily commuters which we had started at 4000 passengers per day level in the last February have now crossed 20,000 passengers per day. The best retailers in the country have now really appreciated the priced property in New Delhi at Connaught Place and more than 30,000 square feet of retail space has been leased out to the prime retailers like WH Smith, KFC Cafe Coffee Day, Samsonite etc. and many of these outlets have now started opening like the KFC and Cafe Coffee Day has opened and others would be opening in the next few months. There is also a very strong demand now for the balance space at the two stations and our teams are busy leasing these out. Also the advertising properties at our stations on our viaducts inside and outside the train have also got huge demand and top retailers like Pepsi, Volkswagen, McDonald's have all shown great interest and are taking up these properties.

Coming to the Mumbai metro one all the approvals are now with us, almost 90% of the civil work is completed and the system works is in operation. You can see the western express highway under construction if you are crossing this express highway. The Andheri bridge is also under rapid construction. We expect the entire line to be operational by the end of this calendar year. Coming to our cement business the first 5-million tonne plant at Maihar in Madhya Pradesh is now under construction and all the major orders have been placed and the civil work has commenced and we expect that the plant would get operational by FY'14. Our first grinding unit for cement business would be ready in Butibori near Nagpur and that should be ready by the middle of this year which will help us in starting field marketing for our products getting ready before our entire product and brand is launched. So wrapping up I would say that we are our country's largest infrastructure company developing projects across roads, metros, transmissions, airports we will have 19 revenue generating projects by the end of this year totaling to Rs 20,000 Crores. Not only that in each of the sectors that we address whether it is the electricity distribution sector, whether it is the transmission sector, whether it is the metro rail sector or the road sector we have leadership positions in the sectors that we have addressed. We have not added to our ownership book over the last couple of years and the reason as I have been explaining to all of you is not that we are not participating, we have been participating throughout the last two years but the bidding intensity has been very, very unreal, in our view we are married only to our bottom-line and to our shareholders and we are not under any compulsion to grow our order book or our infrastructure book, so we are happy to sit on the sidelines and wait for appropriate projects with optimal financials to become available so that we will start winning projects again, but we are very keen to add to our order book and the last two years we have focused a lot on execution and by the end of this year we will have two of our major metros and 10 of our road projects operational. Our buyback which we had commenced last year we have now closed it and during the buyback we bought 44.3

lakh shares totaling to Rs 234 Crores so with this I will end my preliminary comments and open the floor for Q&A.

Moderator: We have the first question from the line of Mr. Atul Tiwari from Citigroup, please go ahead.

Atul Tiwari: Sir my question is on your regulatory asset, the total regulatory asset that you have accrued so far in Mumbai and Delhi is Rs 82 billion and out of that Rs 22 billion is in Mumbai and remaining Rs 60 billion is in Delhi is that right understanding?

Lalit Jalan: No it is Rs 22 billion in Mumbai and Rs 82 billion in Delhi.

Atul Tiwari: Okay, so Rs 82 billion you have accrued in Delhi and additional Rs 22 billion in Mumbai and you said that total claim is Rs 140 billion that is for both Mumbai and Delhi or only Delhi?

Lalit Jalan: Rs 48 billion in Mumbai and Rs 144 billion in Delhi.

Atul Tiwari: Okay and sir this total claim number all of it has been approved by regulator in Delhi or only a part has been approved?

Lalit Jalan: Bombay the entire thing has been approved and in Delhi out of the Rs 144 billion about Rs 44 billion belongs to claims which have been approved by the appellate but not given effect by the Delhi regulator, when the appellate has approved there is no reason why the Delhi regulator would not book?

Atul Tiwari: Okay, and remaining Rs 100 billion odd something.

Lalit Jalan: They are approved by the Delhi regulator.

Atul Tiwari: Okay, so Rs 100 billion has been approved by the Delhi regulator directly okay, and sir as of the last quarter and what was the ICD amount the amount invested in Inter Corporate Deposit?

Lalit Jalan: We do not give a breakup you will have to wait three months for the annual report and you will get the number.

Atul Tiwari: Okay, and sir then on the EPC revenue the revenue growth has been so far very strong. So are we likely to see this kind of a strong growth even in FY'13 or in FY'13 the revenues can become flat or can degrow what is the guidance for FY'13 EPC revenue?

Lalit Jalan: I think FY'13 you should be able to see the same run rate that we have shown in FY'12 to continue.

Atul Tiwari: So, that means a flat revenue year-on-year roughly the same quarterly run rate of revenue will be maintained?

Lalit Jalan: Of course yes, for FY'13.

Moderator: We have the next question from the line of Mr. Parag Gupta from Morgan Stanley, please go ahead.

Parag Gupta: Hi, good morning Mr. Jalan. Two questions, firstly if you can give us a sense on Delhi Metro's operations, what part of your revenue of Delhi metro is coming in from ticket revenues and how much is coming from advertising and retail, I would assume retail is small, so how much would be advertising that is my first question and the second is you have been talking about looking at various options to buyout road projects from other developers, has there been any progress on that front.

Lalit Jalan: Okay, let me answer both the questions, on the road projects we have a lot of offers from several bankers, as they are almost like 20 to 25 properties which are available which we are evaluating, but we have not finalized, we have not come to final discussions on any of the projects as of now but these are being actively evaluated at our end. On the Delhi metro this is the fourth quarter of operations, clearly retail took time to takeoff, so the retail revenues you are right is very marginal up to December and you will see the retail really takeoff over the next four quarters. Advertising is also picking up every quarter so as of today most of the revenues that we see are the ridership revenues.

Parag Gupta: Okay and if I can start on to another question on EPC your EPC order book as of now does not have I think the Chitrangi power project. Are you looking at adding that to your order book anytime soon?

Lalit Jalan: That depends on the clarity on coal and our ability to win that order from Reliance Power so till the time they do get the clarity on the coal which issue is sub-judice right now once the clarity comes they will bid out of project and we are of course very, very keen to do the project.

Parag Gupta: Right so large part of your EPC revenue in FY'13 will be again driven by some Samalkot and Sasan.

Lalit Jalan: Yes, and our road projects.

Moderator: We have the next question from the line of Mr. Ashish Shah from IDFC Securities, please go ahead.

Ashish Shah: Good afternoon sir. Sir couple of questions one on the Samalkot project would it be safe to assume that maybe more than and around 80% to 90% of the revenues would be booked in this year and since the project is on the verge of probably commissioning or synchronization stage.

Lalit Jalan: That is if you look at the guidance given by Reliance Power the project on full closed cycle commissioning is due by the end of next financial year.

Ashish Shah: Right, so but the construction part would that also be substantial in the next year or that should

be more or less done this year.

Lalit Jalan: There will be a substantial part of revenue next year also.

Ashish Shah: Okay, so next year also it will be substantial okay, sir secondly on the standalone accounts could you help me with the gross debt and cash and cash equivalent sir?

Lalit Jalan: We do not give that figures in this quarter but in our annual report and in the next quarter those numbers will be up.

Ashish Shah: Okay thirdly sir on the Gurgaon-Faridabad project could you help me with the current status and when do you expect to start tolling?

Lalit Jalan: We expect to start tolling very soon I think in the first half of next month the project is almost fully complete the tolling plazas are coming up so we expect tolling to start around 15th of March.

Moderartor: We have the next question from the line of Mr. Pankaj Sharma from UBS, please go ahead.

Pankaj Sharma: Yeah, good morning sir just one question of course there are lot of infrastructure assets which are in early days in terms of revenue generation but by when do you expect the EBITDA contribution to become positive for the infrastructure business in general?

Lalit Jalan: I think EBITDA would become positive by Q1 of next year. Q1 FY 13 would definitely be EBIT positive.

Pankaj Sharma: Okay, so Q1 FY'13.

Lalit Jalan: Q1 FY'13 would definitely be EBITDA positive.

Pankaj Sharma: Q1 FY'13 okay, sir thank you.

Moderator: Thank you. Participants just a reminder anyone who has a question may press “*” and “1” at this time. We have the next question from the line of Mr. Tien Doe from GIC, please go ahead.

Tien Doe: Hi, thanks for the opportunity to ask a couple of questions. Question ‘A’ is just on the retail space in Delhi, you say that 30, 000 square feet before you set something like a 50,000 square feet target by the end of the next financial year and 100,000 square feet by the end of the following financial year, is that still in the target and second question would be on the daily commuter figure where would you hope that to go in the next 12 or 24 months and final question on the equity contribution in to your infra SPV at 42 billion figure, how would you expect that to move over next two years or so?

Lalit Jalan: Okay let me answer the retail figures. The retail figures we have about 120,000 square feet carpet area in our two stations of New Delhi and Connaught Place out of which 30,000 has got

leased out, we expect the balance to get leased out over the next three quarters so that's on the retail space. On the Dwarka Real Estate which is our Depo operations we have 300,000 square feet of office space which is ready and which we have put out for leasing and there is an opportunity to build another 700,000 square feet retail/commercial space there which we are finalizing our detailed plan so that will take two years to construct but at the end of next financial year 120,000 square feet of retail and 300,000 square feet of office space we expect would be fully leased out. On the ridership we are at 20,000 right now our internal target is that by the end of next financial year we should be at 50, 000 passengers per day.

Tien Doe: And the final question on the equity contribution to your infra SPVs how fast do you think that figure would rise to?

Lalit Jalan: See infra I think that this Rs 42 Billion could increase by as about I would say between Rs 12 billion to 14 billion in the next financial year.

Moderator: Thank you. We have the next question from the line of Mr. Shankar from Edelwiss please go ahead.

Shankar: Thank you sir for taking my question. Just wanted to know that over the last hand full of years we have been focusing on building our infra portfolio and spend couple of sufficient amount of management time and energy and money is into building this portfolio so going forward now that all these are going to get commissioned and scale up both from an operating and financial perspective. The next couple of years what is the road map both from an operation sense and from the financial CapEx sense if you can give us some light especially fiscal 2013-2014 how do you expect it to be on consolidated operation?

Lalit Jalan: See if you look at our various verticals on the electricity side we are on the distribution and transmission vertical with leadership positions the distribution sector which is just 12% with the private sector there is a strong demand within the Ministry and Planning Commission to open up the sectors to private sector and we are seeing the effects of that in terms of some small property is coming on the market for bidding so this is one area which can give us very big growth in times to come and we will address the opportunities in this space. Similarly transmission sector has opened up, we are seeing projects comings sporadically for bidding but going forward 100% of the project at central level will be put out to competitive bidding and including Power Grid ought to bid competitively to win these projects, so that is another big sector whose opportunity would be available. In the road sector clearly NHAI has spelt out a plan for almost 8000 to 10,000 kilometers of the new roads being bid out every year, this does not include the opportunities on the State Highway sector which in the addition to the above. On the urban transport there is work going on in almost all cities above 5 Million population to build their own urban traffic transport in terms of Metro/Mono Rail and this the another sector in which we are the only player with an operating metro and metro under finishing stages of constructions we have huge experience and knowledge in the sector having been here for 5

years which will help us tremendously in addressing the opportunities which come in the sector and we have qualified for the Jaipur Metro, we look at the opportunity in Mumbai, we have additional lines coming up in Pune etc., this is another big opportunity which will open up. So we are going to focus on our areas where we are very strong and since all these areas are showing high growth opportunities besides the organic growth in the projects which we already have so this is how we see this company growing in the next few years.

Moderator: We have the next question from the line of Mr. Harish Biyani from RBS please go ahead.

Harish Biyani: Sir good afternoon my question is on the Mumbai area, you talked about Rs 22 billion regulatory asset in Mumbai License area which is what have been booked as per FY'11 Annual Report now 48 billion has been approved by the regulator so just wanted to reconcile the difference?

Lalit Jalan: This number as it comes available will result in additional profits for the company. The difference between Rs 48 billion and Rs 28 billion as it accrues results in additional profits, so this is under provisioning made owing to our conservative accounting in our books over the last few years.

Harish Biyani: Okay we had booked Rs 22 billion based on conservative account year.

Lalit Jalan: For Rs.22 billion owing to conservative we have made a plan for Rs 48 billion to be recovered over 6 years of course which includes the carrying cost and so the difference between these two numbers would result in additional profits in both years and this has been approved by the regulator.

Harish Biyani: Sir what's the cash and liquid investment balance as on December 31, 2011?

Lalit Jalan: We do not give the numbers in the alternate quarters, we will give these numbers in full details in our final year number.

Harish Biyani: My third question would be on the long term case one bid that we had called for, any updates on that and what's the kind of indicative range that we are getting as of now?

Lalit Jalan: We had got this ranging, we had bid at Rs 3.50 and we had bids about Rs.4 we had accepted only the bid at 3.50 for 200 MW but the concerned generator could not meet all the requirements so we had to encash the bank guarantee and so this case one bid we were not able to get any meaningful bids, so we planned to go for a rebid over the next two months.

Harish Biyani: Sir this is at Mumbai Bus Bar 3.50 rupees and Sir if you can help us with the name of the generator for the 200 MW?

Lalit Jalan: You can see it on the MERC website, it is Dhariwal Industries.

Moderator: The next question is from the line of Nandita Parker from Karma Capital, please go ahead.

Nandita Parker: I had a question about your plans in the future you had said you know there are a number of opportunities in distribution transmission and so on but you know what about the learning from the past few years clearly there was never any question about the opportunity side but you know a lot of things came in the way including political issues and so on so I want you to please address these in terms of how are you looking at these projects going forward in terms of structuring you know the amount of leverage you would use and also you know what kind of returns you would expect this time around as opposed to when you started few years ago?

Lalit Jalan: This is a good set of question. Basically we have been in the electricity distribution and transmission sector, for a very, very long period and we run the best properties in Mumbai and Delhi and we had the experience of transforming Delhi from a 55% AT&C loss down to around 15% so this space now being with the public sector for the last so many years there is a huge demand from Ministry of Power, Planning commission, PM's office to open up this entire sector to private sector because they are unable to run this sector. In the few properties which came out for bidding in Maharashtra and elsewhere we found that, we participated given our experience and a desire for a 18% to 20% return on equity, the bidding was completely unreal and people with no experience in the distribution sector won these bids and as per our information they are bleeding money in those circle. So we expect that going forward sanity will return such operators would not get funding or would have learnt from the mistake and sensible bidding would return we are happy to be patient and wait for our opportunities. Similarly in the road segment we have learnt from the 11 Road projects that are under construction we have now got a very good idea about what we thought the revenue would be and what the revenue is actually showing up the mistakes that we are making in CapEx assumptions or in revenue assumptions and at least we feel very strongly that we are very sensible in our bidding and if you look at our bids over the last two years we are bidding with full eye on return to shareholders and if there is no return to shareholders we are okay not winning and just executing our existing projects. We would be happy that to grow in the secondary market rather than go and bid projects directly from NHAI, similarly on the metro space there is huge challenge required to work with urban bodies to get these metros completed we have got the experience of 5 to 6 years in this space and I think that will help us tremendously in addressing these opportunities as we move forward. So clearly on the return side our behavior has shown that we are not here to win projects at any price we are here to win projects at sensible economics and as you believe that the opportunities path can be huge so even if we address 7% to 8% of the opportunity there is a huge growth for the company going forward.

Nandita Parker: Right and would you mind specifying between these three areas. For example electricity distribution, NHAI projects and the urban transport what should we be expecting as a return on these projects I mean you have done a great job on the urban transport I know Delhi Metro is doing extremely well in terms of ridership but these are projects which are very long in that period, so how should we think about it?

- Lalit Jalan:** When we look at these projects we look at them from an equity IRR perspective and none of the projects which are available now are on a cost plus basis, they are all on competitive bidding, bidding on some tariff parameter or the VGF parameter, so we internally in our company we look at some minimum 18% to 20% equity IRR return from the projects that we bid and that's on the life of the projects, so we understand that for a Metro projects which is for 35 years we would have some financial loss in the proposed few years as the revenue picks up so that is true even of a road project, that may not be so much true in a distribution project so whereas the cash flows mismatches they will be little less in the distribution projects but then the high growth in the road and metro sector would compensate in terms of equity IRR.
- Nandita Parker:** Okay and just to pursue the metro projects for a bid what's your expectation now with how Delhi has done, I know you gave us some ridership numbers but can you give us what is the capacity at this level and then when do you expect to reach it?
- Lalit Jalan:** If I look at my existing trains we can run at 10 minutes frequency and at 10 minutes frequency we can comfortably do a 100,000 passengers per day and if the ridership increases to 100,000 over the next three to four years we can increase the frequency up to less than 3 minutes, so I can actually with the same set of assets just with the addition of rakes take this capacity up to almost 3.5 to 4 lakhs a day so that's the opportunity that is available in front of me over the next 35 years and if I look at the Delhi Metro of course which is on a bigger level in terms of network they are ten times my size but they are already carrying more than 20,000 passengers per day so there is a huge opportunity, people it takes time for them to shift their modes of travel but people are now realizing that it is a safe economical way of transport within the city.
- Moderator:** We have the next question again from the line of Mr. Atul Tiwari from Citigroup; please go ahead.
- Atul Tiwari:** Sir on your Delhi distribution circle after equity infusion how much stake you will have the stake will remain same 51%?
- Lalit Jalan:** Stake will remain the same because both the promoters would put the equity required in proportion to their stake in the company so we put Rs 520 Crores and Delhi Government has put Rs 500 Crores.
- Atul Tiwari:** Okay so 52% you will have right?
- Lalit Jalan:** 51%
- Moderator:** Thank you next question is from the line of Mr. Ankush Mahajan from KR Choksey, please go ahead.
- Ankush Mahajan:** Sorry sir I joined late, can you tell me status of Mumbai Metro sir?
- Lalit Jalan:** Mumbai Metro is almost 90% complete on civil construction and the system construction has

now started, we expect the metro to start operations by the end of this calendar year.

Ankush Mahajan: How do you see the aggressive bidding, the competitive bidding in the road sector now?

Lalit Jalan: I think the bidding intensity still remains to be high, at least I have not seen signs of moderation yet but we expect strongly my road team feels strongly that this moderation should come sooner than later.

Moderator: As there are no further questions from the participants I would now like to hand the conference back to Mr. Satyam Aggarwal for closing comments.

Satyam Aggarwal: We thank the management of Reliance Infrastructure in providing us an opportunity for hosting the conference call and to the participants for their participation thank you sir. Thank you everyone.

Moderator: Thank you on behalf of Motilal Oswal Securities Ltd., that concludes this conference call thank you for joining us and you may now disconnect your lines.